A dialogue on trade and development in South Asia

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TRADE insight

FUTURE OF TRADE POLICY

10 STRATEGIES FOR SOUTH ASIA

CLIMATE CHANGE AND SOUTH ASIA | INVESTMENT CLIMATE | ISSUES OF WEAKER ECONOMIES

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editors' note

South Asia

Rethinking Trade Policies

MULTILATERAL initiatives to address global problems are not a new phenomenon. The signing of the General Agreement on Tariffs and Trade (GATT) and the United Nations (UN) Universal Declaration of Human Rights dates back to the late 1940s. However, the increasing threat of climate change, inability of developing countries to benefit from international trade, widespread abuse of human rights, etc. have put in question the adequacy and efficacy of existing global regimes to address such issues. The situation has been aggravated by the fact that international trade and investment regimes and international norms that evolved out of the UN system on human rights, labour and the environment have traversed different and often conflicting paths. One major consequence of this has been that most developing countries in the world have liberalized their economies without considering the human development aspects and environmental consequences of such measures.

In South Asia too, countries have been pursuing unilateral, regional and multilateral routes for liberalizing their trade regimes. The impressive economic growth registered by most South Asian countries in the last few decades can be partly attributed to the economic reforms and trade liberalization measures they have undertaken. However, there is a growing concern that South Asian countries are still far from using trade as a means to achieve their development objectives. They thus need to strategically move forward in the ongoing and future trade negotiations to ensure that trade deals support their development objectives. There is also an urgent need for South Asian countries to review their trade policies. Furthermore, given the slow progress in regional economic cooperation, they also need to assess the adequacy of institutional arrangements for furthering economic cooperation in South Asia. The lack of political will for correcting the 'vision deficit' for greater South Asian cooperation is also a grave concern.

There is now a growing recognition of the need to ensure an inclusive and participatory trade policy-making process for addressing the concerns of non-state actors. Governments that develop their policies and prepare their negotiation positions after in-depth consultations with the stakeholders not only find it easier to implement commitments made during trade negotiations but also achieve better results. Another area that needs immediate attention is the issue of making trade policies gender sensitive. The case of women garment workers in Nepal included in this issue shows that women are extremely vulnerable to shocks resulting from trade liberalization or changes in international trade policies.

The lack of progress in multilateral negotiations has come as a blessing in disguise for developing countries, including those in South Asia. They should utilize this hiatus to identify and address the supply-side constraints that limit their potential to benefit from market access opportunities rather than merely pursue regional and bilateral agreements for trade liberalization. Improvements in infrastructure, trade facilitation measures, institutional arrangements and legal regimes are key to addressing such constraints. Given the contiguous nature of the South Asian continent, some of these can be better addressed by working together rather than individually. If utilized properly, the 'Aid for Trade' initiative of the World Trade Organization (WTO) can prove valuable in this pursuit. However, South Asian countries should not underestimate the role and potential of effective trade policies in helping them benefit from trade. ■

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THE WORLD BANK'S TRADE LOGISTICS INDEX

Does it rightly explain South Asia's poor performance?

The World Bank's 2007 report titled 'Connecting to Compete: Trade Logistics in the Global Economy' aims to highlight how countries are performing in the area of trade logistics, and what they can do to improve their performance. To assess their performance, the report uses the Logistics Performance Index (LPI), based on a survey of worldwide freight forwarders and express carriers.

The LPI was built on information from a web-based questionnaire completed by more than 800 logistics professionals worldwide—the operators or agents of the world's largest logistics service providers. Each respondent was asked to rate performance in seven logistics areas for eight countries with which they conduct business. For each respondent, the eight countries were automatically generated by the survey engine based on trade flows, income level, geographical position of respondent countries (coastal or landlocked), and random selection.

The seven areas of performance were: efficiency of the clearance process by customs and other border agencies; quality of transport and information technology infrastructure for logistics; ease and affordability of arranging international shipments; competence of the local logistics industry; ability to track and trace international shipments; domestic logistics costs; and timeliness of shipments in reaching their destination. More than 5,000 individual country evaluations were used to prepare the LPI, covering 150 countries. The LPI is aggregated as a weighted average of the seven areas of logistics performances. Each respondent was asked to evaluate the logistics performance and the environment and institutions in support of logistics operations in the country in which they are based and to provide time and cost data.

With regard to South Asia, landlocked least-developed countries (LDCs) such as Bhutan, Nepal, and Afghanistan are ranked 128, 131 and 150, respectively, while India, Pakistan, Bangladesh and Sri Lanka register at 39, 68, 87 and 92, respectively. Some commentators point out that this research, which is based on cross-country comparisons, does not take country- or region-specific structural weaknesses into consideration and only focuses on procedural issues. Also, a generic yardstick has been used in assessing the performance of all landlocked LDCs while the representative sample is limited to freight forwarders.

Trade Logistics Performance

Country	LPI rank	Score
Afghanistan	150	1.21
Bangladesh	87	2.47
Bhutan	128	2.16
India	39	3.07
Nepal	130	2.14
Pakistan	68	2.62
Sri Lanka	92	2.40

The report provides an empirical basis to compare and understand the differences in trade logistics among countries worldwide but given the cross-cutting nature of trade logistics, a wide spectrum of issues needs to be covered besides those that are already part of trade logistics services such as transport, warehousing, distribution, information management, etc. However, with both demand- and supply-side constraints prevalent in developing countries, particularly the landlocked least-developed ones, improving trade logistics is just one of the many challenges. Also, trade logistics performance indicators like tracking and tracing shipments, quality of transport and information technology infrastructure are relative to a country's technological progress.

Given that trade openness is often considered a precondition for high economic growth, developing countries are caught in a vicious cycle consisting of low levels of technology and an imperative to improve trade logistics to achieve such growth. In this scenario, although this type of index can be a tool to evaluate certain supply-side bottlenecks and recommend some areas to improve upon, it overshadows the demand-side problems that cause developing countries to perform poorly in the globalized era.■

Agriculture Negotiations

Six new proposals

THE G-20, a grouping of developing countries, released six proposals on 17 December 2007, clarifying their position on several issues in the Doha Round of agricultural negotiations. The proposals addressed issues relating to domestic support, export credits, sensitive products, tariff capping, tariff escalation, and tariff simplification.

On domestic support, the G-20 addressed technical legal issues, emphasizing that the group's position remains unchanged. The group noted that it would like to see commitments and disciplines on the overall level of trade-distorting support, blue box support, and product specific caps included in the Agreement on Agriculture.

The G-20 requested transparency in comparing the value of negotiating results on sensitive products, a group of goods that all World Trade Organization (WTO) Members will be able to slate for a lower rate of tariff reduction, in return for expanding import quotas. The G-20 reiterated their support for the 'product approach' to selection, under which sensitive products would be designated at the 6-digit HS level, as against the 8-digit HS level sought by the European Union (EU), among others. A separate paper seeks to cap tariffs on non-sensitive farm products at 100 percent and 150 percent for developed and developing countries, respectively. Duties on sensitive products would be limited to 150 percent and 225 percent. The G-20 also produced a list of products to be considered under the Doha mandate to address tariff escalation.

The G-20 is a group of agricultural exporting countries which came together as one of the strongest negotiating forces during the WTO's Cancún Ministerial in 2003. The group is led by Brazil, China, India and South Africa. The group makes up over half the world's population and two thirds of its farmers (*Bridges Weekly Trade News Digest, 16.01.08*).■

EU accepts TRIPS amendment

THE European Union (EU) has taken steps to ratify a 2005 decision by the World Trade Organization (WTO) conceived to ensure that intellectual property does not limit access to medicines for developing countries. EU's trade commissioner, Peter Mandelson announced on 30 November that the EU has formally informed the WTO that it accepts a protocol amending the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

This amendment, approved by the WTO in December 2005, is intended to ensure that generic versions of patented medicines can be acquired by developing countries that need them for public health reasons without the patent-holder's permission. The new amendment will permit any WTO Member to export a majority of medicines made under such a licence to a developing country that does not have its own manufacturing capacity. Two thirds of WTO Members are required to ratify the decision before it will have legal effect. Prior to EU's announcement, only 13 countries had officially approved the deal (*Intellectual Property Watch, 02.02.08*).■

Taiwan warned on patent law

The European Commission on 30 January warned that it could start dispute proceedings against Taiwan in the WTO unless its patent law is amended within two months. The warning came following an investigation into a complaint filed by the Dutch electronics giant Philips concerning the issuance in 2004 of a compulsory licence by Taiwanese national authorities allowing Gigastorage, a Taiwanese company, to continue making recordable CDs with a technology over which Philips has patent rights, although Philips had scrapped its licence agreement with Gigastorage in 2001.

WTO approves membership

THE General Council on 18 December 2007 approved Cape Verde's membership of the World Trade Organization (WTO). Also, the General Council on 5 February 2008 paved the way for Ukraine's membership by approving its terms of accession. With these decisions, the WTO's membership is set to reach 153.

Cape Verde: Part of a group of islands in the North Atlantic Ocean, Cape Verde's economy suffers from a poor natural resource base, including serious water shortages. The economy is service-oriented, with commerce, transport, tourism, and public services accounting for 66 percent of its gross domestic product (GDP). Cape Verde annually runs a high trade deficit, financed by foreign aid and remittances from emigrants.

Ukraine: Europe's second largest country by area, Ukraine is a land of agriculture and heavy industry with a population of 46.6 million people. In 2006, Ukraine's nominal GDP reached US$106.1 billion. The former Soviet republic's real GDP growth in 2008 is projected at 6.2 percent. Ukraine's main trading partners are the European Union, Russia, Turkey, Belarus and the United States (*www.wto.org, accessed 05.02.08*). ■

CHINA and INDIA
A shared vision for 21st century


www.mod.nic.in

INDIAN Prime Minister Manmohan Singh's 13–15 January visit to China, the first by an Indian premier in nearly five years, underlined the importance two of the world's fastest growing economies attach to their relationship, and the possibilities of complementarities and cooperation between them.

The two Asian giants, which make up two thirds of humanity, decided to raise annual bilateral trade to US$60 billion by 2010, as the previous target of US$40 billion by 2010 is expected to be achieved this year while the target of US$20 billion for this year was met in 2006.

Sino-India annual trade, which grew by 50 percent during 2002–2006, touched US$35 billion in 2007, a 56 percent increase over the previous year. The growth in bilateral trade surpasses the expansion of each country's total foreign trade, 23–24 percent annually. China is India's second largest trade partner while India is China's 10th largest trade partner. Moreover, China's trade with India is growing faster than that with the first nine. Along with bilateral trade, India's trade deficit with China has also increased, to US$9 billion from US$4 billion in 2006.

In a move to deepen their ties, the two countries signed 10 deals in areas ranging from economic planning to housing and railway construction to health and culture. Following a meeting, Indian Prime Minister Singh and his Chinese counterpart, Wen Jiabao, issued a joint document enshrining a 'shared vision' for the 21st century for accelerating bilateral ties and making joint efforts in contributing to world development. Covering a wide range of areas, both bilateral and multilateral, it touches on economy, politics, energy (including nuclear), climate change, disarmament, terrorism, religion, regional trade, defence and the border issue. Singh described the statement as an "important milestone in the evolution of relations" while Wen remarked that the document sends positive signals to the world that China and India support each other for mutual progress and the establishment of a harmonious world.

The awe-inspiring steady and rapid growth rates being clocked by India and China—9 percent and 10 percent, respectively—have also touched off a curiosity as to how Sino-India relations would unfold in the context of their vying for the same markets and natural resources to sustain the same. However, brushing aside any notion of rivalry, Wen, following his meeting with Singh, said: "We are cooperative partners rather than competitors".

However, the meeting did not succeed in reconciling all differences on trade relations. No breakthrough was reached on China's proposal for a regional trade agreement with India. The two sides could only manage to agree to launch a feasibility study on such an agreement at a 'proper time'. India is yet to grant Market Economy Status (MES) to China. India will have to grant such status to China if they enter into a free trade agreement. Once MES is granted, India will compulsorily have to accept numbers supplied by China in all anti-dumping cases initiated by it against China (*BBC; The Economic Times; International Reporter; People's Daily*; and *http://pd.cpim. org, accessed 12.02.08*).■

Trade policy review of Pakistan

PAKISTAN'S economic performance since 2002 has been impressive but the economy still faces challenges due to structural weaknesses, low tax collection, current account deficits, insufficient export diversification, and political uncertainty, according to its recent Trade Policy Review (TPR). Praise for Pakistan's generally liberal foreign direct investment (FDI) regime and increased FDI inflows was tempered by concern over persisting impediments, including complex investment procedures. (*Bridges Weekly Trade News Digest, 23.01.08*). ■

India, EU to make FTA offers by February-end

EVEN as experts doubt the possibility of a 'deep free trade agreement' between India and the European Union (EU), both sides are likely to exchange offers on goods and services by February-end. According to Indian Commerce Minister Kamal Nath, the talks for the free trade agreement (FTA) were one of the easiest and could be wrapped up by the end of 2008. The EU is India's largest trading partner and accounts for one fifth of its exports. An India-EU FTA is expected to be economically beneficial only if the treaty is 'deep', going beyond lowering tariffs to include topics like regulatory frameworks, non-tariff barriers, and investment and competition policies (*Business Standard, 13.01.08*). ■

France picks Stiglitz, Sen to devise better growth indicator

TWO Nobel laureate economists, Joseph Stiglitz and Amartya Sen, have been tasked by the French president, Nicolas Sarkozy, with devising an indicator of economic performance that takes into account what the traditional measure—gross domestic product (GDP)—does not: quality of life.

Joseph Stiglitz

Amartya Sen

Stiglitz, winner of the 2001 Nobel economics prize, is a critic of free market economists who resigned as the World Bank's chief economist accusing the rich countries of not doing enough to help the poor around the world. Sen was awarded the Nobel Prize in 1998 for his work on developing countries and well-being in India. He helped develop the United Nations Human Development Index, a yearly welfare indicator designed to gear international policy decisions to take account of health and living standards.

The appointments have come as Sarkozy—elected in May 2007 on a reforms plank aimed at raising the living standard of the French—grapples with a sluggish economy that is not showing the desired effects of his reforms due to rising oil and food prices and a slowdown in the US economy. In terms of GDP, French growth has lagged behind that of the US throughout most of the 1980s and 1990s and every year since 2001. France's growth averaged 1.7 percent during 2002–2006. The French government's budget assumes 2–2.5 percent growth, but the country's statistical agency projects a lower rate of 1.9 percent. Sarkozy, who declared "I will not wait for growth, I will go out and find it", roped in the two Nobel laureates to deal with the what he calls "the growing gap between statistics that show continuing progress and the increasing difficulties [French people] are having in their daily lives."

High taxes and welfare, and rigid labour laws are said to be choking the competitiveness of French enterprises. Sarkozy's attempt to reform labour laws, among others, has met with stiff opposition. He is coaxing his compatriots into working longer than the current 35.9 hours a week, which is below the European Union average of 37.4 hours.

Sen has been appointed advisor to the French government and Stiglitz chairman of the committee of experts that will oversee the reform process. Following his appointment, Stiglitz said GDP is an imperfect indicator. "If you improve the quality of life, it doesn't show in material consumption, it doesn't show up in GDP," he said *(www.rediff.com; www.econlib.org; business.timesonline.co.uk; www.economist.com; news.bbc.co.uk, accessed 20.01.08).* ■

BALI CONFERENCE ADOPTS ROADMAP FOR Climate Change Negotiations

THE United Nations Climate Change Conference, held in Bali, Indonesia on 3–14 December 2007, adopted a roadmap which charts the course for a new negotiating process to be concluded by 2009 that will eventually lead to a post-2012 international agreement on climate change.

The issues to be negotiated until 2009 include: action for adapting to the negative consequences of climate change such as droughts and floods; ways to reduce greenhouse gas emissions; ways to widely deploy climate-friendly technologies; and financing both adaptation and mitigation measures. The concluding negotiations in 2009 will pave the way for the new deal to enter into force by 2013, following the expiry of the first phase of the Kyoto Protocol.

The Conference brought together more than 10,000 participants, including representatives of over 180 countries along with observers from intergovernmental and non-governmental organizations.

Trade ministers who attended the meet also discussed the issue of non-tariff barriers (NTBs) to investment, which could cover zoning codes, tax incentives, operating permits, or just about any measure governments enact that somehow impact investment. Earlier in 2007, the Intergovernmental Panel on Climate Change (IPCC) issued a finding that if left unchecked, the world's average temperature could rise by as much as 6 degrees by the end of the century, causing serious harm to economies, societies and the ecosystems worldwide.

The Conference decisions include the launch of the Bali Action Plan and the Adaptation Fund as well as decisions on technology transfer and on reducing emissions from deforestation. The Bali Action Plan recognizes that deep cuts in global emissions will be required to achieve the ultimate objective of the Convention while the Adaptation Fund made a decision to finance concrete projects and programmes that are country-driven and based on the needs, views and priorities of eligible parties (*www.unfccc.int, accessed 20.12.07*). ■

Can SAFTA fill South Asian Vision Deficit?

Successful examples of regional integration tell us that integration is about bringing nations together and then building frameworks of cooperation and, where feasible, institutions that reinforce and sustain them even more.

■ Safdar Sohail

A voluminous literature has appeared over the last few years on the future of the region popularly called South Asia. The slow progress in economic integration among South Asian countries has dampened the euphoria created after the signing of the Agreement on South Asian Free Trade Area (SAFTA). Many of the 'stakeholders' of deeper integration in the region have almost given up on the idea of a 'South Asian 21st Century', though the media and cultural industry still appear to be attached to such vision and are exhorting the citizens of South Asian Association for Regional Cooperation (SAARC) countries to envision a new South Asia.[1] But when one contrasts this vision with a low and, more importantly, almost stagnant level of intra-SAARC trade, one realizes that the fancy dress show of the South Asian vision is not draped on real bones and flesh.

The bones and flesh to the futuristic vision of any region have to be provided by the political, social and economic visionaries of that region. The scepticism regarding SAFTA suggests that either it was unrealistic to start with such a free trade framework or the potential stakeholders in a South Asian vision have not tried hard enough to envision possible scenarios, especially in the social and political realms. The media, however, continues to present trade as a major driver of an all-encompassing integration in the region. Continuing low level of intra-regional trade is a reality check on

the vacuity of a facile vision of a South Asia without borders and a reminder that trade and politics remain joined at the hip, more so in a rapidly globalizing world. Without a political and social vision of the future, insignificant trade among SAARC countries can hardly deliver an enviable future for the coming generations of South Asians. The stakeholders in a South Asian vision, therefore, need to fill this vision deficit by going beyond the mere expression of the desirability of having a cosy notion of South Asia without borders.

While agreeing on the desirability of cooperation among South Asian countries, the founders of SAARC made a candid assessment of the future of the region, which shared a past. This was at best an indicative statement, which should have been considered deeply and seriously. The first question all of us needed to ask was whether there was anything natural or objective about South Asia?

The notion of South Asia, as usually used these days, in the words of S. Joshi, "...is a product, not of proximity, nor is it based on a shared world-view." It is more a product of a variety of global, regional, and local political processes, which, in turn, reflect different configurations of power relations and history, changing shape and colour with place and situations. South Asian governments and people, interested in a promising future for the region, need to face and, where necessary, confront this baggage, with a hope to recognize the principal obstacles holding a South Asian future back and be able to transcend and resolve them. Given the centrality of India in the region, the role of Indian decision makers and opinion makers would be pivotal in this regard.

Joshi asserts that "when thinking about South Asia, the Indian state has often sought the same role as a regional hegemon as the one enjoyed by the British Empire in its heyday. Of course, Pakistan was a visible and vocal obstacle to this 'imperial' imagination of South Asia. But, in the Indian imagination, Pakistan was, and to a large extent continues to be, regarded as an artificial creation, brought into being from naturally-existing India by the machinations of the British and some self-serving Muslim politicians. The description of partition as a 'tragedy' in this context refers not to the millions of dead and displaced, but to the very existence of Pakistan. The colonial legacy continues to haunt the Indian imagination of South Asia, particularly in the way it seeks to represent its role in the region as a benevolent though vastly superior lord of the manor. We cannot, however, transcend what we don't first recognize."[2]

Joshi's is not a lone voice as similar perceptions reflect through a wide spectrum of ideas across SAARC countries and elsewhere; from Venaik[3]—who would want India to avoid following the United States' example in pursuing hegemonic ambitions—to the open and implicit ruminations in smaller SAARC countries desirous of a vision of South Asia which would not condemn them to the status of India's politico-economic satellite. This is because India appears to be pursuing its geo-strategic and commercial interests, in tandem with its nationalistic corporate sector, keen on accentuating India centric-ness in the regional context, on the model of the British Indian Empire.

> As a result of vision deficit in South Asia, all the discussions on salvaging the SAFTA process from the India-Pakistan stalemate end very quickly and abruptly with the MFN status demand from the Indian side and the non-tariff barrier-related accusations from the Pakistani side

In Pakistan, with the passage of time, the pessimism over SAARC is increasing as it is felt that a visionary intellectual and moral leadership from the Indian side is not forthcoming, barring some lonely voices here and there in the media or academia. Though there is an awareness in Pakistan that an increased trade with India can bring consumer welfare and help local industry in many ways, by making available raw materials and intermediate goods at more competitive terms, there is a feeling that in the absence of a shared vision for South Asia coming from India, Pakistan's growing trade deficit with India would become a tool of subjugation through trade. As an economic vision and a roadmap to reach there are not being spelt out and discussed, beyond the 'consumer welfare' of Pakistanis, when Pakistan would grant most-favoured-nation (MFN) status to India, there is a feeling that India is not much keen on SAARC integration. Indian keenness to sign SAFTA-plus bilateral comprehensive economic partnership agreements with all SAARC countries except Pakistan and its trans-regional trade agreements are taken as evidence that South Asian regional integration is not so important for India.

As a result of this vision deficit, all the discussions on salvaging the SAFTA process from the India-Pakistan stalemate end very quickly and abruptly with the MFN status demand from the Indian side and the non-tariff barrier-related accusations from the Pakistani side. The recent academic work has not helped the situation either. A cursory look at the literature coming out from the Indian side makes one feel as if most of these analysts have made a kind of a stereotypical mindset embedded in a few mythical realities, the most important being their 'concern' for the welfare of the Pakistani consumer due to the presence of a positive list, and informal and circular trade. Most of these analyses recommend to the Pakistani decision makers to adopt 'people-friendly trade policies' and regret on behalf of the Pakistani consumer that the latter is not able to benefit from trade with India due to political reasons, since for them, voluminous smuggling of commodities and merchandise between the two sides is an indication of the mutually profitable economic opportunities and reflects the suppressed desire of the business communities in either country to trade with each other.

For many of these analysts, the huge benefits that could accrue to Pakistan should be the natural shared policy objective of both the countries. Usually these analyses end with a regretful tone as if what could India do if Pakistan is axing its own foot. In Pakistan, such a simplistic mindset, reminding them of the nationalist overkill, is considered to be the main problem in the way of a systematic and serious exploration of different aspects of collaboration and integration between the two countries, including a free trade agreement between them.

There is a lot of literature on the benefits SAARC countries can get by trading with India. There is a need for the Indians to come out with greater detail in what sense SAFTA is an attractive deal to India. I remember an Indian author telling a group of researchers: "Frankly speaking, the deal on SAFTA is nothing great for India except fulfilling its political objectives, but it would be better not to start a debate at this hour when SAFTA has just begun, and under Track II mode discussions to include services are going on among the economists of the member countries.'' SAFTA has the possibility of being a small or a big vehicle for the welfare and development of ordinary people in South Asia. The final outcome would depend on us all, but, above all, on the largest and most happening country in the region.

Many Indian analysts, especially the ones linked to Track II diplomacy, however, appreciate that one could not wish the political problems away and trade might not be able to 'dissolve' the political issues and that the researchers on both sides need to highlight the 'conditions' in which the trade integration initiatives can function as tools of conflict resolution. Bidana Chepanag, in 1999, wrote that "…the other conducive conditions [for more India-Pakistan trade] are cultural affinity, common language, similar economic and social systems which provide an ideal foundation for broader India-Pakistan trade ties".[4] We need to ask, after nine years: in what shape is the 'ideal atmosphere'? The 'same culture' argument, one fears, has stopped augmenting trade in the region. The exhortations to let more trade heal the wounds are becoming more vacuous and the academia on both sides needs to work hard to spell out the 'conditions' for a win-win situation in this connection. There are a good number of suggestions to remove the irritants in the way of trade, but in the case of the India-Pakistan conflict, trade facilitation measures have to be accompanied by the acceptance of the final shape of the outstanding conflicts to avoid a replay of the Oslo Accord.[5]

The final shape of the political conflicts between India and Pakistan in particular and of other political conflicts in the region in general is inextricably linked with the notion of a regional identity. The social scientists in the region, particularly in India and Pakistan, need to spend more energy on debating the contours of the regional South Asian identity and discard the predominant colonial discourses and theories in different shapes and hues if these are delaying the discovery of the authentic foundations of a South Asian identity, if there exists any. The imperative of such a debate has become all the more important these days as almost every geographically contiguous region is exploring the possible relationships between regionalism and globalization.

> Regionalism and all it entails is one of the strategies to respond to the challenges thrown up by globalization as it could be a stepping stone to globalization that involves an inseparable blending of politics and economics across the board

Successful examples of regional integration tell us that integration is about bringing nations together and then building frameworks of cooperation and, where feasible, institutions that reinforce and sustain them even more. Different countries and regions are handling globalization in their own way. Regionalism and all it entails is one of the strategies to respond to the challenges thrown up by globalization as it could be a stepping stone to globalization that involves an inseparable blending of politics and economics across the board. SAARC countries are also struggling to come up with effective strategies vis-à-vis globalization but are being held up in the archaic world of nationalism, deeply etched into the western political ideology of nationalism of days of yore. To what extent they could break out of these moulds would decide the economic, social and political future of the region conveniently called South Asia.■

The author is Director General, Foreign Trade Institute of Pakistan, Islamabad, Pakistan. Views expressed are personal.

Notes

1. A project is being run these days under the title, 'Imagine a new South Asia' in SAARC countries under the auspices of ActionAid.
2. Joshi, S. Colonial Notion of South Asia. On South Asian Free Media Association (SAFMA) website, www.southasianmedia.net (accessed 02.12.07)
3. Venaik, A. 2007. *Masks of Empire*. Chennai: Tulika Books.
4. Chepanag, B. 1999. *The IDSA Journal*.
5. Jones, D.L. 2004. Mediation, Conflict Resolution and Critical Theory. *Review of International Studies*.

International Trading Agreements Sixty Years on

The global system needs a makeover

The UN, the WTO, the IMF and the World Bank should engage in pragmatic negotiations to strive for a higher common denominator for multilateral relations.

■ **Carin Smaller**

This year marks the 60th anniversary of the international trading system, the creation of the General Agreement on Tariffs and Trade (GATT). Sixty years ago was also the year governments under the United Nations (UN) signed the Universal Declaration of Human Rights. Both agreements were negotiated in the aftermath of World War II. The GATT set out to create a fair and stable international trading system to prevent the trade wars and economic rivalry that had contributed to the Great Depression and the outbreak of World War II. It was limited to a set of rules to reduce tariffs on the trade in manufactured goods. Agricultural goods were exempted through a series of waivers. Governments were allowed to use tariffs to protect domestic production, but only if they did not export the surpluses.

UN, WTO in crisis

Sixty years on, both the UN and the World Trade Organization (WTO) are perhaps in greater crisis than at any other time in their history. The UN is struggling for political relevance in the face of hostility on the part of its most powerful member, the United States (US). This hostility is coupled with indifference from most of the rest. The UN is also suffering from a widely shared sense of malaise and dissatisfaction brought on by the collapse of too many issues into simplistic North-South struggles rather than pragmatic negotiations on how to accommodate diversity while striving for a higher common denominator for multilateral relations. For its part, the WTO's Doha Agenda is at a standstill. The talks are blocked by the agricultural politics of the US, the European Union (EU) and, to some extent, Japan; by the push to further open markets in the bigger developing countries; and by the failure of the multilateral trading system to provide anything of substance to the poorest developing countries.

In Geneva, trade negotiators continue to work tirelessly towards a conclusion of the Doha Agenda, but a deal seems further away than ever. Negotiators are slowly chipping away at minute technical details (sometimes successfully and at other times not) and ignoring the political reality that the Doha Agenda is deeply unpopular all over the world and that there is simply no appetite for a deal right now. Citizens in Europe and America, many of whom have been big supporters of a free trade agenda, are asking more questions about the impact of trade policies on working conditions, and the damage to the environment. Citizens in the developing world have borne the brunt of the WTO's model of trade for several decades now. Some parts of the developing world have recorded impressive growth rates in the past decade, in particular China, India and Brazil, and witnessed a significant reduction in the incidence of poverty. But others have lost out. They are opposed to the model of growth being promoted under the WTO and other bilateral and regional trade agreements. Growth is being unevenly distributed, increasing inequalities between the rich and the poor, and taking an enormous toll on the environment. Farmers and small and medium entrepreneurs are hurt by competition from giant multinationals. Workers are forced to accept miserable conditions.

However, trade negotiators in Geneva continue to produce texts for new trade rules that do not support a model of development that most people are asking for. Another set of texts on agricultural and manufactured goods are expected to be out early in 2008. They will contain more of the same. Trade ministers could be invited to Geneva towards the end of March or beginning of April, but almost no one believes that an agreement will be reached.

Meanwhile, governments are increasingly turning to bilateral and regional trade agreements to pursue their economic interests. And the public has turned its attention away from the WTO and to other pressing global challenges: climate change, the massive increase in demand for raw commodities and other natural resources, including biofuels, and high food and energy prices, which raise concerns about global food and energy shortages, and economic recession. These new global challenges make it more urgent than ever to build a strong system of international governance to help solve problems jointly. That includes a strong multilateral trading system that produces a set of rules and regulations to help governments implement the right mix of policies to build strong economies, which create decent employment, an equitable distribution of wealth, and in a manner that ensures the sustainable use of natural resources and the environment.

Impact on human rights and environment

The past 60 years of multilateralism have been characterized by a deep disconnect between the international trade and investment regimes on the one hand, and the body of international norms that evolved out of the UN system on human rights, labour and the environment, on the other. Only recently has anyone begun to examine and assess how trade liberalization, and the broader project of economic deregulation, are affecting the environment—and, more recently, climate change—and also the realization of human rights, in particular economic, social and cultural rights. Several UN agencies, think tanks and non-governmental organizations (NGOs) are actively taking on these issues.

The United Nations Environment Programme (UNEP) is undertaking a number of case studies in developing countries to assess the impact of trade liberalization on biodiversity and the environment. In Bangladesh, for example, the government developed the shrimp export sector as a result of reforms under the World Bank Structural Adjustment Programme. While shrimp exports grew from US$91 million to US$260 million between 1986 and 1998, the coastal shrimp farming areas experienced environmental degradation; water pollution; increased salinity of soil, canals and ponds; reductions in grazing land; destruction of mangrove forests; and adverse affects on cropping patterns. Traditional economic activities such as cattle grazing and poultry farming were negatively affected, soil fertility declined, and income inequality increased. There was also a notable increase in health problems due to water pollution.[1]

A UNEP assessment of Chile's copper mining sector showed that trade liberalization in the copper sector has led to growth at the cost of environmental quality that may not be sustainable. Environmental problems associated with copper mining include air pollution; overuse and pollution of water; soil contamination and land degradation; and damage to species and their habitats.[2]

The UN Food and Agriculture Organization (FAO) examined the impact of agricultural import surges in developing countries as a result of trade liberalization. It found that the countries that were most affected by such surges included India, Bangladesh, Zimbabwe, Kenya, Nigeria, Ghana, Malawi, Ecuador and Honduras. The products most affected included sugar, palm oil, meat (pig, poultry and bovine) and rice.

In Kenya, for example, the government deregulated its sugar sector under policy prescriptions from the World Bank and the International Monetary Fund (IMF) in the mid-1980s and the 1990s. The liberalization of the sugar sector resulted in a massive increase in sugar imports. The employment in the sugar industry fell by 80 percent, from 43,000 people in the 1990s to 7,500 people in 2004. More than 160,000 households suffered income losses, undermining the human right to an adequate standard of living, food, and work.[3]

> Sixty years of multilateralism have been characterized by a deep disconnect between trade and investment regimes, and international norms on human rights, labour and the environment

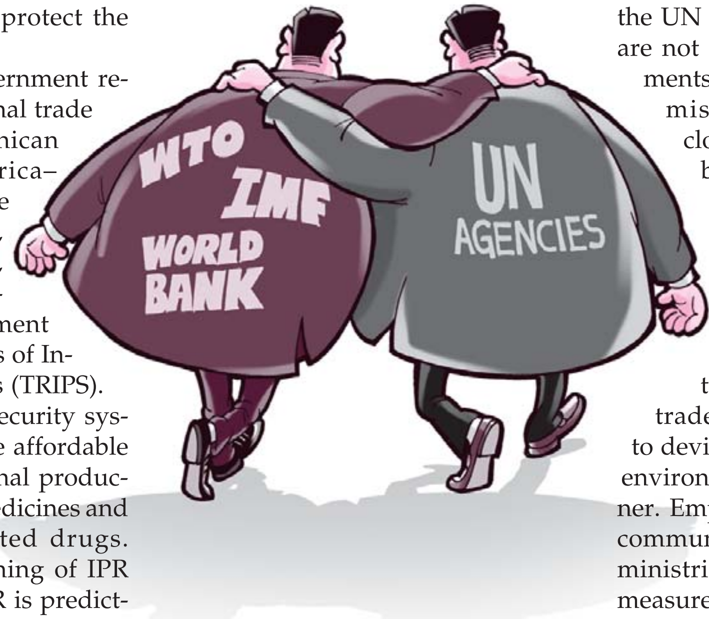
The Ghanaian government deregulated its poultry sector under policy prescriptions from the World Bank and the IMF. The deregulation of the sector led to massive imports of poultry from Europe. Domestic producers' share of the domestic market shrank from 92 percent in 1992 to 11 percent in 2001. More than 400,000 poultry farmers lost their jobs, violating their human rights to an adequate standard of living, food, and work.[4]

In Indonesia, the government implemented a series of economic reforms in order to comply with its WTO commitments and the policies of the World Bank and the IMF in the late 1990s. This led to a rapid surge in cheap rice imports displacing many local rice producers.[5]

The UN Special Rapporteur on the Right to Health, several UN Human Rights Committees, and NGOs such as 3D-Trade-Human Rights-Equitable Economy, have all raised concerns about possible violations of the right to health due to intellectual property right (IPR) provisions in bilateral, regional and multilateral trade agreements.[6]

On a mission to Peru in 2004, for example, the UN Special Rapporteur on the Right to Health recommended that the Peruvian government assess the likely impact of a Peru-US free trade agreement on the right to health, including access to essential medicines, before signing the agreement. The Ministry of Health of Peru undertook an impact assessment and concluded that an extra 700,000 to 900,000 people would be excluded from treatment as a result of the proposed agreement. The Intellectual Property Office of Peru also raised concerns about the cost of medicines. Nevertheless, the final text of the agreement contains IPR laws that lack appropriate safeguards to protect the right to health.[7]

The Costa Rican government recently concluded a regional trade agreement called Dominican Republic-Central America–United States Free Trade Agreement (CAFTA-DR), which will expand, among others, IPRs beyond the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Costa Rica has a social security system that seeks to provide affordable medicines through national production, import of generic medicines and subsidization of patented drugs. However, the strengthening of IPR laws through CAFTA-DR is predicted by one commentator to be likely to result in an 800 percent increase in the cost of medicines.[8]



New vision for 2008

The current trading system, and the model of trade it promotes, needs to change in order to address some of the negative impacts on employment, human rights and the environment. Furthermore, today's global challenges present another set of concerns, which the trading system cannot afford to ignore. Existing efforts to address some of these problems are being discussed and coordinated under the UN system. The World Bank, the IMF and the WTO must start cooperating with the UN processes in a more meaningful way—and also vice versa, for the ministries responsible for the UN processes cannot afford to ignore what is happening in trade. The two systems cannot continue to operate in isolation of each other.

The UN Framework Convention on Climate Change (UNFCCC), for example, is the international treaty under which governments agreed to coordinate efforts to reduce greenhouse gas emissions and to reverse or mitigate the effects of climate change, which has implications for trade. As governments work towards a new climate change agreement, the links with trade should be identified and appropriately addressed.

Work has already started. Trade ministers met on the sidelines of the Bali Climate Change Conference in December 2007. The US and the EU went to the meeting with a proposal for the liberalization of environmental goods and services, arguing that increased trade in climate-friendly technologies could help combat climate change. The proposal is self-serving. It focuses on expanding markets for environmental goods and services predominantly produced in the US and the EU. It avoids any discussion of a broader debate about trade and the environment, and the possible negative effects of the existing model of trade on climate change. Trade ministers should start with an assessment of the impacts of trade on climate change and then find pragmatic solutions and, if need be, change the multilateral trading system, to ensure that trade does not undermine efforts to tackle climate change.

> The World Bank, the IMF and the WTO must start cooperating with the UN processes in a more meaningful way

WTO Members, on their part, need to work more consistently with the UN to ensure that human rights are not undermined in trade agreements. Trade ministries and WTO missions should look more closely at the work being done by UNEP, FAO and UN Human Rights Bodies on trade and use this information to guide future policy thinking under the WTO. Environment ministries need to work with trade ministries to identify linkages between trade and the environment and to devise trade policies that use the environment in a responsible manner. Employment ministries need to communicate more clearly to trade ministries about the types of trade measures that are likely to boost, and those that could threaten, employment.

It is time to create a global system that acts together. Multilateral institutions should be capable of taking complicated decisions that involve other institutions in their work, and that are cognizant of other multilateral obligations. Sixty years on, the global system needs a makeover. Why not give the Doha Agenda a makeover at the same time? ■

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Notes

1 http://www.unep.ch/etb/publications/intAssessment/synrep.pdf
2 http://www.unep.ch/etb/publications/intAssessment/synrep.pdf
3 http://www.southcentre.org/Events/2007Jun_Trade_Liberalization_Agriculture_Background_document_2.pdf
4 ftp://ftp.fao.org/docrep/fao/009/j8672e/j8672e00.pdf
5 Indonesia has 13.6 million rice farmers. Many farmers were unable to sell their rice in the market. See http://www.e-alliance.ch/globaltrade/policiesandhunger.pdf
6 See http://www.3dthree.org/en/page.php?IDpage=23 for further details
7 http://www.3dthree.org/pdf_3D/DOvett_PUENTESarticle_Feb06_Eng.pdf
8 CAFTA–DR is a comprehensive trade agreement among Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and the US. http://www.3dthree.org/pdf_3D/3DCESCR_CostaRicaNov07.pdf

cover feature

FUTURE OF TRADE POLICY

10 STRATEGIES FOR SOUTH ASIA

Time is ripe for South Asian countries to take cognizance of their trade policies at the unilateral, bilateral, regional and multilateral levels and engage in strategic liberalization according to domestic development priorities.

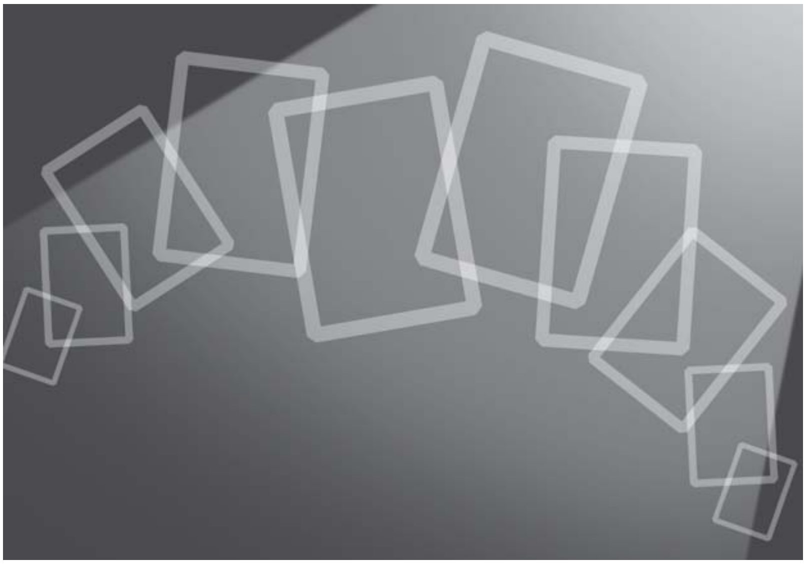
■ Saman Kelegama

South Asia was a latecomer in pursuing a liberal trade strategy vis-à-vis East Asian countries. By the time South Asian countries gradually opened up their trade regimes in the 1980s, an import substitution trade structure with licensing, quantitative restrictions, and controls was well entrenched into their trade regimes.

Consequently, there was resistance to trade liberalization by those who benefited from the 'licensing raj', and the trade liberalization process slowed down after the initial reforms. Moreover, South Asian countries could not reap the same benefits from the global trading environment as the East Asian countries did during the late 1960s and 1970s, as the trading environment during the 1980s and 1990s had become far more competitive with more players in the global market.

The unilateral trade liberalization initiatives of South Asia in the 1980s were supported by multilateral and regional trade liberalization initiatives from the mid-1990s onwards, with both the World Trade Organization (WTO) and the SAARC Preferential Trading Arrangement (SAPTA) coming into operation. Although the Uruguay Round was a *fait accompli* for South Asian countries just as it was for all developing countries, the region together with other developing countries fought its way to work out the Doha Development Agenda (DDA) in the WTO in late 2001 that brought to the centre the 'development dimension' in the multilateral trading system.

Despite the current stalemate in WTO negotiations, South Asia can be content with how it shaped the multilateral trading agenda as articulated by DDA and currently negotiated under the July 2004 framework. The same cannot be said, however, about South Asian regional trading via the SAPTA framework. It was a disappointing experience from the very beginning.



Although there was evidence from Latin American countries and the Association of Southeast Asian Nations (ASEAN) that a 'positive list' approach to preferential tariff reduction is cumbersome and time consuming, and three South Asian countries (viz., India, Sri Lanka and Bangladesh) had experienced the problems of the 'positive list' approach under the Bangkok Agreement two decades before SAPTA came into operation, SAPTA blindly embraced the 'positive list' approach in late 1995 and continued with that approach till the Agreement on South Asian Free Trade Area (SAFTA) came into force in July 2006. The end result was that SAPTA proved to be an ineffective framework in boosting trade in South Asia during its decade of operation.

Among other reasons, it was this slow progress of SAPTA that led to bilateral free trade agreements (BFTAs) within South Asia (e.g., India-Sri Lanka FTA, India-Nepal FTA and Pakistan-Sri Lanka FTA), trans-regional FTAs (e.g., Bay of Bengal Initiative for Multi-Sectoral and Technical Cooperation Free Trade Area (BIMSTEC FTA), Indian Ocean Rim-Association for Regional Cooperation (IOR-ARC) and Asia-Pacific Trade Agreement (APTA), which is the new name of the Bangkok Agreement), and trans-regional BFTAs (India-ASEAN FTA, India-Singapore Comprehensive Economic Cooperation Agreement, etc.). Most of these FTAs were not comprehensive, although they did contribute to stimulating trade flows among the member nations.

Although SAFTA—based on a 'negative list' approach—came into operation in 2006, it has a number of shortcomings such as a large negative list, a long tariff liberalization period compared to competing regional trade agreements (RTAs) and BFTAs (thus losing its relevance), and a time-consuming dispute settlement mechanism. Studies have shown that due to the large negative list, 53 percent of regional imports are excluded from SAFTA tariff preferences.

Thus, the attempts to create more BFTAs and move beyond the RTA still prevail in South Asia, as described above. Meanwhile, very little progress is visible at the multilateral level due to the standstill at the WTO since July 2006.

Above all, the unilateral liberalization initiatives have also slowed down in South Asia in recent years. Trade reforms have been frozen at current levels and there are attempts to obtain more 'policy space' to pursue national development agendas in most South Asian countries. In fact, the World Bank's 2004 Trade Policy Review of South Asia shows that with the proliferation of para-tariffs and other trade-related taxes, some South Asian countries have become more protectionist in mid-2000 than during the 1990s.

Clearly, trade policy in South Asia is at a crossroads, and there is an urgent need to take a serious look at the current status and future of trade policy in the region. Is there a clear direction for trade policy in South Asia? Is the region stuck in a global 'spaghetti bowl' of overlapping trading arrangements? Is the region reacting to global events without having a proactive, well-defined trade strategy? These are some of the relevant questions in the contemporary dialogue on South Asia's trade policy.

Ten strategies

South Asian countries should capitalize on the current stalemate in WTO negotiations to formulate strategic trade policies and put their house in order by addressing the 'behind-the-border' problems. In this respect, the countries in the region should take into account the following 10 strategies while determining the direction of their trade policies in the future.

Rescuing the WTO

South Asia is a small player in global trade. The region's share in global exports is 1.5 percent compared to 18 percent of the European Union, 9 percent of the United States and 6.2 percent of Japan. South Asia, thus, has a long way to go in integrating

> Given its stake in the rules-based multilateral trading system, South Asia should make every effort to rescue the WTO from the current state of affairs and put the Doha Round of trade negotiations back on track

South Asian countries need to assess the relevance and effectiveness of North-South bilateral free trade agreements because such agreements may restrict the policy space they need to achieve their development objectives

with the global trading system and, for this purpose, a non-discriminatory rules-based trade regime will be helpful to the region. South Asia should, therefore, make every effort to rescue the WTO from the current state of affairs and put it back on track. A well-functioning WTO will prevent political forces of the developed world from concluding trade deals that jeopardize the interest of the developing world, including South Asia.

Seeking policy space

Individual South Asian countries should position their respective trade policies in the context of their overall development strategies. Trade policy should be the servant not the master of the overall development strategy. Trade policy-determined industrialization and agriculture development have come to an end with the emergence of the post-Washington consensus. In other words, 'policy space' has become an important issue for South Asia and this may be carved out for industrial and agriculture development, and the trade policy could be fine-tuned accordingly. However, on the basis of seeking 'policy space', South Asian countries should not go to the extreme and reverse the existing trade reforms.

Prioritizing supply-side reforms

All South Asian countries should place renewed emphasis on supply-side reforms to strengthen capabilities (entrepreneurial, technological, managerial, etc.) and improve institutional and regulatory frameworks. Some of these weaknesses feature in the Global Competitiveness Report of the World Economic Forum and the Doing Business Report of the World Bank; both of which do not rank South Asia well in the global context.

The area of supply-side reforms and development also needs attention in 'Aid for Trade' negotiations in the WTO and 'SAARC Development Fund' utilization discussions in the South Asian Association for Regional Cooperation (SAARC), in particular for LDCs. When the supply-side issues are addressed, South Asian countries can confidently open up their trade regimes further without fears of de-industrialization or erosion of the productive base in agriculture.

Capitalizing on India's growth

South Asian countries should so design their trade policies as to benefit from India's high growth. The bulk of the regional trading of South Asian countries is with India, which is bound to grow in the coming years. As the cost of production in India goes up, Indian investors will source some of their inputs and products from cheaper South Asian countries.

Currently, this phenomenon is visible in China, where investors are moving westwards as the cost of production in the eastern coast is gradually increasing. In order to exploit this investor movement, the rest of South Asia should strengthen the trade-investment nexus and this is best done by improving stability, consistency and predictability in the macroeconomic policy regime. When this is the case, it gives investors a clear signal on expected returns and thereby more confidence to invest. The trade-investment nexus can be consolidated after SAARC Investment Area comes into operation with double taxation and investment protection agreements, but for the time being, working on the macroeconomic policy regime can pay rich dividends.

Enhancing trade policy-making capacity

South Asian countries should consider developing their trade policy-making capacity. Legal frameworks and institutional structures are still not in place in most countries of the region to deal with WTO agreements. For example, legal frameworks on competition policy, industrial property, plant variety protection and farmers' rights, access and benefit sharing, etc., are still in their infancy.

Moreover, the region faces a formidable challenge in analysing and synthesizing proposals and submissions made by other WTO Members. India, for instance, has taken a proactive stance and considerably developed its trade analysis capacity during the last decade. It stands as an example for the rest of the region to emulate. It may be noted that many South Asian 'second track' documents and research reports are available to assist such an exercise, but very little use of them seems to have been made in the official process.

Reviewing BFTAs and CEPAs

South Asia may need to rethink its aggressive pursuit of BFTAs and Comprehensive Economic Partnership Agreements (CEPAs) as most of them are worked out for the sake of being in line with some competitors rather than in anticipation of actual trade gains. Most BFTAs and CEPAs are costly and a strain on the officials working at the ministries and departments of commerce. _Many overlapping BFTAs can be confusing for investors and customs officers, and thus may not produce the desired results.

In fact, some of these agreements have not lived up to expectations. For instance, the India-Singapore CECA has not lived up to the initial euphoria in mid-2005 at the time of its implementation. Similarly, the India-Sri Lanka CEPA has still not materialized even after the completion of the main report in 2003, due to controversy over vegetable oil and pepper exports from Sri Lanka to India. Thus, it may be prudent to work on the existing BFTAs and CEPAs, and im-

The natural market integration taking place via the process of globalization is a strong force, and with improved connectivity, South Asian countries can increase trade flows in the region even without preferential tariffs

prove and fine-tune them rather than embarking on new ones and complicating the trading environment.

Rethinking North-South BFTAs

South Asia should seriously reconsider some BFTAs contemplated with developed countries. North-South BFTAs such as the proposed US-Pakistan BFTA are likely to be on a WTO-plus mode and consequently may impose severe conditions on Pakistan limiting its 'policy space'. At first sight, such North-South BFTAs may look attractive, but when considering the *quid pro quo* for the Southern partner, they may be costly, restricting the policy space Southern countries need to achieve their development goals. Moreover, if the conditionalities such as implementing TRIPS-plus obligations or negative list-based services liberalization are accepted by the Southern partner at the insistence of the Northern partner, then the bargaining position of the Southern partner with other trading partners, especially in bilateral negotiations, reduces substantially.

Improving trade facilitation measures

It will be beneficial for South Asia to look at trade facilitation more closely, especially given that the region hosts three landlocked (including Afganistan) and two island countries. Trade facilitation measures at times can generate more trade than tariff liberalization. Transport networking through better connections via sea, air and land, better information and communications technology (ICT) connectivity, deregulated customs procedures, etc., can significantly facilitate trade among countries. If trade facilitation is done with the objective of harmonization of standards at entry points in the region, a number of non-tariff barriers could also get eliminated.

Maintaining transparency in trade regimes

While improving economic connectivity, South Asian trade authorities should make every attempt to make the trade regimes as transparent as possible. Cleaning up the trade regime by minimizing bureaucratic procedures, minimizing para-tariffs, and formulating firm rules and regulations can be more effective than preferential tariff liberalization in stimulating trade. This area received much attention in the 2004 Trade Policy Review of South Asia by the World Bank, but little action seems to have been taken by South Asian countries.

Stimulating services trade

The future trade policy of South Asia should seriously consider stimulating trade in services. Services are the fastest growing sector in all South Asian countries, but trade in services has not significantly developed in the region. Intra-regional services trade is already taking place with whatever unilateral liberalization measures that the individual South Asian countries have implemented.

At the 13th SAARC Summit held in Bangladesh in 2005, Heads of State or Government requested a study to explore the possibility of services liberalization under the SAFTA framework. This study is currently being undertaken by the Research and Information System (RIS), New Delhi with partner institutions. It will be prudent to explore how services could be incorporated under a General Agreement on Trade in Services (GATS)-plus framework in SAFTA.

South Asian countries are reluctant to open up their services sector without a proper regulatory framework in place. At present, a lot of work needs to be done to get these regulatory frameworks in place. While addressing 'behind-the-border' problems, this area should receive priority in South Asian countries. Needless to say, liberalization of services under SAFTA would have been easier if deep economic integration in the region had already taken place under the SAPTA/SAFTA frameworks.

Unfortunately, this has not been the case and a possible way forward is to use Article 7.2 of the SAFTA Agreement and request willing countries to move forward (under the 3 + x formula) with progressive and sequential liberalization of services and other South Asian countries can join when they are ready.

Conclusion

Time is ripe for South Asian countries to take cognizance of their trade policies at the unilateral, bilateral, regional and multilateral levels and engage in strategic liberalization according to domestic development priorities. It is also important to take a hard look at 'behind-the-border' problems or supply-side issues and address them while improving the trade policy-making capability in the individual countries.

With the existing trade regimes in South Asian countries, even without further trade liberalization they can gain much more if the supply side is developed and put in a more responsive mode. The natural market integration taking place via the process of globalization is a strong force, and with improved connectivity, it can increase trade flows in the region even without preferential tariffs. Attention to all these issues can prepare South Asia to face the new challenges when the multilateral trade negotiations under the WTO resume. ■

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Trade Policy Making in South Asia

The trade policy-making process in South Asia is episodic, informal and *ad hoc* and a well designed trade policy-making framework is now considered central to South Asia's ability to participate effectively in the multilateral trading system.

Biplove Choudhary

Over the past 50 years, the process of globalization has been characterized by a phenomenal increase in the interdependence and expansion of world trade. Underlying this trend has been the belief that trade can be an engine of growth contributing to a more efficient allocation of resources within countries as well in transmitting growth across countries and regions. In step with this belief, South Asian countries, over the last three decades, have been in active pursuit of open trade and investment regimes at the bilateral, regional and multilateral levels simultaneously.

These regimes, unlike the General Agreement on Tariffs and Trade (GATT) earlier, are characterized by their unprecedented sectoral scope, coverage and application. Traditionally, under the GATT, trade policy was mainly concerned with negotiations on tariff reductions among Member countries. Also, a number of commodities, particularly agricultural products and textiles and clothing, were excluded from GATT disciplines, as were services, intellectual property rights, and rules concerning foreign investment.

In this scenario, the domestic trade policy imperatives were relatively straightforward and involved trade-offs among industrial lobbies (sometimes termed distributional coalitions) with "import-competing sectors seeking protection and export sectors pushing for the opening of foreign markets."

In sharp contrast, in the post-GATT period, at the multilateral level as well as regional and bilateral levels, the agenda of trade policy has expanded significantly to encompass rule making and new disciplines in a range of sectors and themes, including agriculture, services, intellectual property and investment. The nature and scope of rule making within the World Trade Organization (WTO) as well as in a myriad of preferential trading arrangements is "fundamentally different from GATT type trade and involves domestic regulatory and legal systems embedded in the institutional infrastructure of the economy." Moreover, harmonization of rules and regulations across sectors and countries, and policy coherence at the global and national levels, have emerged, quite contentiously, as important guiding principles for the proponents of trade liberalization.

The attention paid to trade policies by domestic stakeholders has increased in sync with the rapidly unfolding global integration processes. In any given setting, the process of trade liberalization has a tendency to create both winners and losers even when the net impact is considered to be positive. Given the pattern of deep bilateral, regional and multilateral integration processes under way in South Asian countries with their associated trade policy impacts and domestic linkages, a wide spectrum of special interest groups and civil society actors has sought to engage with trade-related issues and get involved in trade policy making with a view to influencing its outcome.

On account of these developments and the fact that a well designed trade policy-making framework is now considered central to South Asia's ability to participate effectively in the multilateral trading system, the subject has been attracting increased attention from academics, policy makers and civil society actors. Another point of enquiry has been with reference to the quality and role of country-level institutions in determining trade policy outcomes.

It has been argued that, while institutions may not directly affect outcomes, they have an important role in "shaping the process of design, approval and implementation of policies" at home. Trade policies are in a state of flux and the fluid reality of trade policies, along with the institutions and processes through which they emerge, needs to be studied systematically.

In general, it can be said that while South Asian countries have made some attempts to adapt trade policy-making processes to the changed context and imperatives, the process is yet to mature. The trade policy-making process in the region is characterized by its episodic, informal and *ad hoc* nature, and is yet to set in place an institutionalized process, which is broad-based, participatory and consultative. It lacks transparency, which is further hemmed in by official rules of secrecy.

In principle, while consultations with interested stakeholders ought to be ex-ante, the same are observed to be fragmentary in nature, need-driven, confined to select business groups who have the 'ears' of the government and organized in an ex-post manner, more with a view to building support for policies rather than on a genuine basis of evaluating diverse policy options.

The participation of non-state actors such as environmentalists, labour unions and civil society is not only limited in nature but also not assured. Countries in the region are marked by a lack of technical, human and financial capacity, and in-house expertise on trade policy making, both within the government and outside. In addition, there is a thin spread of trade and commercial data, which often do not permit robust impact assessments of different trade policy options.

The Indian case study indicates that the country's involvement at the multilateral level witnessed intense consultations with domestic stakeholders including the state governments. There are signs that the state governments are being consulted by the central government on WTO-related trade issues. Besides, many state governments are also setting up 'WTO cells', which are expected to provide an institutional basis for engaging in trade issues.

It has been seen that the Indian Parliament has brought about a degree of accountability to the administrative ministries involved in making policy decisions in the context of India's engagement with the WTO. Moreover, it has also provided an avenue for stakeholders to intervene in the policy-making process.

Non-state actors, especially the civil society actors, have served to raise the level of debate especially in areas like agriculture and intellectual property rights (IPRs). However, their participation has been less effective due to the lack of coordination among themselves. Except on the issue of IPRs, civil society groups have not been able to come up with balanced trade policy options. Civil society groups have also been critical of the little initiatives undertaken by the government to engage with them, especially in the post-Cancun phase, while the businesses have been afforded constructive opportunities to do so, including inclusion in official delegations to WTO Ministerial Conferences.

The case study also reveals that there is a lack of capacity even among businesses to substantively engage in trade issues owing to paucity of funds. This has impeded the development of a proactive business stance vis-à-vis negotiating positions developed by the government.

Overall, the Indian case study shows that existing institutional structures and practices of trade policy formulation in India do provide scope for the participation of some stakeholders. However, these structures and practices have to be strengthened to further accommodate the realities faced by economic agents at various tiers of the governance structure so as to accommodate a greater role for domestic sensitivities in overall policies.

In conclusion, it is noted that with the process of global integration taking deep root, the imperatives for trade policy making to become more institutionalized, sophisticated and nuanced are greater than it has ever been. The new imperatives necessitate not only a fundamental transformation in the manner in which governments formulate trade policies but also the institutional architecture underpinning them and the process which informs them.

There is a need to redefine the process of coordination, sharing of relevant information, consultation and involvement of key stakeholders while building a participatory approach to trade policy making at every stage. This would not only provide varied perspectives on trade policy issues but would also be a useful tool in understanding the needs and concerns at different levels. It would also contribute to a better balancing of country-specific development needs and liberalization demands from external stakeholders faced by individual countries in the region.

In turn, there is a need to augment and build the capacities of different stakeholders so that policy research and analysis can be undertaken at different levels. In this regard, there is also a need to identify best practices in different countries and adapt successful models of effective trade policy making across South Asian countries. ■

The author is Programme Specialist, United Nations Development Programme Regional Centre in Colombo (UNDP RCC), Sri Lanka. This article is a summary of an upcoming paper in the South Asian Yearbook of Trade and Development, 2007–2008, Centre for Trade and Development, New Delhi, co-authored with Dr. Biswajit Dhar et al.

Cross-country comparisons of investment climate

Are they meaningful?

Most of these cross-country assessments are often plagued with a range of critical methodological problems that question the basis of inter-country comparisons.

■ **Selim Raihan and Mohammad A. Razzaque**

Discussions surrounding investment climate have been quite extensive in recent times. Regular publication of a number of surveys and analyses comparing various elements of business and investment environment in a large number of countries continues to stir the related policy discourse. However, the cross-country comparisons in different reports often seem to be irreconcilable, giving rise to controversies and misunderstandings. This makes it difficult for policy makers to derive informed inputs from such analyses. The underlying methodologies and their implications for investment, business activities and overall economic growth are often not clear to most of the stakeholders while they pay maximum attention to the ranking of countries that a number of studies provide. There has not been any serious attempt to provide a lucid presentation of these analyses evaluating the usefulness of the cross-country comparisons.

Currently, there are a number of surveys and analyses evaluating the investment climate of countries around the world. The results from these surveys are regularly used to make inter-country comparison in terms of investment and business environment in different countries. Some of these indicators are concretely defined and thus can be measured precisely, while others are based on the sheer perception of the respondents. These indicators vary widely: from the number of days required to start a business to business executives' perception about the level of corruption in the countries. Often, country-specific broad indices are constructed on the basis of some predetermined formula requiring weights to be assigned to different indicators on which information is collected. These broad indices then make it feasible to make cross-country aggregate investment climate comparison.

Cross-country comparisons of factors such as business environment, corruption, and growth competitiveness are interesting and thus quite rightly attract a lot of attention. The constructed indices and the related comparative assessments are also supposed to provide important information and insights to potential investors and business enterprises. Backed by media coverage, some of these exercises also tend to portray country images to wider global citizens.

However, most of these cross-country assessments are often plagued with a range of critical methodological problems that question the basis of inter-country comparisons. The coverage of the countries also varies a lot across surveys, and in relative assessment, it can be a sensitive issue particularly for those countries that are shown to be at the bottom of the ranking table. Serious questions can also be posed about the constructed indices' ability to reflect realties.

The data to evaluate the quality of business environment, competitiveness, corruption, and the overall investment climate are generated either from well-defined variables that are measurable with some quantitative methods or are gathered from some selected respondents' perception. In the case of the latter, e.g., the Corruption Perception Index (CPI) of Transparency International (TI), if the perception is sensitive to the selection of the respondents, the evaluation will greatly differ across the sets of respondents chosen for the interview. It is quite possible that when a respondent does not have to deal with a number of issues on which information is asked, his/her general perception will affect the response on these issues. Also, individuals' perceptions are likely to vary so widely that getting an average aggregate assessment will almost certainly be problematic.

Another major problem of perception-based surveys is related to different respondent groups' evaluation of different countries. When information is obtained from a fixed group of experts with experiences of certain circumstances in different countries, the information provided from their perception is likely to be most consistent. Since it is impossible to find such a set of experts, the reliance on country-specific opinions from different groups for cross-country comparisons would be subject to serious shortcomings. For example, the evaluators in Bangladesh might consider certain standards satisfactory, which their counterparts in other countries might regard as unacceptable. Also, a small improvement over an initial dire state could lead country-specific respondents to assess improvements very highly, while maintenance of the *status quo* or a slight degradation from a previous situation in other countries might result in an adverse evaluation.

When indicators are defined concretely to collect factual information, the comparison can be useful. Therefore, from the World Bank's Doing Business survey, it is possible to actually compare, for example, the number of days it requires to process the shipment of a consignment through tax and customs procedures in Bangladesh with that in other countries. Since it is not always possible to quantify all the indicators in such precise detail, there is some apprehension about losing sight of more important parameters just because of the unavailability of quantifiable data. Also, the construction of an aggregate index for cross-country comparison based on a set of indicators will require using some weighting system, which is, of course, subjective in nature.

Often the different cross-country assessments tend to confuse policy makers and relevant stakeholders. For example, a comparison of the control of corruption indicator by Kaufmann *et al.* (2005) with CPI of TI shows that, while the former ranks Bangladesh among the 22 worst performers, the latter places it among the bottom seven countries with the most widespread corruption. The sample size of the two exercises differs, partially explaining the problem. However, of the 21 countries that score lower than Bangladesh in the control of corruption indicator of Kaufmann *et al.*, 11 actually perform better in TI's CPI (this comparison is based on the ranking of 2004 in both cases).

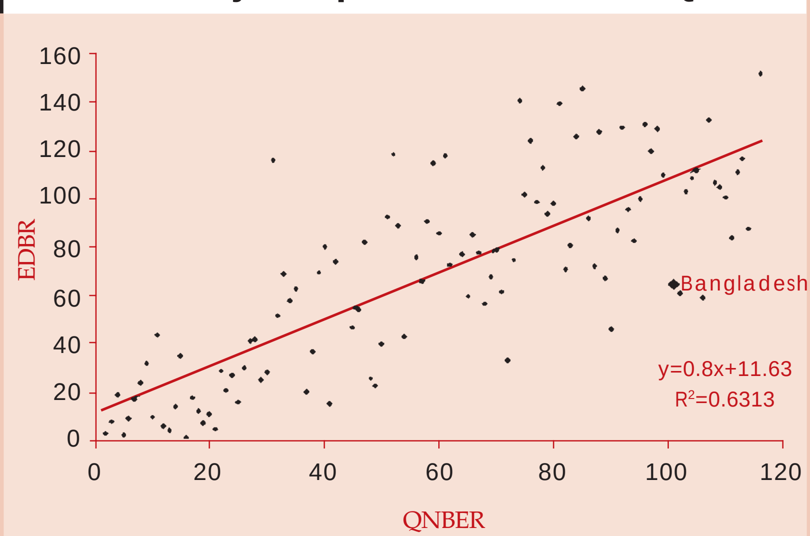
Similarly, because of their comparable objectives, one may wish to compare the World Bank's Ease of Doing Business Ranking (EDBR) with the Quality of National Business Environment Ranking (QNBER) of the World Economic Forum (WEF). Since the country coverage is not the same in the two studies, the rankings can be adjusted for comparison by taking only those countries that are common to both the exercises. The ordinary least squares fit of the scatter-plot of the two indicators as reflected in the R-squared (R^2) value (0.63) is not bad (*Figure 1*). The coefficient representing the relationship between EDBR and QNBER is around 0.8, indicating that, on average, a '10 place' increase in QNBER will lead to an '8 place' increase in EDBR. But there are significant deviations for individual countries, with the scatter-plot demonstrating too many outliers (including Bangladesh) around the trend line.

One could argue that due to the different methodologies used, one should not compare one indicator with another. However, in a broad sense there is not much intentional disparity among the indicators as both want to assess the investment climate. If doing business is easier somewhere, in general it is perceived to be because of the fact that the quality of business environment is favourable there.

Even if one ignores the problem of comparability across surveys, one key question remains: do the cross-country assessments reflect realities? As most of these indicators are considered to be reflecting the investment climate, it might be useful to see how they relate to actual foreign investment inflows. To shed some empirical light on this, a simple cross-country econometric regression analysis is undertaken where the cross-country net inflow of foreign direct investment (FDI) (2000–2005 average) is explained by per capita gross national income, population, gross capital formation as a ratio of gross domestic product, geographical location of countries in Sub-Saharan Africa, South Asia, and South-East and East Asia, and the investment climate-related indicators, namely, EDBR, QNBER, TI's CPI, and Kaufmann's six aggregate governance indicators. The regression results suggest that income, population, capital formation and geographical location (as denoted by several region dummies) are the important factors affecting

FIGURE 1

Cross-country comparison of EDBR and QNBER



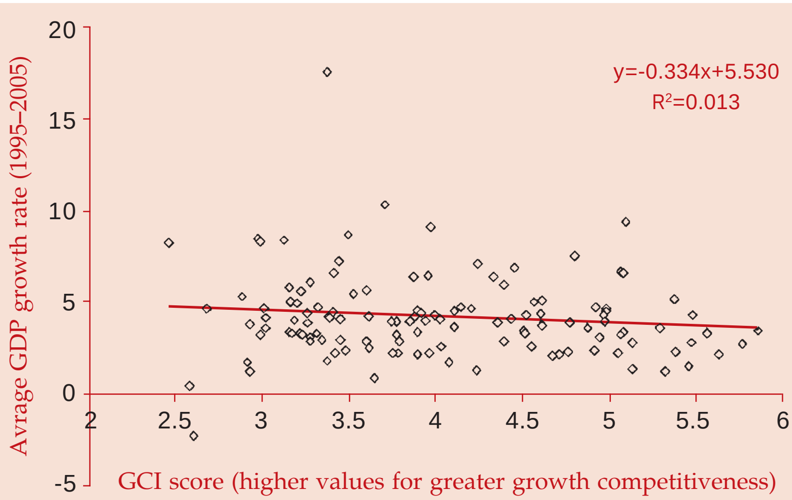
cross-country variations in the level of net FDI inflows. Among all the six Kaufmann's governance indicators, which are used in the regression, only one of them—regulatory quality indicator—turns out to be statistically significant, though only at the 10 percent level. None of the indicators came out to be significant when regressions were carried out using the indicators one by one. The World Bank's EDBR, WEF's QNBER, and TI's CPI turn out to be insignificant.

Sometimes the relationship between the relative ranking and the realities is difficult to perceive and thus confuse policymakers who wish to derive policy lessons from the inter-country comparative assessment. For example, the WEF's Growth Competitiveness Index (GCI) is developed to evaluate countries' growth potential that is sustainable in the medium and long term. According to WEF, with the growing complexity of the global economy, GCI exercise is a contribution to enhancing the understanding of the key factors that determine economic growth, and explain why some countries are much more successful than others in raising income levels and opportunities for their respective populations. However, when one scatter plots countries' actual growth performances against their GCI scores, there is hardly any discernible relationship (*Figure 2*). That is, GCI fails to depict any strong association with the growth rates of countries averaged over the past 10 years. In fact, a trend line fitted into the scatter-plot actually shows a slightly negative relationship.

Investment climate is a subject matter of regular policy discourse. In this regard, several cross-country surveys and analyses undertaken by various international organizations attempt to inform the discussions and relevant stakeholders. However, available data and inter-country comparisons along with the observed realities often seem to trigger more confusion than the insights they offer. It is found that methodologies used to assess business environment, cost of doing business, and competitiveness in different cross-country studies vary widely. Methodological differences make the survey results incomparable despite some of these exercises having similar objectives. All the surveys are also subject to certain limitations that could affect the ranking of countries on various parameters of investment climate. Because of the methodological differences and their inherent limitations, findings from them are contradictory and inconclusive.

FIGURE 2

Cross-country comparison of GCI scores and actual growth performance



Cross-country assessments can be useful if the country contexts are evaluated carefully. A great deal of caution also needs to be exercised when reporting some of the survey results. Branding a country as the most corrupt on the basis of a survey that is not methodologically sound and has a limited coverage is unjustified. In today's globalized world, even such unreliable surveys and studies could affect a country adversely, by discouraging potential business enterprises from making investment decisions. This could happen despite the country's achieving sustained economic growth, and despite most of the private sector investors' having little relationship with public sector corruption. If these studies have to be conducted and presented, some justice can be done to the countries and the target audience by providing a fair assessment of their other achievements. On the recipients' side, rather than criticizing these study findings alone, however unscientific the methodologies may be, the policy makers should attempt a comprehensive review of the situation and be critical of the existing practices.

Policy makers should also recognize the fact that the best evaluation of investment climate is the country-specific assessment. Cross-country exercises are based on only those indicators for which information can be gathered from a reasonable number of countries. This leaves many other factors influencing trade, business and investment activities out of consideration. A comprehensive country-specific focus can overcome this problem by identifying the parameters of interest, defining their measurements as concretely as possible, and collecting data on them on a regular basis for evaluation and possible policy interventions. ■

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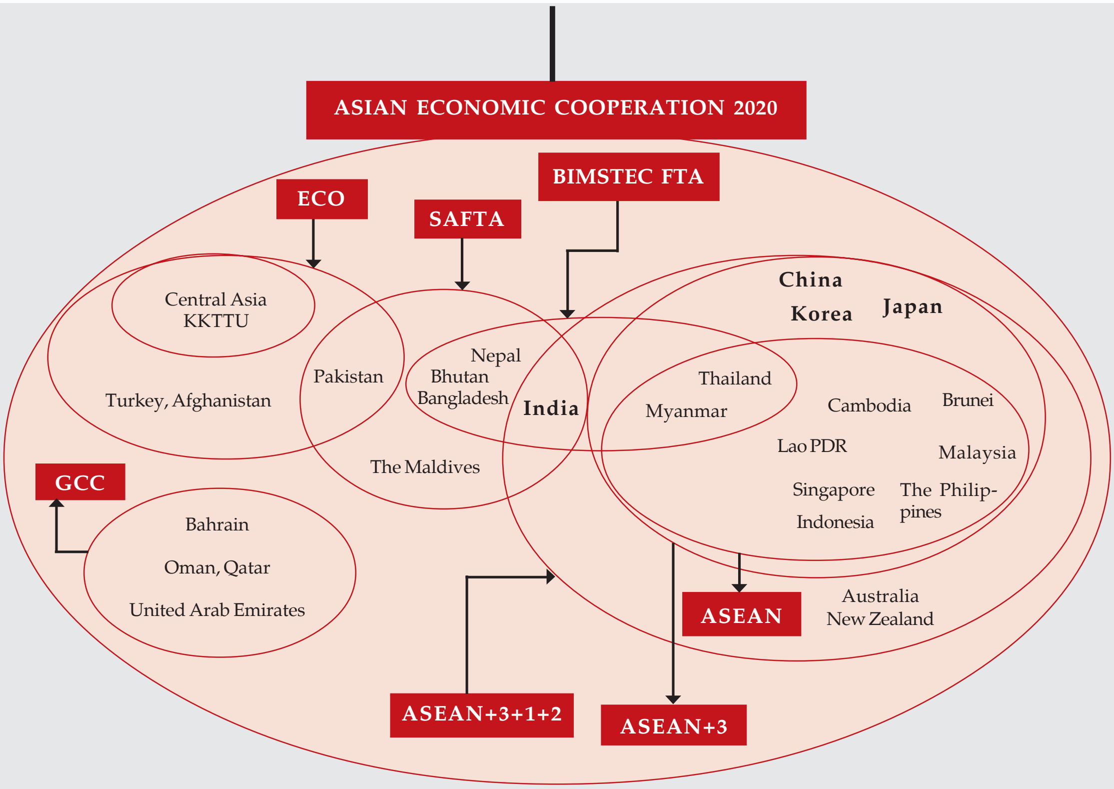
Trans-regional trade agreements in South Asia

For more than 50 years, Asia has been witnessing regionalism for greater economic and political cooperation, albeit extremely slowly.

■ N.C. Pahariya



ASEAN, 1967: Indonesia, Malaysia, The Philippines, Singapore, Thailand, Brunei, Darussalam, Vietnam, Lao PDR and Myanmar; ASEAN+3 includes 10 ASEAN countries and China, Japan and South Korea; and ASEAN+3+1+2 includes India, Australia and New Zealand in ASEAN+3. **SAFTA, 2006:** Bangladesh, Bhutan, India, The Maldives, Nepal, Pakistan and Sri Lanka. **BIMSTEC, 1997:** Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand. **ECO, 1985:** Iran, Turkey, Pakistan, Afghanistan, Azerbaijan, Kazakhstan, Krygyzstan, Turkmenistan, Tajikistan and Uzbekistan. **GCC, 1981:** Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates.

The post-World War II era has witnessed the advent of multilateralism along with waves of regionalism. The General Agreement on Tariffs and Trade (GATT), signed in 1947 and effective from 1 January 1948, was the genesis of the rules-based multilateralism, under the aegis of which eight rounds of negotiations were held. These culminated in the formation of the World Trade Organization (WTO) in 1995.

The history of regionalism on trade and economic cooperation is almost as old as the multilateral trading system. Since the late 1940s, many European countries were realizing the importance of close cooperation among geographically contiguous countries. The European Economic Community was formed in 1958 and today 27 countries are under the umbrella of the European Union (EU). However, the first sign

Asian Economic Community

Asian countries were faithful adherents of multilateralism till nearly the turn of the millennium, and thus were slow to respond to the global trend of regionalism, though in the past there were some sporadic efforts towards some sort of regional economic cooperation in Asia. In the 1970s, the Bangkok Agreement (1975) and the Asian Clearing Union (1974) were formed mainly through the initiatives of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) initiatives. The Bangkok Agreement covered the exchange of tariff concessions among five member countries, viz., Bangladesh, India, Lao PDR, South Korea and Sri Lanka. In 2000, China also joined the Bangkok Agreement. Seven members—Bangladesh, India, Iran, Myanmar, Nepal, Pakistan and Sri Lanka—formed the Asian Clearing Union.

It is generally agreed, however, that these experiences have not been very successful. Over the past few years, Asian countries have also recognized the potential of regional economic integration and have started taking steps to benefit from it. Besides sub-regional attempts in the frameworks of ASEAN, 1967, SAARC, 1985 and BIMSTEC, 1994, a number of initiatives for broader economic integration are underway to push the agenda of regional economic integration. Besides deepening the sub-regional cooperation among its 10 member states, ASEAN has also served to bring major Asian countries, viz., Japan, China, South Korea and India, together as summit-level dialogue partners that meet annually at ASEAN summits. Similarly, the Central Asian and West Asian countries formed ECO, 1985 while the Gulf countries initiated GCC, 1981. A complex web of the FTAs linking all these countries and ASEAN countries is in progress and a virtual Asian or East Asian economic community is emerging out of this.

of regionalism, in the sense of regional trade arrangements (RTAs) that we are witnessing today, was seen in the 1980s when the United States (US) signed a free trade agreement (FTA) with Canada.

Proliferation of RTAs

Since 1980s, the world has witnessed a continuous surge in regionalism in trade, despite the advent of the WTO in the mid-1990s. The various roadblocks that the WTO has faced in its effort to liberalize trade and investment through multilateral negotiations have provided further impetus to regionalism. Much of it is a very recent phenomenon. It has been estimated that more than 60 percent of global trade is taking place through regional/preferential trade agreements (RTAs/PTAs). Some of these RTAs/PTAs are on the ‘Hub-and-Spoke’ pattern as the North American Free Trade Area, while many others are manifesting a ‘Spaghetti Bowl’ or, to use a more recent term, ‘noodle bowl’, phenomenon, i.e., a country is part of a number of over-lapping RTAs/PTAs. As agreements proliferate, a single country often becomes a member of several different agreements. The average South Asian and African country belongs to four different agreements, while the average Latin American country belongs to eight agreements.[1]

India on regionalism

India has been, and continues to be, an ardent preacher/follower of the multilateral negotiation for trade liberalization since the inception of the GATT/WTO. Prompted by the global wave of PTAs and an extremely slow pace of progress in the multilateral trade negotiations under the aegis of the WTO, there is hardly any country (lately India as well) in the world today which is not dwelling upon working out such agreements. There are over 200 RTAs currently in operation—more than the number of countries—and it is estimated that 60–70 percent of global trade will take place via such agreements in the future. The recent surge in RTAs confirms what Prof. Jagdish Bhagwati once remarked: “Regionalism this time is here to stay for long.”

In the past, India had adopted a very cautious approach to regionalism and was engaged in only a few bilateral/regional initiatives, mainly through PTAs. Recognizing that RTAs would continue to feature in world trade for a long time, and with the intention of expanding its export market, India began negotiations for principle agreements as a possible step towards comprehensive economic cooperation agreements (CECAs), which cover an FTA on goods (zero customs duty regime within a fixed timeframe on items covering substantial trade, and a relatively small negative list of sensitive items with no or limited duty concessions), services, investment and identified areas of economic cooperation. CECAs, in a way, involve ‘deeper integration’ at the regional level.

The FTA spree

FTAs are the new pillars of India’s economic diplomacy. Having realized that FTAs are a *sine qua non* for the country’s economic development, India has drawn an ambitious agenda for negotiating trade and economic cooperation agreements with countries ranging from those in the Far East to those in Latin America and the EU.

India has signed bilateral FTAs with Sri Lanka (1999), Thailand (2004) and Singapore (2005), all of which are operational. All the seven member countries of the South Asian

Membership of PTAs/RTAs of South Asian countries

Country	SAFTA	GSTP	BIMSTEC	Bangkok Agreement	Other PTAs/RTAs
India	✓	✓	✓	✓	ASEAN, Afghanistan, Bangladesh, Bhutan, Chile, China, Egypt, GCC, Indonesia, Mauritius, MERCOSUR, Nepal, SACU, Singapore, Sri Lanka, Thailand, the EU
Pakistan	✓	✓	—	—	China, ECO, Malaysia, Mexico, Sri Lanka, Thailand, the US
Sri Lanka	✓	✓	✓	✓	Egypt, India, Pakistan, Iran, Singapore, the US
Bangladesh	✓	✓	✓	✓	India
Bhutan	✓	—	✓	—	India
Nepal	✓	—	✓	—	India
Maldives	✓	—	—	—	—
Afghanistan	✓	—	—	—	—

Note: GSTP- Generalized System of Trade Preferences

Association for Regional Cooperation (SAARC) signed the Agreement on South Asian Free Trade Area (SAFTA) in January 2004. Negotiations on all aspects of SAFTA were concluded and the tariff liberalization programme came into force on 1 July 2006. An FTA with Afghanistan on goods, services and investment is under negotiation. Likewise, India is also negotiating Framework Agreements on CECA with the Association of Southeast Asian Nations (ASEAN), and under the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), the Southern Common Market (MERCOSUR), the South African Customs Union (SACU), and the Gulf Cooperation Council (GCC). Besides these, Joint Study Groups have also been set up for FTA feasibility with respect to China, Chile, Indonesia, Japan, Malaysia, South Korea and other countries.

IBSA Dialogue Forum

In June 2003, the foreign ministers of Brazil, India and South Africa met in Brasilia to form the India-Brazil-South Africa (IBSA) Dialogue Forum. The purpose of this initiative was to support political consultation and coordination as well as strengthen cooperation in sectoral areas, and to improve economic relations. In this way, the Forum also aims to strengthen South-South cooperation. Besides promoting the convergence of PTAs, it is also trying to extend economic relations and involve other MERCOSUR and SACU members. MERCOSUR already has PTAs with both India and SACU, whereas a Framework Agreement between India and SACU was finalized at the end of 2004, with negotiations for a PTA under way.

The Asian perspective

The Asian region has a distinct identity shaped by history and cultural exchanges over several centuries. There have been vibrant flows of goods and services as well as labour and capital among Asian countries sustained over several centuries. In ancient times, the famous silk routes provided the channels for such exchanges. Marco Polo's tales are just one of many such descriptions. During the 19th century, the colonial powers provided the framework for extensive and liberal trade within Asia in goods and services as well as massive movements of labour and capital. Assisted by Japan's rise, trade was brisk. Even during the first half of the 20th Century, the intra-regional trade ratio was over 50 percent.[2] Along with trade, there was a vibrant exchange of ideas. Chinese scholars visited India and vice versa. Ideological influences did spread across nations, binding them in ties of religion. Hinduism, and with it the art of governance of Chanakya, found its way to much of Indonesia, Malaysia and Thailand. The sweep of Buddhism is also well known. Religion has been a strong unifying factor and as religious influence started to grow, cultural ties too were strengthened. Pagan, Borobudur and Angkor Wat are only a small testimony to the vast trading and cultural network that Asia had during ancient times.[3]

For more than 50 years, Asia has been witnessing regionalism for greater economic and political cooperation, albeit extremely slowly. A number of initiatives have been taken at the sub-regional level (*See the box on page 24*). Before the late 1990s, the political factors that provided the impetus for regional integration in other parts of the world were largely absent in Asia. However, Asian countries have now become very active in deepening existing sub-regional agreements, and the sub-regional groupings are integrating with each other through a variety of mechanisms, including 'framework' FTAs, bilateral FTAs, and a new sub-regional FTA, BIMSTEC, that provides an interface for South and South-East Asian integration.

The proliferation of FTAs is the clearest evidence of Asian countries' desire to forge closer economic relationships. The growing importance of CECAs indicates that such agreements are becoming deeper, extending to areas beyond just tariff reduction. Intra-regional trade and investment require the building up of shared infrastructure. Many Asian countries have joined together to develop cross-border infrastructure to lay the foundations for closer trading relationships and increased connectivity among them. The Greater Mekong sub-region is quite advanced in this endeavour. Similar initiatives are under way in South Asia and Central Asia, with exciting prospects for future development. The spirit of enhanced monetary cooperation in Asia is evident from initiatives like the Chiang Mai Initiative and the Asian Bond Fund having significant potential for financing regional investments.

Asian initiatives

There is now a growing recognition in Asia of the importance of regional economic integration for generating growth impulses from within, especially in the wake of the East Asian crisis. The notion of a Grand Asian Family comprising all Asian nations was formally presented at the annual meeting of the Boao Forum for Asia (BFA) in 2003 by the former president of the Philippines, Fidel Ramos. In April 2002, Nobel laureate economist Robert A. Mundell predicted in his speech at the Sun Yat-Sen University, Guangzhou, South China, that Asia would have a single currency in the near future. Now, Asian-country leaders are exploring the possibility of having an Asian Economic Community, as a distinctive bloc and a counterweight to the proliferation of RTAs/PTAs in other parts of the world.

Successful experiences with regional economic integration in the industrialized countries of Europe and North America since the mid-1980s have also prompted South-East and South Asian countries to adopt economic integration strategies. As per the decision taken at the ASEAN+3 Summit held in conjunction with the ASEAN Summit in Laos in November 2004, the East Asian Summit (EAS) bloc was formed in Kuala Lumpur in December 2005 with the objective of launching the process of the formation of an East Asian Community (EAC) combining the ASEAN 10, China, India, Japan and South Korea, and possibly Australia and New Zealand. The formation of EAS could have far-reaching implications for promoting broader regional cooperation in Asia. It provides the leaders of the largest and the most dynamic economies of Asia a much-needed annual forum for dialogue, which would, in the course of time, take steps towards realizing the vision of an Asian Economic Community.

BFA was launched at Boao in Hainan province of China in 2001 as a pan-Asian forum. The ASEAN+3 (China, Japan and South Korea) announced, at the Asian Development Bank (ADB) Annual Meeting in Hyderabad, May 2006, that they would consider a single Asian currency similar to the Euro. ADB has been keen on the creation of an Asian Currency Unit to bring about monetary stability, spur regional economic growth and even out disparities. Hence, a key priority consideration for a future EAS and BFA would be to create an Asia-wide FTA as a framework agreement coalescing and consolidating all mutual FTAs, including ECO comprising 10 Central and West Asian countries and GCC comprising six Gulf countries.

In addition to these regional economic cooperation initiatives, South Asian countries are actively engaged in entering into bilateral FTAs among themselves (*See the table on page 25*). Apart from SAFTA, these South Asian countries are now making accelerated efforts to form or become members of several PTAs/RTAs. The three bigger countries, viz., India, Pakistan and Sri Lanka, are engaged in forming bilateral/plurilateral FTAs. While India, as explained above, is engaged in signing FTAs with countries in Asia, Africa, Europe as well as Latin America, smaller South Asian countries such as Bangladesh, Bhutan, the Maldives, Nepal, and, the newest member of SAARC, Afghanistan have an FTA with India only. Thus, FTAs, barring those with India, are not gaining much ground in South Asia.

All these trends of regional and bilateral trading initiatives indicate that countries in South Asia are vigorously pursuing options to use trade as a means of sustained growth and development. It is, however, a formidable task for them to use these trading arrangements in their interest, as such RTAs and BTAs have complex areas as well as issues in their ambit. It demands them to demonstrate a higher level of 'political willingness and economic commitment' to implement broad and comprehensive trade reform measures at both national and regional levels. ■

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Notes

1. Bilateral agreements are defined as an RTA with two members. See World Bank (2005, 30).
2. Kumar, N. 2005. A Broader Asian Community and a Possible Road Map. *Economic and Political Weekly* 40 (36): 3926–3931.
3. Shankar, V. 2004. Towards an Asian Economic Community: Exploring the Past. In *Towards an Asian Economic Community: Vision of a New Asia*, ed. Nagesh Kumar, 13–42. New Delhi and Singapore: RIS and ISEAS.

TRADE AND CLIMATE CHANGE

What can South Asia do?

Regional efforts to address the challenges of climate change in South Asia can be more effective than isolated national efforts and such efforts can take the form of greater cooperation on trade, transit and energy.

■ **Nitya Nanda**

South Asia is among the most vulnerable regions in the world in terms of the anticipated impacts of global climate change. Such vulnerability may take effect by way of receding Himalayan glaciers as well as the submergence of several low-lying areas in the region. In fact, the melting of ice in the Himalayas that has already taken place in the last few decades is very often attributed to climate change. Climate change, however, is not an issue that concerns South Asia only; it is a truly global issue.

Climate change is crucially linked to the way production, consumption and trade take place not just in a national economy but the entire global economy. It is natural that the last decade of the preceding century saw the adoption of the two most important global agreements till date, the Marrakesh Agreement Establishing the World Trade Organization and the Kyoto Protocol dealing with climate change. Unfortunately, both did not receive equal importance. While the World Trade Organization (WTO) framework constitutes a binding agreement, the Kyoto Protocol is not of the same nature. To make matters worse, the United States (US), the biggest economic power as well as the biggest climate change-causing greenhouse gas emitter, have not ratify the Protocol.

Environment is now a part of the WTO agenda as well, though it was opposed by most developing countries on the ground that trade can promote growth which is necessary to protect and promote environment. Trade measures to protect environment can affect this growth process. However, even if this is true, climate change is something that cannot be addressed by the economic growth process alone just because people will demand better environment. First, its impacts may not be felt in the local environment. Second, its impacts are not going to be felt even in the lifetime of the current generation. Even so, climate change is hardly a concern in the WTO's trade and environment agenda. It is more of a market-access agenda and the environmental objective is wished to be achieved through the liberalization of trade in environmental goods and services. It is obvious that while some of the existing WTO provisions such as rules on subsidies and tariffs threaten climate change mitigation efforts at national levels, the spread of climate-friendly technologies may be obstructed by the intellectual property rights regime under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) rather than by trade barriers.

It is thus quite obvious that much cannot be expected from the WTO in terms of promoting rules that can contribute to climate change mitigation. It is also quite well known now that the Kyoto Protocol itself cannot achieve its desired objectives, particularly with respect to commitments made by nations in terms of reducing emissions up to the year 2012. The post-2012 arrangements under the Kyoto Protocol thus assume critical significance.

Nevertheless, the South Asian countries may do their bit in mitigating climate change at their national levels as well as collectively at the regional level. In fact, regional efforts can be more effective than isolated national efforts. Such efforts can take the form of greater cooperation on trade, transit and energy.

Though trade can help reduce emissions through diffusion of climate-friendly technologies and greater efficiency in energy use, trade itself involves transportation, causing the emission of greenhouse gases. For example, a study found that in the European Union (EU), emissions from all sources are more or less stable or falling, but in the transportation sector, it is increasing significantly. It is also estimated by the EU that, by 2020, emissions from shipping will be more than from all other sources combined. Greater trade cooperation within South Asia can reduce long-distance trade, which can be helpful in reducing greenhouse gas emissions due to shipping. It is also noteworthy that some of the trade between India and Pakistan takes place not directly but through the United Arab Emirates. Similarly, a part of the trade between India and Bangladesh is transited through Singapore.

Better transit facilities within the region can also go a long way in this regard. One particular issue of interest is the transit facilities for India's northeastern states through Bangladesh. Currently, transit takes place through a longer and circuitous route that involves greater use of fossil fuels, and hence emissions.

The most important step that South Asian countries can take is to prompt greater use of renewable energy through regional trade and cooperation in energy. Apart from addressing climate change concerns, this also makes tremendous economic sense as the region as a whole has very little reserves of fossil fuels and imports of such fuels are quite large, causing trade imbalance in all the countries of the region.

Fortunately, the region is far better endowed in terms of renewable energy potential. Globally, the potential for hydroelectricity generation is about 13,000 TWh per year, of which about 1,083 TWh (about 8 percent) is in South Asia. The region has, however, been able to create an installed hydroelectric capacity of 44,847 MW, which is just about 7.5 percent of the potential capacity (See the table).

Among the South Asian countries, Sri Lanka has almost exhausted its potential capacity. The potential capacity in Bangladesh is quite low and it cannot do much. However, tapping the unutilized potential would be relatively easier in Nepal, Bhutan and Afghanistan as their current utilization levels are very low. These are also the countries in the region that can generate surplus electricity only through hydropower. For example, the current installed capacity in Bhutan is less than 1,000 MW as against the potential of about 30,000 MW. Yet Bhutan is the only country in the region to have substantial surplus in capacity and generation.

India, on the other hand, has almost half of the potential hydroelectric capacity of the region, yet the total potential cannot even satisfy the current level of demand. Pakistan is in a better situation but its potential is not enough to satisfy its entire demand in the long run. Thus, it appears that Afghanistan, Bhutan and Nepal can have substantial surplus electricity generated from hydropower alone, which can be exported to other countries in the region.

Hydropower contributes more than 13 percent to gross domestic product and about 80 percent in export earnings in Bhutan. It also brings almost half of the government revenue critical for improvements in

Hydroelectricity potential and utilization

	Potential capacityMW	Installed capacity (2006)[a]MW	Untapped potential capacityMW	Annual generation potentialTWh/Yr	Actual generation (2004)[b]TWh
Afghanistan	18,400	392 (2.1)	18,008	55	1 (1.8)
Bangladesh	775	230 (29.7)	545	2	1 (50.0)
Bhutan	30,000	978 (3.3)	29,022	70	3 (4.3)
India	301,000	34,391 (11.4)	266,609	660	85 (12.9)
Nepal	44,000	590 (1.3)	43,410	158	2 (1.3)
Pakistan	40,000	6,494 (16.2)	33,506	130	26 (20.0)
Sri Lanka	2,000	1,772 (88.6)	228	8	3 (37.5)
South Asia	601,775	44,847 (7.5)	556,928	1,083	121 (11.2)

[a] Figures in parentheses are percentage of potential capacity
[b] Figures in parentheses are percentage of annual generation potential

Source: Estimations based on various sources.

> A network of gas pipelines connecting all the countries in the South Asian region can promote the use of natural gas, which is much cleaner compared to other fossil fuels

health and education. No wonder, King Wangchuck of Bhutan once said, "Water is to us what oil is to the Arabs." The Bhutanese success story can easily be replicated in Afghanistan and Nepal, which can use 'hydro dollars' to bring roads, electricity, drinking water, health clinics and schools to the countryside, and fight poverty.

South Asia has reasonably good potential in other renewable energy sources such as solar and wind power too. The region's potential for wind power is estimated to be in the range of 150,000–200,000 MW, mainly in India, Pakistan and Sri Lanka. Only a fraction of this is being utilized, that too mostly in India. The installed wind power capacity in India stands at about 7,000 MW, the highest in Asia. India has also developed good manufacturing capability in wind power generators and is exporting to several countries.

Similarly, South Asia has huge potential in solar energy, estimated to be more than 300,000 MW. Apart from India and Pakistan, Afghanistan and Nepal also have potential in solar energy. But the current utilization is extremely low. Here also, India is much ahead of its neighbours in solar power generation and the development of solar power technology and products. India is in fact one of the pioneers of the world in some solar technologies. Other South Asian countries can benefit by collaborating with India on such technologies. This is another area where countries in the region can benefit from sharing experiences with one other.

Another energy source that can be an area of cooperation is biomass. Though this source is getting stretched due to increasing energy demand in rural areas, it will remain easily available in significant quantities and may remain the most economical and feasible alternative in rural and remote areas. However, the way it is used in South Asia is quite inefficient and hence causes high emissions. Though once the major source of energy everywhere, developed countries abandoned these sources in favour of fossil fuel, in the process of development. As a result, improving the efficiency of biomass-based energy use never got adequate attention in the developed world. India has worked to make this source more efficient and cleaner. Today, India is the pioneer in the field, particularly in biogas, gassifier and cookstoves. However, there is a significant scope for further improvement in technology in this area. India can share this technology with its neighbours, which will be useful for them. Regional cooperation can also be useful to promote research for further development of these technologies.

An integrated regional electricity grid with trading arrangements among the countries can improve efficiency in the entire region. Even if most countries in the region have excess demand for electricity, there can still be trade in it. Trade occurs even in such situations because it reduces the distance between the points of production and consumption, and thereby reduces transmission losses. This is the reason that several countries, including the US, Canada, France, Germany and Switzerland are all among the top exporters as well as importers of electricity. South Asia, where transmission and distribution losses of electricity are among the highest in the world, will do well to take a regional cooperation approach. Such an approach will not only help mitigate climate change but also make immense economic sense in an energy-starved region like South Asia.

Similarly, a network of gas pipelines connecting all the countries in the region can promote the use of natural gas, which is much cleaner compared to other fossil fuels. Though the reserves of natural gas may not be enough in the region, they may be accessed from West Asia, particularly Iran, Central Asia and Myanmar, if an integrated network is developed. Such possibilities have been discussed in the region for quite long, but there has not been enough progress. The countries in the region need to act proactively on this issue.

Negotiations have been going on between India and Pakistan on the possibility of power trading and a gas pipeline from Iran and Central Asian countries passing through Pakistan. Given the demand and supply situations in South Asia, it is rational to believe that trade in power and gas will be mutually beneficial. There has also been some progress on cross-border infrastructure projects—such as the recently signed Memorandum of Understanding for transmission lines between India and Nepal, and the agreement for an interconnecting submarine electricity cable between Sri Lanka and India. A recent study has also found that it is viable for Bangladesh to import electricity from India. Nevertheless, these efforts are insignificant given the potential threat from climate change and the region has a long way to go to reap economic and climate benefits through greater cooperation on trade, transit and energy. ■

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Dispute Settlememt under SAFTA

The SAFTA dispute settlement mechanism can be expected to deliver diplomatic solutions rather than *per se* legal solutions to trade issues.

■ **James J Nedumpara**

Most free trade agreements (FTAs) tend to be self-contained. Generally, an FTA provides a mechanism for the resolution of disputes arising from the implementation of various obligations of the parties under it. The Agreement on South Asian Free Trade Area (SAFTA) is no exception to this general trend.

The dispute settlement provisions of SAFTA appear rudimentary and something like a 'work-in-progress'. It appears to adopt some of the commonly seen dispute settlement provisions of some recent FTAs such as the US-Singapore FTA, although the detailed formalities are yet to be worked out.

SAFTA provides for a specific dispute settlement mechanism with a specific time table. Bilateral consultations shall be held within 30 days upon a request made by any of the members. If disputes cannot be settled through bilateral consultations, the matter will be referred to the Committee of Experts (COE) for its recommendation within 60 days. COE may consult with a panel of experts for peer review. The Agreement provides for each member to nominate up to four experts. Any decision of COE can be appealed to the SAFTA Ministerial Council (SMC), the apex decision-making body, within 60 days. The decision of the SMC will be final.

Ad hoc nature

Although some of these timelines seem specific, the dispute settlement mechanism under SAFTA is in fact quite *ad hoc*. In some ways the SAFTA mechanism mirrors the World Trade Organization's (WTO) dispute settlement mechanism minus its rigours—at least with regard to making consultation requests, referral of the matter to a committee or panel of experts, appeal provision, etc. But the WTO dispute settlement mechanism is widely known for its 'automaticity', while in the case of SAFTA, the whole mechanism appears to be more conciliatory/diplomatic or even *ad hoc* in nature. Under the WTO, once a panel is appointed, the matter is likely to progress on established legal principles with set timelines. By contrast, the SAFTA framework for dispute settlement existing as of now does not indicate the trappings of a formalistic legal mechanism. It is not even clear within how much time a dispute should be settled and the guiding principles that should be followed by COE in settling disputes.

An interesting aspect of the SAFTA dispute settlement process is the availability of the appeal process. Article 20 of the Agreement states that all the decisions of COE can be appealed to SMC. SMC is akin to the Ministerial Conference of the WTO composed of the Commerce or Trade Ministers of the Member countries. In the WTO, the Ministerial Conference is considered to be a high-level decision-making body and is not expected to discuss routine matters, unless the membership makes a specific demand. However, in the case of SAFTA, SMC will have to hear appeals even on the decisions of COE. The very fact the SMC is supposed to meet only once in a year weakens the role of such an appeal mechanism. It cannot be expected of the SMC to meet at short notice for settling a relatively inconsequential dispute. For instance, if a dispute relating to the imposition of a safeguard measure is brought before the SMC under the appeal process, it is highly unlikely that the SMC will have either the time and/ or expertise to deal with such matters. In fairness, all such matters which involve the legality of certain trade measures should be left to the decisions of independent experts who should be willing to meet as and when there is a need. Further, all appeal matters should be heard in an expeditious manner, say within a time limit of 60 days. It is not advisable to em-

The dispute settlement provisions of SAFTA appear rudimentary and something like a 'work-in-progress'; it appears to adopt some of the commonly seen dispute settlement provisions of some recent FTAs such as the US-Singapore FTA power SMC to deal with such matters.

As of now, the dispute settlement provisions of SAFTA are quite skeletal with the detailed procedures yet to be drawn up. Therefore, it could be argued that SAFTA came into existence without putting in place an effective mechanism for the settlement of disputes. For instance, it was reported that India wanted to raise an issue regarding the publication of a positive list of items to be imported by Pakistan from India under the trade liberalization programme of Pakistan at COE. But the mechanism available at present is simply not equipped to resolve such politically sensitive issues. Whether a Member country will oblige the recommendations of COE is in itself a moot question. Therefore, in the absence of an overriding compulsion to comply with the recommendations of COE, SAFTA members are still 'free' to take recourse to unilateral measures in response to certain stands taken by other member countries.

It is thus imperative that the members elaborate the provisions of the dispute settlement mechanism under SAFTA at the earliest. Any delay in fine-tuning it could possibly derail the tariff liberalization programme under SAFTA.

Questionable efficacy

However, there is a different view on the efficacy of the dispute settlement provisions of such regional trade agreements. There is a school of thought that a specific dispute settlement arrangement in a regional agreement can potentially lead to conflicts with other dispute settlement arrangements to which one or more members are parties. At the multilateral level, the WTO Dispute Settlement Understanding (DSU) provides for a binding settlement of disputes and virtually governs all matters related to the movement of goods and services.

For instance, Brazil had a dispute with Argentina over the imposition of anti-dumping duties on poultry. Aggrieved by the measure, Brazil had earlier brought an action against Argentina under the dispute settlement system of Southern Common Market (MERCOSUR). Subsequently, Brazil brought a dispute against Argentina before the WTO. Despite Argentina's objection, the WTO panel went ahead with the proceedings.

Similarly, Mexico requested a WTO panel to refrain from exercising jurisdiction over a dispute with the United States involving a tax on soft drinks made with high fructose corn syrup (HFCS) on the ground that the issues should be resolved in a North American Free Trade Agreement (NAFTA) Chapter 20 proceeding initiated by Mexico. However, the WTO panel and appellate body decided the case holding that they had no authority to decline to exercise jurisdiction. Therefore, in sum, WTO panels will have jurisdiction to try a matter which is already a subject matter of SAFTA COE.

In view of the exclusivity of the WTO dispute settlement process (see Article 23 of the DSU), any substantive matter between any SAFTA members could possibly be settled only under the WTO. In practice, this general position of law is helpful to economically less powerful nations. For instance, Bangladesh found an acceptable solution in relation to an anti-dumping action by India against lead acid batteries from Bangladesh (WT/DS 306). It is difficult to conceive whether a regional framework could have offered any better or more expeditious solution to Bangladesh, assuming that trade remedies can be a subject matter under the SAFTA dispute settlement provisions. First of all, COE is unlikely to receive the same legitimacy and acceptance as that of a WTO panel, which is considered to be thorough, objective and highly rigorous. Furthermore, chances of compliance with a WTO panel/appellate body ruling seem higher.

Conclusion

The SAFTA dispute settlement mechanism can, therefore, be expected to deliver diplomatic solutions rather than *per se* legal solutions to trade issues, which by itself is not a bad thing. One cannot expect the SAFTA dispute settlement mechanism to be as robust and detailed as, for instance, the NAFTA dispute settlement provisions. The NAFTA dispute settlement mechanism took effect once the Member countries realized that the system was mature enough to accept deep commitments. The same cannot be said about SAFTA.

It is fair to say that, what is of concern to SAFTA is to ensure that the commitments undertaken by the members are implemented. If there is a failure even in meeting the initial obligations such as tariff reductions envisaged under the Agreement, it is hard to believe that a COE could function meaningfully. Dispute settlement mechanisms can be helpful only in cases where the parties have first implemented their initial and substantive obligations; thereafter, the parties can take recourse to dispute settlement mechanisms to iron out minor differences. ■

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It is imperative that the South Asian countries elaborate the provisions of the dispute settlement mechanism under SAFTA at the earliest; any delay in fine-tuning it could possibly derail the tariff liberalization programme

Issues for WEAKER ECONOMIES

The existing literature and empirical evidence suggest that weaker economies within a South-South RTA are likely to lose out irrespective of whether the regional arrangement on the whole is welfare-enhancing or not.

■ Mohammad A. Razzaque

Countries that form a regional trading arrangement (RTA) are usually heterogeneous as reflected in their size and economic structure, among others. The varied characteristics of members greatly influence their gains from RTAs. Countries under the Agreement on South Asian Free Trade Area (SAFTA) also point towards a scenario of unequal distribution of potential gains from the RTA. While all SAFTA members are low-income developing countries, four of them, viz., Bangladesh, Bhutan, the Maldives and Nepal, are least-developed countries (LDCs). Therefore, to what extent these relatively weaker economies can benefit from SAFTA is an important question.

Research and analyses on the relative gains to individual members indicate a high probability that in an RTA involving only low-income countries, the poorest members will lose.[1] This outcome is ingrained in the comparative advantage of members relative to each other within the RTA and to the rest of the world as a whole.[2] For example, consider the relative comparative advantages of Bangladesh and India in manufacturing. Most people would consider that India has a comparative advantage relative to Bangladesh, but not relative to the world. Under SAFTA, given the comparative advantage, India will export manufactured goods to Bangladesh and tariff preferences exchanged within the trading bloc can result in trade diversion for Bangladesh as some of the manufactures previously imported from the rest of the world will be replaced by supplies from India. But for India, there are gains since it exports to Bangladesh under protection from competition with the rest of the world.

Let us also consider Bangladesh as an unskilled labour-abundant country and thereby having a comparative advantage in labour-intensive items such as readymade garments, as reflected in its exports to the rest of the world. Considering Bangladesh also has comparative advantage in garment making relative to India, the situation becomes such that India has comparative advantage in manufacturing in general relative to Bangladesh and not to the rest of the world. However, Bangladesh enjoys comparative advantage in garment making relative to both India and the rest of the world. In such a case, Bangladesh's garment exports to India will be trade creating as the latter actually imports from the least-cost supplier. However, for Bangladesh, there will be trade diversion as Indian suppliers will replace imports from the rest of the world.

The source of such gains is, however, different in the case of multilateral trade liberalization. The primary source of gains from multilateral trade liberalization is the reduction of home tariffs, while for RTAs, it is the reduction in tariffs by others.[3] It is likely that advanced developing members of SAFTA such as India will increase their exports to weaker economies once the regional preferences have been exchanged. The increase in the imports from Members amounts to trade diversion. In this example, while exporting countries will gain by receiving a better price in the markets of weaker members, the latter will lose more than what the former gain. This may be due to exporting countries' additional transfers resulting from increased exports, which are more expensive compared to the imports they replace.[4]

The small volume of regional trade within SAFTA raises the potential for large trade diversions. About 20 percent of Bangladesh's and more than half of Nepal's imports originate from developing countries within SAFTA, mostly India. The other important factor for trade diversion is the relatively high most-favoured-nation (MFN) tariffs in Bangladesh and Nepal. The higher the MFN tariffs the more competitive advantage it provides to members to cause trade diversions. A recent simulation exercise shows that a SAFTA scenario of 100 percent tariff cuts by members lead to a net-welfare loss of US$184 million for Bangladesh. However, when Bangladesh cuts it MFN tariffs by 50 percent along with the full tariff liberalization for SAFTA members, it stands to gain US$84 million.[5]

There have been suggestions for SAFTA members to reduce MFN tariffs significantly. The relatively weaker economies find this option difficult. They recognize the need for providing protection to some of their domestic industries and are also dependent on the ensuing tariff revenues. It is true that if tariff concessions are given to advanced members, the revenue losses cannot be prevented. However, opening up to the region only could lead to significant competitive pressure for the domestic industries, particularly when countries such as India and Pakistan have a well-developed manufacturing base and mimic most of the product ranges supplied from the rest of the world.

The perceived need for supporting the domestic industries, along with the urgency of protecting tariff revenues, has resulted in sensitive lists, products under which are not subject to tariff liberalization. Along with LDC members, developing members too have put a large number of items on their sensitive list. Around 25 percent of Harmonized Tariff Schedule (HTS) of Bangladesh and Nepal are on their sensitive lists, while the corresponding figures for India and Pakistan are 14 percent and 23 percent, respectively.[6] As the export baskets of LDC members lack diversity, even a small number of goods on the sensitive list will reduce their gains from regional trade.[7] Besides, the issue of non-tariff and para-tariff barriers is also prominent for South Asia.

SAFTA is built on trade in goods, though services can also lead to trade creation. South Asian countries, particularly India, are likely to have a clear comparative advantage in services trade over the rest of the world. Opening up areas such as health, education, tourism, information technology, and non-tradable services such as electricity generation and cross-border transmission can also lead to welfare gains for the weaker economies.

Much of the services trade involving education and health takes place through informal channels and liberalization in such sectors will enhance consumer welfare with the scope of trade diversion being extremely low. Most South Asian countries are endowed with natural circumstances ideal for tourism. Bhutan, India, Nepal and Sri Lanka, in particular, are popular tourist attractions, and an effective and extended regional cooperation may result in large gains, including for Bangladesh where tourism is not a significant sector.

Another potential area of cooperation is transit trade. While transit through Bangladesh will help integrate North-Eastern Indian provinces well into the Indian economy, for landlocked countries like Bhutan and Nepal, access to ports in Bangladesh through Indian territory can promote trade. Geographical location is now considered to be an important determinant of international trade and for landlocked countries transport costs have been shown to be excessively high, thereby undermining their trading potential.

It is often argued that enhanced SAFTA cooperation will lead to the flow of investment from relatively strong economies to weaker ones. However, it needs to be pointed out that if the relatively advanced developing country suppliers can make supplies available to the regional centres by producing goods from their own countries, investment flow may not necessarily take place. Also, within the region, there could be a bigger tendency of investment being concentrated in places traditionally known to be commercial centres, particularly when wages in different South Asian countries do not differ much. This is true both in the case of investment flows originating within the region as well as from outside South Asia. There are empirical findings suggesting that regional integration attracts foreign direct investment, but the benefits are unlikely to be distributed evenly.[8]

To sum up, the existing literature and empirical evidence seem to suggest that weaker economies within a South-South RTA are likely to lose out irrespective of whether the regional arrangement on the whole is welfare-enhancing or not. In the case of SAFTA, as it stands today, it can be argued that it probably remains a paradoxical means for achieving development for the weaker economies in the region. ■

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Notes

1 The empirical literature suggests that RTAs involving relatively high-income countries promote convergence of per capita income levels. See Ben-David, D. 1993. Equalising Exchange, Trade Liberalisation and Income Convergence. *Quarterly Journal of Economics* 108: 653–79; Ben-David, D. 1996. Trade and Convergence Among Nations. *Journal of International Economics* 40: 279–98; and Venables, A. J. 2003. Winners and Losers from Regional Integration Agreements. *The Economic Journal* 113: 747–761.

2 See Venables (2003) (Note 1).

3 Panagariya, A. 1998. Rethinking New Regionalism. In Trade Policy Reform: Lessons and Implications. Regional and Sectoral Studies, ed. J.Nash and W.Takacs, 87–145 Washington, D.C.: The World Bank.

4 Hoekman, B., M. Schiff, and J. Goto. 2002. Benefiting from Regional Integration. In *Development, Trade and the WTO: A Handbook*, ed. B. Hoekman B, A.Mattoo and P. English. Washington, D.C.: The World Bank.

5 Raihan, S. and M. A Razzaque. 2007. Regional Trading Arrangements in South Asia: Implications for Bangladesh. Chapter 6 in Multilateral and Regional Trade Negotiations: Implications for Bangladesh. Study prepared by Unnayan Shamannay, Dhaka for UNDP Regional Centre in Colombo.

6 ibid.

7 This has particularly become evident as many analysts view that the decision made during the WTO Ministerial in 2005 to grant duty-free access to 97 percent of LDCs' tariff lines does not mean any meaningful market access given their high export concentration on a few items. In light of this, the depth in the sensitive lists of SAFTA members is most likely to severely restrict LDCs' trading capacity.

8 For example, see Yeyti, E. L, E. Stein and C.Daude. 2003. Regional Integration and the Location of FDI. Inter-American Development Bank Working Paper No. 492.

Nepalese Women Workers' Vulnerability to HIV

A growing concern in the post-ATC period

In the post-ATC period , the issue of unemployment of women garment workers resulting in their poor living conditions and growing vulnerability to HIV demands immediate attention and concrete efforts at both national and international levels.

■ Mona Shrestha Adhikari

The Agreement on Textiles and Clothing (ATC) of the World Trade Organization (WTO) set up a transitional mechanism in 1995 for phasing out quotas for trade in textiles and clothing (T&C) by the end of 2004. The objective of implementing this Agreement within the rules-based multilateral trading system was to liberalize global T&C trade through the elimination of quota restrictions being maintained under the Multifibre Arrangement. The expiry of ATC beginning 1 January 2005 thus resulted in a fierce competition among T&C exporting developing countries. However, not all T&C exporting developing and least-developed countries benefited from such liberalization initiative in the post-ATC period.

As soon as T&C quotas were fully abolished, Nepal, a landlocked and a least-developed country that was depending extensively on quota 'rents' for T&C exports since the mid-1980s, started to witness a rapid decline in its export share in the world market. Between 2003/04 and 2004/05, total ready-made garment (RMG) exports contracted by 35 percent.[1] The decline in RMG exports forced most RMG entrepreneurs and manufacturers to close their business. In 2001, when the RMG export of Nepal was at its peak, there were 212 industries that were exporting RMG but the number of such industries declined to 138 in 2004 and less than 30 in 2006. The decline in exports and closure of industries further resulted in a massive loss of jobs, rendering about 45,000 workers unemployed.[2]

Plight of women workers

The RMG sector is a crucial sector for Nepal from the perspective of foreign exchange earnings, entrepreneurship development as well as employment, including for women. Of the 50,000 workers in 2001, 45 percent were female, mostly migrants from rural areas working in Nepal's RMG manufacturing hub, Kathmandu, the capital city. With a job loss of around 90 percent within a short period of time, many women workers are now facing various human development challenges. In order to examine the depth and severity of the implication of the quota phase-out for Nepalese women garment workers, we conducted a research[3] along with a questionnaire survey with 75 existing and retrenched women garment workers each.

Vulnerability to HIV

The survey reveals that due to a rapid decline in RMG exports and closure of manufacturing units, a significant number of women workers lost their jobs in the RMG sector. An alarming 51 percent of the retrenched women workers were also facing difficulties in finding alternate jobs due to low level of education and lack of transferable skills.

http://d.yimg.com

Of the women garment workers who were able to get new employment, while some managed to get garment-related stitching jobs, some others were found to be working as domestic help. However, it is disappointing that many of them had started to work in massage parlours, cabin restaurants and dance bars—sectors that, in Nepal, are infamous for physical exploitation of women. Those who had started working in such sectors shared their bitter experiences: they were forced to give in to the exploitative demands of their employers and customers, and at times, they were at high risk, especially when they were subject to sexual demands. The situation is so desperate that some women, who were still unemployed, revealed that they were involved in commercial sex too as they did not have any other option left to make a living.

These cases reveal how difficult it is for women industrial workers in Nepal to adjust to shocks arising from any shift in international demand or policy. These cases also expose their economic vulnerability and the compromises they have to make in a situation of job loss. In addition, the physical abuse and psychological distress they have to endure while working in such sectors, and, worse still, the pressure to engage in commercial sex have rendered them vulnerable to mental trauma, sexually transmitted diseases and, above all, the globally spreading epidemic, the Human Immunodeficiency Virus (HIV).

In Nepal, women, mostly working in massage parlours, cabin restaurants and dance bars, are found to be highly vulnerable to HIV because in many instances they either lack knowledge about preventive measures or are 'pressurized' by men into engaging in unsafe sex. Since a majority of women garment workers are in the age group of 21–30 years and there is a growing demand for women of such age group in massage parlours, cabin restaurants and dance bars, there is a greater possibility of more women workers being employed in these sectors and thus becoming highly vulnerable to HIV.

Support initiatives

If the government does not address the human development challenges the women garment workers are facing at present through strategic

> The situation of retrenched women garment workers in Nepal is so desperate that some women even revealed that they were involved in commercial sex as they did not have any other option left to make a living

policy interventions, the results will be even more severe. The government should thus make efforts to help rescue them from economic and social vulnerability, including the risk of being afflicted with HIV. The government may introduce social safety nets for the retrenched women garment workers and also develop and implement skill enhancement schemes for ensuring their employment in productive sectors of the economy. The policies to reintegrate them into the economic development process of the country are not only crucial for women workers to survive and compete in the labour market but are also pivotal to reduce gender disparity.

RMG industrialists also have a major role to play in this process. They should seek support from the government as well as the international community to revive the RMG industry. If the RMG industry revives and expands with, for example, more technological innovations, not only could the retrenched women be re-employed but the industry could also generate employment opportunities for the growing number of female workers in the labour market.

In this process, the role of the international community, including developed countries such as the United States, is also crucial. They should provide concrete technical and financial assistance the government and the private sector need to enhance the competitiveness of the RMG industry. They should also guarantee favourable market access opportunities for enabling the country to compete with other RMG exporting countries in the international market.

One must realize that inclusive employment practices and social safety nets for marginalized and vulnerable women are not only socially important but also economically crucial. Hence, all stakeholders, including international actors, government agencies, private sector and civil society, must make efforts to reduce gender disparity and quantitatively and qualitatively increase the participation of women in economic activities and decision-making processes.

It, however, remains to be seen whether there will be any effort from the stakeholders concerned to address the ever-growing human development challenges that Nepalese women garment workers are facing in the post-ATC period. The lesser the efforts to address gender disparity within the society and enable women to benefit from trade in the globalized era, the greater the possibility of further marginalization of women in the overall growth and development process. ■

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Notes

1 Though RMG exports have been declining since 2002, mainly due to the terrorist attacks in the United States in September 2001 and duty- and quota-free market access provided to the Sub-Saharan African countries by the US under African Growth and Opportunity Act, the phasing out of quotas has hastened this process. The given figure excludes exports to India.

2 See SAWTEE and AAN. 2007. *Impact of Textiles and Clothing Phase Out on Nepal: A Study from Human Development Perspective*. Kathmandu: South Asia Watch on Trade, Economics & Environment and ActionAid Nepal.

3 See Adhikari, Mona. 2007. The study on Women Workers' Vulnerability to HIV after the Phase-Out of Textiles and Clothing Quotas: Nepal Case Study. Report submitted to United Nations Development Programme Regional Centre in Colombo (UNDP RCC).

Trade Policy Review Mechanism

Trade Policy Review Mechanism provides WTO Members with an opportunity to assess each others' trade policies.

■ **Shivendra Thapa**

In 1985, a report published on the future of the multilateral trading system identified the need for transparent and coherent trade policies and regular observation by the General Agreement on Tariffs and Trade (GATT) Secretariat of its member's trade policies. This idea was further developed by the Negotiating Group on the Functioning of the GATT system. In 1988, the group convinced the Ministerial Meeting in Montreal, Canada to establish the Trade Policy Review Mechanism (TPRM) on a trial basis. Later, in April 1989, TPRM was introduced on a provisional basis within the GATT. After the provisional introduction, agreement was reached to incorporate the TPRM as a permanent part of the World Trade Organization (WTO) in Annex 3 of the Agreement Establishing the WTO (or the WTO Agreement).

TPRM is a now a review process of the WTO. The objective of TPRM is to contribute to improved adherence by all Members to rules and commitments made under the multilateral trade agreements. This is to be accomplished by achieving greater transparency in, and understanding of, the trade policies and practices of Members. The TPRM is intended to enable regular evaluation of individual Members' trade policies and practices as well as their impact on the functioning of the multilateral trading system. It is not, however, intended to serve as a basis for the enforcement of specific obligations under WTO Agreements or for dispute settlement procedures, or to impose new policy commitments on Members.[1]

The frequency of these reviews depends on the size of the Member country. An individual Member's share in world trade is the determining factor in deciding on the frequency of the reviews. The first four trading entities so identified are subject to review every two years; the next 16 are reviewed every four years and other Members are to be reviewed every six years except that a longer period may be fixed for least-developed country Members.

The process

The three main bodies involved in a trade policy review are the Trade Policy Review Body (TPRB), the Trade Policy Review Division of the WTO Secretariat (TPRD) and the Government of the Member under review.

> The frequency of trade policy reviews depends on the size of the Member country; an individual Member's share in world trade is the determining factor in deciding on the frequency of the reviews

TPRB consists of those Members who choose to participate in another Member's review and formally has the responsibility to conduct the review. Prior to each review meeting, TPRB further elects two discussants from among the Members to present an independent assessment and motivate debate at the meetings. TPRD consists of a director and a group of economists and is in charge of research and drafting of the WTO Secretariat reports. Occasionally, TPRD contracts trade policy consultants who assist with the drafting or supervision of a report. The Government of a Member under review is represented by ministers and officials of all agencies concerned in the review.

Trade policy reviews are based on two documents: one prepared by the TPRD, and the other prepared by the Member under review.

The TPRD sends out a questionnaire on basic data and information to the Member selected for review, 10 months prior to the review meeting. In addition to answering the questionnaire, Members are required to submit a Government Report. This statement should emphasize recent and future policy strategies and their impact on trade including information such as: trade policy objectives; domestic laws and regulations governing trade policies; trade policy formulation process; relevant international agreements; and sectoral trade policies and development. Governments are free to define the structure and coverage of their own reports but are encouraged to keep them short, WTO-relevant and forward-looking, highlighting recent trade policy development and future policy directions and their impact on trade.[2]

The report prepared by TPRD is considered to be the most important document in the review process. This report assembles information obtained from the Member's response to the questionnaire as well as the results of country visits, during

Recent trade policy reviews of select South Asian countries

Country	Date of review	Overview of trade policy review
Bangladesh	13–15 September 2006	Bangladesh has pursued prudent structural reforms in priority areas and trade liberalization with positive results on growth and foreign direct investment inflows. Nevertheless, development constraints persist such as infrastructure bottlenecks, and institutional and other policy limitations.
India	23–25 May 2007	India's economic performance has continued to be impressive since 2001/02. Growth has been particularly rapid since 2003/04, averaging over 8.5 percent, This performance is largely due to unilateral trade and structural reforms, in particular in services.
Pakistan	16–18 January 2008	Pakistan's economic growth has been impressive mainly as a result of its relatively open trade and investment regimes, sound macroeconomic policies and structural reforms that have also contributed to lower unemployment and reduced poverty. Despite these improvements, a complex tariff structure remains in place in some sectors.
Sri Lanka	3–5 March 2004	Economic prospects appear favourable, provided that economic reforms, particularly those aimed at reducing government intervention, are continued. Also, export competitiveness would benefit from the implementation of more coherent and predictable economic and trade policies, which suffer from inconsistencies and lack of predictability.

Source: Compiled from www.wto.org

which interviews and consultations are conducted. This information is usually supplemented by a number of other sources including publications of agencies like the World Bank, the International Monetary Fund, the United Nations, development banks and foreign governments. The WTO Secretariat also has the discretion to consult reports of private agencies such as the Economist Intelligence Unit, Europa Publications, Transparency International as well as press and other reports, either from the Member concerned or other sources.

Timeline and outcome

While the review process lasts approximately 10 months, the review meeting is held over two days in Geneva, Switzerland. These meetings occupy two morning sessions with a day for preparation in between. The first session is dedicated to an opening statement by an official of the Member under review, the assessment of the two discussants followed by questions from the participating Members reflecting concerns and challenges highlighted in the reports. This provides the participating Members a rare opportunity to question the Member under review about policies and practices directly affecting them. The second session is spent answering the questions raised in the first session. These answers should be arranged along the lines of the main themes identified by the Chairperson and, preferably, in a written format.

The formal review process ends with concluding remarks by the Chairperson, after which TPRD compiles and releases the review report consisting of the WTO Secretariat report, the Chairperson's concluding remarks, the government report and the minutes of the meeting.

Conclusion

TPRM provides Members with an opportunity to assess each others' trade policies. Moreover, the predictability and stability that such transparency brings to the multilateral trading system is an incentive for Members to explore more trade opportunities.

As TPRM is separate from the compliance and dispute settlement aspects of the WTO, its role is seemingly limited to the appraisal of trade policies. In this context, it is intended to provide information to Members as well as nurture debate among them rather than coerce any corrective change to their trade policies. However, some commentators regard TPRM as a conditioning advocate that facilitates corrective change by virtue of its transparency, without having the legal authority to do so. In this regard, complemented by the compliance and dispute settlement mechanisms of the WTO, TPRM can be an important tool to facilitate smoother functioning of the multilateral trading system. ■

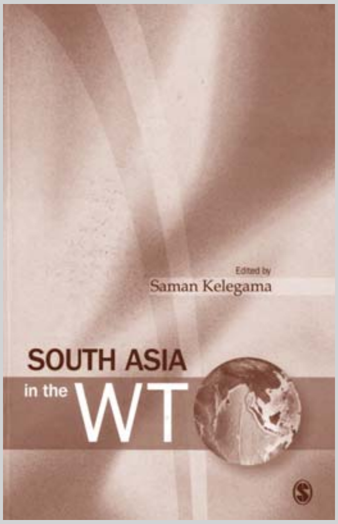
Search for South Asian common position

■ Paras Kharel

South Asia, hosting 40 percent of the world's poor, had pinned high hopes on the successful completion of the Doha Round of World Trade Organization (WTO) negotiations. The Doha Round is in limbo, yet the region has little option but to vigorously participate in the negotiations to ensure that if and when a deal is struck, it is not out of sync with its interests.

South Asia in the WTO, edited by Saman Kelegama, is a timely book that focuses on each South Asian country's concerns and positions (including those of Bhutan, a WTO observer since 1998) on WTO issues, taking into account the capacity-related and institutional constraints. Experts from Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka have contributed a chapter each examining, *inter alia*, their respective countries' positions on the July Package (JP). On the basis of the country chapters, the introductory and concluding chapters evaluate the commonalities and differences among South Asian countries, and thus assess the feasibility of a South Asian common position in WTO negotiations.

Going by the often divergent concerns and positions of the South Asian WTO Members, forging a common regional position is a difficult proposition, although an issue-based unity, as suggested by Kelegama in the introductory chapter, looks more realistic. In agriculture, India is pushing for the removal of domestic and export subsidies, mainly in the United States and the European Union (EU). On the contrary, net-food importing countries (NFICs)—the Maldives, Nepal and Sri Lanka—face the prospect of higher import bills due to price rise once subsides are scrapped. Muchkund Dubey, the author of the concluding chapter that exudes optimism about the possibility of a South Asian common position, does not consider this to be an insurmountable problem. A quick fix he suggests is that the food-deficit countries import food from their food-surplus neighbours. However, as rightly pointed out by Kelegama, this means more regional dependence. One also comes across contradictory information on Bangladesh's status regarding food self-sufficiency. While the chapter on Bangladesh states that the country is an NFIC, Kelegama's introductory chapter lumps it with India and Pakistan as a country that has achieved a "high level of food self-sufficiency".



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978-81-7829-778-1 (India-HB)

The preferential treatment accorded by developed countries to certain developing countries and all least-developed countries is another bone of contention. India finds the EU's Generalized System of Preferences (GSP) 'discriminatory' while Pakistan and Sri Lanka, the latter itself a GSP beneficiary, have reservations about the duty-free and quota-free (DFQF) market access for LDCs (Bangladesh, the Maldives and Nepal). In fact, it was in large part due to the vocal opposition of Pakistan and Sri Lanka that the 2005 Hong Kong Ministerial Declaration pledged DFQF to LDCs on only 97 percent of tariff lines. Likewise, if India has an offensive interest in tariff reduction, especially in textiles and clothing, Bangladesh and Nepal face preference erosion due to reductions in most-favoured-nation tariffs by developed and developing countries alike.

Despite such conflict of interests, there appears a clear case for a united front to push for the dismantlement of non-tariff barriers (NTBs) that developed countries are particularly resorting to. South Asian countries can also close ranks to press for the elimination of tariff peaks and escalations, as well as 'less than full reciprocity'. Dubey urges South Asian developing countries to back LDCs' demand for the operationalization of special and differential treatment provisions in the WTO Agreement and full DFQF market access, as well as to accord such treatments to the LDCs on their own. Though a noble idea, it is easier said than done. The record under bilateral and regional trade agreements, what with prohibitive sensitive lists, quantitative restrictions and NTBs, is not encouraging.

The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) comes out as an issue where South Asian countries see eye to eye. A united push for an amendment to TRIPS to bring it in line with the Convention on Biodiversity is conceivable. The formation of issue-based common positions is, thus, within the realm of feasibility. An all-encompassing South Asian common position, however, is not, given that the countries are poles apart on many an issue. Even so, as the book suggests, the deepening of regional integration can help iron out differences considerably and provide an impetus to regional unity in WTO negotiations. ■

New SAWTEE Members

AFTER close collaboration in different activities, the Bangladesh-based Unnayan Shamannay and the Sri Lanka-based Institute of Policy Studies (IPS) have formally become the institutional members of SAWTEE network. Unnayan Shamannay, established in 1994, is a non-profit organization engaged in research, advocacy, development and cultural learning. Unnayan Shamannay has conducted many studies and organized various programmes focusing on trade, poverty and other socio-economic issues (visit www.shamunnaybd.org). The IPS was established by an Act of Parliament in 1998 as an autonomous institution designed to promote policy-oriented economic research and to strengthen the capacity for medium-term policy analysis in Sri Lanka. IPS has functioned under the key ministries involved in economic policy making and implementation in Sri Lanka while enjoying considerable autonomy in setting and implementing its research programme (visit www.ips.org). ■

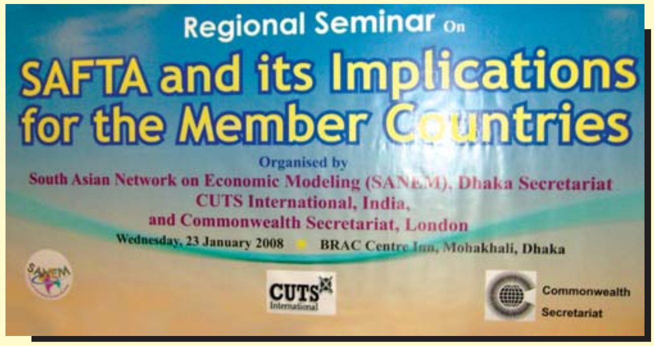
Research, Capacity Building and Advocacy

SAWTEE has initiated a new three-year regional project titled 'Research, Capacity Building and Advocacy on Trade (ReCAT)' so as to strengthen the capacity of concerned South Asian stakeholders to better understand different trade and development issues concerning bilateral, regional and multilateral trade. The overall objective of ReCAT is to strengthen the capacity of different stakeholders in South Asia to help them use trade as a means to address their development concerns. Specific objectives of the project include:

- help South Asian governments better implement policies and develop negotiating positions;
- create and strengthen networks and partnerships between and among different stakeholders and their groups both within and beyond South Asia;
- strengthen the research and advocacy capacity of stakeholders including civil society, private sector and the media; and
- facilitate stakeholders' participation in the trade negotiation and policy making process.

The project is supported by Oxfam Novib (for further information, visit www.sawtee.org). ■

SAFTA and Services Trade Liberalizaiton



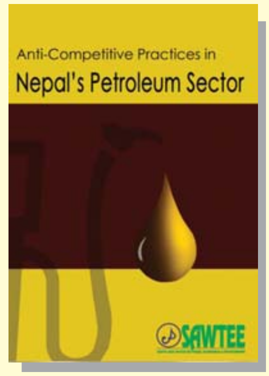
THE Consumer Unity & Trust Society-International (CUTS-International) co-organized two back-to-back regional seminars in Dhaka on 23 and 24 January 2008. The seminar on 'SAFTA and Its Implications for the Member Countries' was organized on 23 January in cooperation with the Commonwealth Secretariat, London and the South Asian Network on Economic Modeling (SANEM). Six papers on SAFTA were presented in this seminar by participants from five South Asian countries. Another seminar, titled 'Services Trade Liberalization in South Asia', was held on 24 January in cooperation with SANEM, Unnayan Shamannay and the Commonwealth Secretariat. Trade experts and government officials from Bangladesh, India, Nepal, Pakistan and Sri Lanka, among others, participated in this seminar. ■

10th Sustainable Development Conference

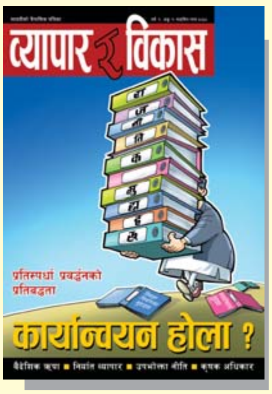
THE Sustainable Development Policy Institute (SDPI) held its '10th Sustainable Development Conference (SDC)' during 10–12 December 2007 in Islamabad, Pakistan. The overarching theme of the SDC was *Sustainable Solutions: A Spotlight on South Asian Research*. The SDC discussed sustainable solutions to problems concerning poverty, illiteracy, mortality and morbidity, environmental degradation and disaster management, gender inequality, insecurity, peace and history. It focused on looking at both innovative solutions and indigenously developed alternatives that have survived generations of development. Altogether 65 panelists and more than 1,000 audience from 10 countries participated in the three-day event. An SDC anthology titled 'Missing Links in Sustainable Development: South Asian Perspectives' consisting of peer-reviewed papers from the previous conference was also launched on the occasion. Each SDC is designed to be a forum for sharing and exchanging ideas on sustainable development among practitioners, civil society and policy makers. ■

Policy Brief: Protecting Farmers' Rights in the Global Regime
Author: Regine Anderson
Publisher: SAWTEE
Year Published: 2007

Issue Paper: IPRs in agriculture: The law and its use in development
Author: Neils Louwaars
Publisher: SAWTEE
Year Published: 2007



Book: Anti-Competitive Practices in Nepal's Petroleum Sector
Author: Milan M. Sharma and Sudeep Shrestha
Publisher: SAWTEE
Year Published: 2007



Magazine in Nepali: *Byapar ra Bikash* (Trade and Development)
Publisher: SAWTEE
Year Published: 2007

Policy Brief in Nepali: Promotion of Agri-business for International Trade
Author: Krishna P. Pant
Publisher: SAWTEE
Year Published: 2007

Briefing Paper in Nepali: Market Access Barriers for Nepalese Agricultural Products
Author: Dhrubesh C. Regmi
Publisher: SAWTEE
Year Published: 2007

Briefing Paper in Nepali: Nepal's Status of the Implementation of WTO Commitments
Publisher: SAWTEE
Year Published: 2007

SAWTEE
SOUTH ASIA WATCH ON TRADE, ECONOMICS & ENVIRONMENT

South Asia Watch on Trade, Economics & Environment (SAWTEE) is a regional network that operates through its secretariat in Kathmandu and member institutions from five South Asian countries, namely Bangladesh, India, Nepal, Pakistan and Sri Lanka. The overall objective of SAWTEE is to build the capacity of concerned stakeholders in South Asia in the context of liberalisation and globalisation.

www.sawtee.org