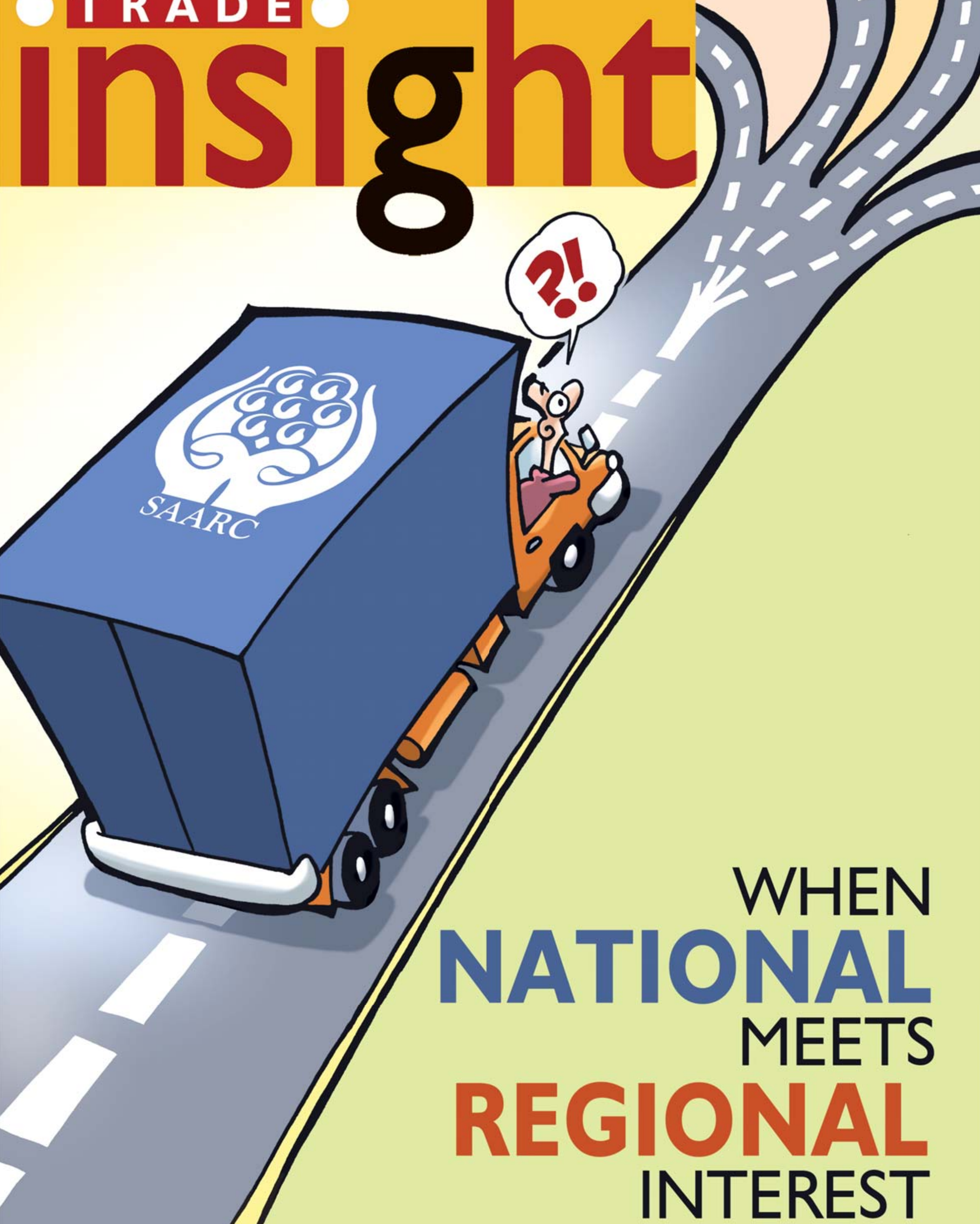
A dialogue on trade and development in South Asia
Vol. 13, No. 3, 2017

TRADE insight



WHEN NATIONAL MEETS REGIONAL INTEREST

SUBREGIONAL COOPERATION | BBIN'S CHALLENGES | DATA FOR DEVELOPMENT

A dialogue on trade and development in South Asia
Vol. 13, No. 3, 2017

TRADE insight

sawtee
P.O. Box: 19366
Tukucha Marg
Baluwatar, Kathmandu, Nepal
Tel: +977-1-4424360/4444438
Fax: +977-1-4444570
E-mail: sawtee@sawtee.org
Web: www.sawtee.org

Regd. No. 208/070/071 (Kathmandu)

editors' note

Boosters of regional cooperation

THAT the slow progress on the regional integration and cooperation front under the aegis of South Asian Association for Regional Cooperation (SAARC) has led to the rise of subregional initiatives in South Asia is a standard cliché. But, this is only one side of a bigger argument. This thesis does not entertain the possibility that the push for subregionalism may be restraining regionalism. The truth likely lies somewhere in-between, with both trends reinforcing each other, especially if the former specializes in areas that are beyond the mandate or capability of the latter to cover.

Subregionalism cannot be a substitute for the vision—notably, one of collective self-reliance of the entire region—that SAARC espouses. Subregional initiatives like the India-led Bangladesh, Bhutan, India, Nepal (BBIN) Initiative have, in theory, the potential to advance regional integration, provided there are other such initiatives covering different parts, and among themselves all members, of the region. The argument is that subregionalism should not be an offshoot of members' exclusionary tactics employed against each other in the wider regional forum. More precisely, the key to subregionalism serving as a building block, instead of a stumbling block, to regionalism is that it is not beholden to any particular member's policy.

On the other hand, if indeed subregionalism is the result of deepening and widening regional cooperation, there must be no qualms on the members' part to allow interested parties to come together on common issues and geographic areas for subregional initiatives. BBIN's connectivity project should be looked at in this perspective. In other words, South Asia has the potential for several subgroups to exist side by side and serve the region's two decade-old quest to come closer together even better.

Countries are looking not just beyond SAARC but also beyond the region for options. Most South Asian nations have signed on to the China-led Belt and Road Initiative (BRI). This is set to not just deepen their economic ties with China, but also help bridge their investment gaps in infrastructure. Because infrastructure is a key area of focus of BRI, because South Asia is short of funds to finance its burgeoning infrastructure needs and because China happens to be an observer in SAARC, it is only logical for SAARC members to explore all avenues, not least tapping of BRI finance for South Asian regional integration projects. Unfortunately, SAARC has been extremely slow in waking up to the reality that the world's second-largest economy lives next door. If there are concerns about the strategic motives underpinning such initiatives, that is all the more reason for SAARC to collectively engage with them. Other initiatives, such as BBIN, are not free of geostrategic calculations either.

The broader issue here is not just about involving only one observer. It is related to utilizing the available resources that all of SAARC's nine observer states can contribute for regional cooperation. Some of them are global economic powerhouses and major sources of investment and aid as well as common trade partners of SAARC member states. While the possibilities of leveraging these bilateral relationships and engagements to advance regional integration goals have not been adequately explored, the 18th SAARC Summit saw leaders directing "the Programming Committee to engage the SAARC Observers into productive, demand-driven and objective project based cooperation in priority areas as identified by the Member States". The SAARC Secretariat must take creative initiatives to implement that decision. After all, SAARC took on observers not for mere decorative purposes. It was with a view to having them contribute to realizing the regional body's vision. ■

Trade Insight Vol. 13, No. 3, 2017

Content

Nepali importers haul vessels to Vizag port as Kolkata proves costlier

NEPALI traders expect movement of cargo from Visakhapatnam to gain momentum due to both cost and time advantages over Kolkata port.

Due to the constraints in wagon-loading capacity at Netaji Subhas Dock in Kolkata port, the rail movement of Nepali transit cargo growth halved in the year 2016-17 compared to that of the previous fiscal year.

Container shipping liner Maersk delivered the first rake of cargo from Visakhapatnam to Birgunj in Nepal in mid-June. The distance to Birgunj from Visakhapatnam is double than that from Kolkata. But a lower sea freight between Chinese ports and Visakhapatnam, and efficient port-handling compensates the relatively higher rail freight to Birgunj. Visakhapatnam is a deep-water sea port where large container ships can be unloaded.

"Operations through Visakhapatnam are proving to be both time and cost-efficient. Detention and demurrage charges are zero," said Mr. Ashok Temani, an importer and Chairman of the Trade and Transit Committee of Federation of Nepalese Chambers of Commerce and Industry (FNCCI).

upload.wikimedia.org

At Visakhapatnam, Maersk has also offered to start the counter for the normative 14-day window to return the empty cargo container five days after the import cargo reaches Birgunj. No shipping liner offers extended detention window for containers arriving at Kolkata.

According to Mr. Temani, absence of second loading point outside the port, and inability to use facilities at the Haldia Dock complex due to the absence of consular services are adding to the misery of the traders in Kolkata.

The monopoly of Container Corporation in running container freight and dry port services also prevents the entry of global logistics firms that offer end-to-end services, he said. *(thehindubusinessline.com, 10.07.2017)* ■

Afghanistan, Turkmenistan sign 7 accords

AFGHANISTAN and Turkmenistan on 10 July 2017 signed seven bilateral cooperation agreements in the presence of the presidents of the two countries in Ashgabat, the Turkmen capital.

During the high-level meeting, Afghan President Mr. Ashraf Ghani and his Turkmen counterpart Mr. Gurbanguly Berdimuhamedov held discussions on the future of the Afghanistan-Turkmenistan relations and also on the regional and international issues, a joint statement said. Also, seven bilateral cooperation agreements, including supply of Turkmen electricity to Afghanistan were signed on the occasion. Other agreements were about international road transport, cooperation in carpet industry, regulations on organization of railway communication through the Turkmen-Afghan border between stations Akina-Imamnazar and International Railway checkpoint at the Turkmen-Afghan border.

They also agreed on expanding cooperation in railroad systems and taking certain measures including reconstruction and repairing of the Serhedabad-Turghandi railroad and also expanding Aqina railroad.

Regarding energy production and energy transit projects, particular, emphasis was on implementation of multilateral projects such as Turkmenistan-Afghanistan-Pakistan-India pipeline, Turkmenistan-Afghanistan-Pakistan

Darjeeling tea industry staring at INR 4 billion loss

THE indefinite shutdown in the Darjeeling hills is costing its tea industry dearly, with the industry staring at a revenue loss of INR 4 billion.

According to Mr. A. N. Singh, Managing Director and Chief Executive Officer, Goodricke Group, the greater fear for the industry stems from the fact that blenders and packeteers have started making inquiries for an alternative for 'Darjeeling'.

Industry experts said that the need for paying bonus once operations resume could exert further pressure on the companies that are already facing cash-flow problems.

Nearly 50 per cent of the total 8 million kilogram of Darjeeling tea produced across 87 estates each year is exported. The industry has already lost nearly 70 per cent of its production, a majority of it being from the most prized second flush tea. The second flush crop—extending between May to July—fetches maximum price for its unique colour and flavour. *(www.thehindubusinessline.com, 05.09.2017)* ■

electricity project, and Turkmenistan-Uzbekistan-Tajikistan-Afghanistan-Pakistan electricity transit project.

Taking into account the transit and transportation potentials of the two countries, the presidents emphasized on Afghanistan-Turkmenistan-Azerbaijan-Georgia-Turkey trade and transit corridor and Tajikistan-Afghanistan-Turkmenistan railway. *(www.pajhwok.com, 04.07.2017)* ■

No takers in India for transit facility through Bangladesh

aanavandi.com

INDIAN users are showing little interest to avail facility offered by Bangladesh government to India allowing use of its territory for transit of cargo and passengers to the Northeast states of India.

In June 2015, the prime ministers of both the countries flagged off bus services between Agartala, Tripura and Kolkata, West Bengal through the Bangladeshi capital of Dhaka. The State transport departments of West Bengal and Tripura offered to run two separate services for three days a week. The service reduced the distance travelled to only 500 km compared with the 1,650 km journey through the Siliguri corridor.

Two years later, the West Bengal government run service has become less frequent, while Tripura has suspended the service for the last one-and-a-half months following an accident.

According to sources, the 45-seater bus barely got four-five passengers per trip. The journey involved passengers requiring multiple entry visa from Bangladesh to travel. The journey takes 17-20 hours and the fare is INR 2,000. Compared with this, a flight between Kolkata and Agartala takes only an hour and costs about INR 2,300 to 3,500.

The goods transit through Ashuganj river port has met a similar fate. Inaugurated in June 2016, it allowed Indian users to ferry cargo from Kolkata port to Ashuganj in Bangladesh via inland waterways. From Ashuganj the cargo would travel 50 km to reach Akhaura border gates in Tripura.

A recent report by the Dhaka-based think-tank Centre for Policy Dialogue shows that from June 2016 to January 2017, only three shipments were routed through Ashuganj.

The long turnaround time, rudimentary port facility, transit related procedural hassles, and uneconomical transit fee vis-à-vis the road and rail transport through the Siliguri corridor are some of the reasons for its limited use.

Transporting goods through Siliguri has become an attractive option after the introduction of broad-gauge rail services to Agartala in January this year.

But New Delhi is still keen to keep the transit option open as it can be used for ferrying essentials in case of emergency

Delhi has also proposed a soft loan to Dhaka for the development of container terminal at Ashuganj. A US$338.8 million loan was granted for redevelopment of the road from Ashuganj to Akhaura. *(www.thehindubusinessline.com, 16.08.2017)* ■

BIMSTEC issues Kathmandu Declaration

SASEC.Asia

THE 15th Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) ministerial meeting on 11 August adopted a Kathmandu Declaration on various areas of cooperation even as the seven-country meet failed to clinch a concrete deal.

The much-expected date for hosting the fourth BIMSTEC summit in Nepal was not announced as the Nepali side failed to propose a specific date. Nepal is the current chair of the regional grouping.

The summit would be scheduled in consultation with all the member states later, reads the declaration.

The meeting decided to appoint the veteran Bangladeshi diplomat Mr. Shahidul Islam as the next general secretary of BIMSTEC as the term of the incumbent Mr. Sumith Nakandala is about to be over.

According to Deputy Prime Minister and Minister for Foreign Affairs Mr. Krishna Bahadur Mahara, who read out the declaration, the BIMSTEC Free Trade Area Agreement will be signed soon. The meeting also agreed to set up an electricity grid interconnection between the member states, for which an agreement would be signed soon. The member states also agreed to finalize the text of technology transfer among the members along with other documents related to trade facilitation and motor and transit agreements.

The 15th meeting of the foreign ministers adopted a master plan to alleviate poverty in the region. The meeting also agreed to set up the BIMSTEC Energy Centre, BIMSTEC Environment Centre and BIMSTEC Cultural Centre immediately to expedite the objectives of the regional organization.

The meeting agreed to constitute an Eminent Persons' Group to suggest a future roadmap for the regional grouping. "The meeting decided to enhance trade and economic cooperation among the member states," the declaration reads.

Nepal has proposed hosting the third meeting of BIMSTEC energy ministers early next year. *(kathmandupost.ekantipur.com/, 12.08.2017)* ■

Petrapole-Benapole checkposts to run 24/7

STARTING from August, the Petrapole-Benapole Integrated Check Post (ICP) between India and Bangladesh will function round-the-clock.

"In order to facilitate movement of cargo across the border, India and Bangladesh have agreed to operate Petrapole-Benapole ICP 24x7, with effect from 1 August 2017," said a statement issued by the Indian Ministry of Commerce and Industry.

The Land Ports Authority of India (LPAI) and Central Board of Excise and Customs (CBEC), the implementing agencies on the Indian side, have issued necessary instructions in this regard, according to the Statement.

The 24x7 operation of Petrapole-Benapole ICP "is expected to be a significant milestone towards expeditious clearance of cargo and, hence boost the bilateral trade between the two countries," said the statement.

The ICP was inaugurated by Prime Ministers Ms. Sheikh Hasina and Mr. Narendra Modi via video-conferencing on 21 July 2016 and both termed it as a "milestone" in promoting India-Bangladesh trade.

An estimated 60 per cent of India-Bangladesh trade is conducted through the Petrapole-Benapole Check Post, Asia's largest land customs station.

Round the clock movement of cargo between the two countries cut down movement and warehousing time and bring down the cost, Indian officials said. *(www.thedailystar.net/, 01.08.2017)* ■

Call for spice genetic pool in SAARC countries

EXPERTS have called for building up a spice genetic pool in the South Asian Association for Regional Cooperation (SAARC) countries for the promotion of the production of spices.

Speaking after opening a three-day regional expert consultation meeting on 'Technology sharing of spice crops in SAARC countries' at the Indian Institute of Spices Research (IISR) in Kozhikode on 11 September, Mr. P. Rajendran, Vice-Chancellor of Kerala Agricultural University, said that it was time to create an exclusive seed bank for the preservation of spices with the cooperation of South Asian countries. Also, there should be provisions for the exchange of planting materials among the SAARC countries and corpus fund for addressing the trade-related issues, he observed.

In his presidential address, Mr. Homey Cherian, head of the Directorate of Arecanut and Spices Development of the Government of India, said that India country was witnessing an increase in the productivity of spices as a result of improved varieties and technological interventions.

He also stressed the need to have some new policy-decisions to further improve the trend.

As part of the meet, a technology exhibition pavilion was opened at IISR. Ms. T. Geetha, Principal Agriculture Officer, inaugurated the pavilion. Mr. Pradyumna Raj Pandey, Senior Program Specialist (Crops), SAARC Agriculture Centre, Dhaka, explained the concept and objectives of the meeting. Mr. K. Nirmal Babu, Director, IISR; and scientists from countries such as Afghanistan, Bangladesh, Sri Lanka, Bhutan, and Nepal were present. *(www.thehindu.com, 12.09.2017)* ■

SAARC Trade Fair 2017 ends

THE SAARC Trade Fair 2017, organized in association with the SAARC Investor Forum 2017 was held from 7-9 September at the Sri Lanka Exhibition and Convention Centre (SLECC), Colombo.

The SAARC Investment Forum 2017 that was also held at the Hilton Colombo on the same days was geared to pave way for greater trade and investment cooperation between its member states of Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

This event was organised by the Federation of Chamber of Commerce and Industry of Sri Lanka (FCCISL) and the SAARC Chamber of Commerce and Industry and MP Events Lanka (Private) Limited. *(www.dailynews.lk, 11.09.2017)* ■

New UN treaty to strengthen digital trade in Asia-Pacific

BANGLADESH, Cambodia and China have signed the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific, a new United Nations treaty aimed at strengthening digital trade in the region.

"ESCAP Member States have played a leading role in the development of the trade agreement," said Dr. Shamshad Akhtar, United Nations Under-Secretary-General and Executive Secretary of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).

"This agreement has the potential to harness the development dividends at the nexus of technology and trade, two key means of implementation for the 2030 Agenda for Sustainable Development," Dr. Akhtar added.

This regional treaty will provide the foundation for participating countries in the region to cooperate and accelerate progress in achieving paperless trade across borders, cut trade time and costs, and ultimately boost economic competiveness.

Several other countries at the signing ceremony in Bangkok, also expressed their commitment to sign the treaty during the September 2017 session of the United Nations General Assembly in New York.

According to a ESCAP study, export gains for the Asia-Pacific region are estimated to reach US$250 billion annually with the full implementation of cross-border paperless trade. Even partial implementation of cross-border paperless trade could lead to an export increase of US$36 billion annually, and decrease the time required to export by as much as 44 per cent and reduce costs by up to 31 per cent.

The regional signing ceremony was held as part of the 'High-Level Dialogue on Enhancing Regional Trade through Effective Participation in the Digital Economy' taking place in Bangkok. The treaty is open for signature at the United Nations headquarters in New York until 30 September 2017 and will enter into force 90 days after five countries have ratified the agreement. *(www.unescap.org, 29.08.2017)* ■

China's economic power grows in South Asia

The SAARC region is in a position to attract more Chinese FDI in the coming years. Managing economic relations with China has to be a careful exercise in geo-politics

Saman Kelegama

China shares a border with five South Asian countries—Afghanistan, Bhutan, Nepal and South Asia's major powers, India and Pakistan. Given this geographical reality, China's ability to exert its influence in the region was readily seen. Since the late 1990s, Chinese economic ties with the South Asian region, in terms of trade, investment and financial assistance, have been growing fast.

Trade and investment

Over one-and-a-half decades from 2000 to 2014, China managed to become the largest trading partner of India, Pakistan and Bangladesh and the second largest trading partner of Sri Lanka and Nepal. By 2012, its trade with India had exceeded US$65 billion, with Pakistan US$12 billion and with Bangladesh US$8 billion. When comparing India's trading with its South Asian neighbours (the South Asian Association for Regional Cooperation (SAARC) members), and China's trading with the same countries, it becomes clear that the overall trade of India with its South Asian neighbours in 2012, which amounted to US$18 billion, was far exceeded by Chinese trade that amounted to US$25 billion.

Such pattern manifested despite the duty-free, or preferential, access vis-à-vis India and other South Asian countries provisioned by the Agreement on South Asian Free Trade Area (SAFTA) that came into operation in 2006, not to mention India's deeper bilateral free trade agreements (FTAs) with South Asian countries such as Sri Lanka, Nepal and Bhutan. China, on the other hand, has only one FTA with one South Asian country, that is, Pakistan, since 2006, and has a preferential regional trade arrangement with India, Sri Lanka and Bangladesh under the Asia Pacific Trade Agreement (APTA) for selected goods since 2001. However, India too has a preferential trade arrangement with Sri Lanka and Bangladesh via APTA, which, in any case, remains a weak agreement in pushing trade. Clearly, China's trading power in the region shows that it has more trade complementarities with the South Asian region compared to India.

Chinese foreign direct investment (FDI) in South Asian countries, however, has not kept pace with the growing trade. It still lags behind India's in most of them. However, in recent years, Chinese investment has grown rapidly in some South Asian countries like Pakistan, Sri Lanka and Bangladesh. It is observed that, when FDI from Hong Kong in the South Asian region is added to Chinese FDI, the total FDI comes close to Indian FDI in the region.

What is more, with China increasingly focusing on its own domestic economy, there may be pressure for the Yuan to appreciate and trigger an outflow of Chinese investment as was the case in Japan after the yen's appreciation in the 1980s. In the latter case, the key beneficiaries of Japanese investment outflows were the Association of Southeast Asian Nations (ASEAN) countries. Given China's already strong trading and investment foothold in South Asia and the region's low labour costs, relative to East Asia, the SAARC region is in a position to attract more Chinese FDI in the coming years. Chinese FDI may even overtake Indian FDI.

Chinese trade and investment links have led to growing Chinese financial flows in terms of loans and aid to the region since the middle of the first decade of this century. Most of these loans are associated with large infrastructure projects, such as ports, highways, bridges and power plants. China has also overtaken traditional donors in some South Asian countries, especially Pakistan, Sri Lanka and Bangladesh. In Sri Lanka, China has become the largest donor of funds since 2009. Out of the US$5.1 billion financial assistance it received from China during 1971-2012, 94 per cent of it had come during 2005-2012.

Chinese financial assistance to Pakistan is also large and it includes the China-Pakistan Economic Corridor (CPEC), estimated at US$40 billion, development of the Gwadar sea port, some military training, to name a few. In Bangladesh, the Friendship Bridges project is a key component of Chinese financial assistance, where six bridges have already been completed. When Chinese President Xi Jinping visited Bangladesh in October 2016, he promised a US$25 billion funding package for various projects and programmes in Bangladesh.[1] China has already surpassed India as the major financier of projects in most of the smaller South Asian countries.

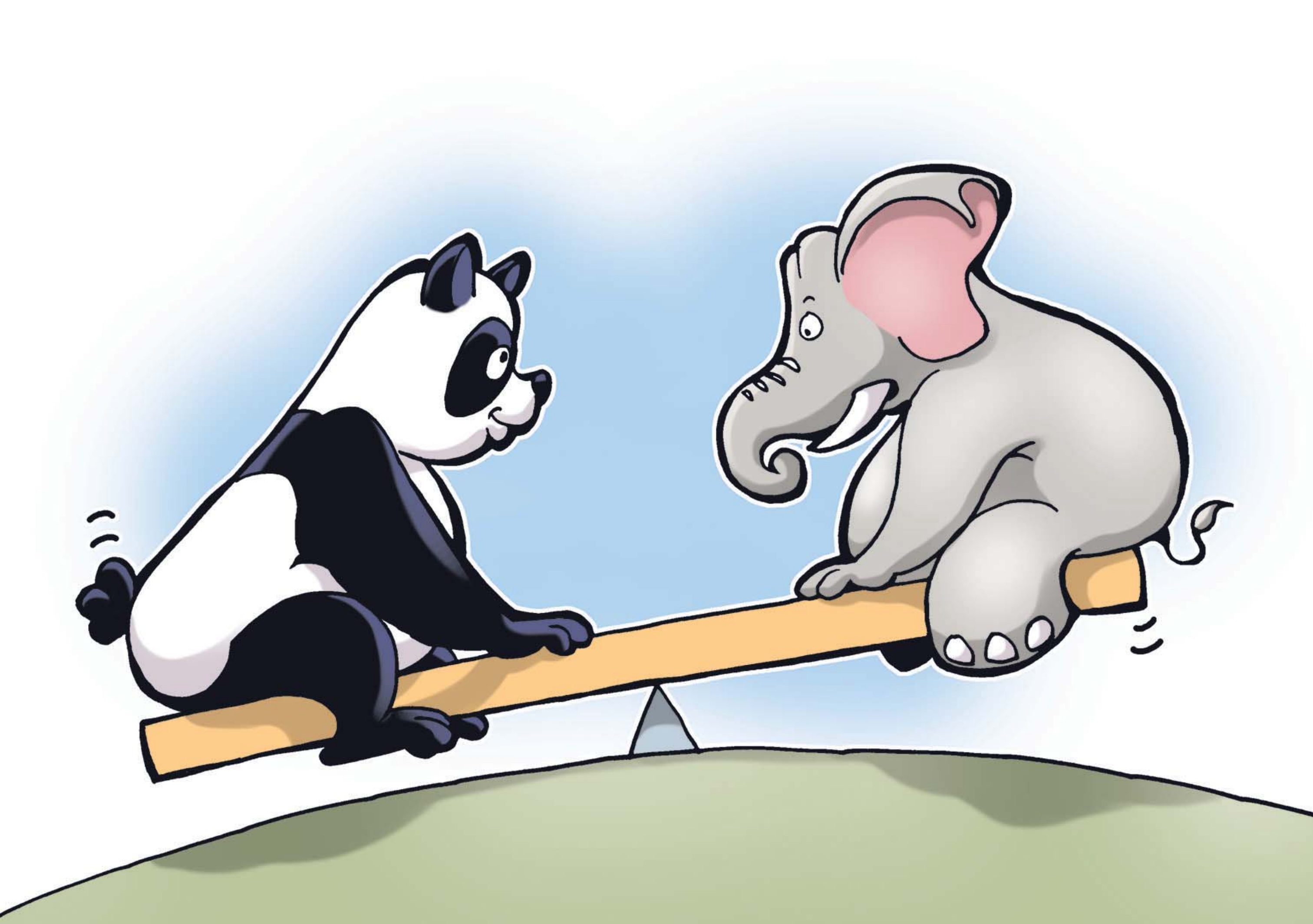
Chinese financial assistance is helping develop supply capacity of South Asian nations.

Chinese financial assistance has gone a long way in developing the production base and supply capacity of many South Asian countries, particularly the SAARC least-developed countries (LDCs). It was their weak supply capacity that prevented many South Asian countries from tapping the growing Indian market as promised by SAFTA or other existing FTAs. In that sense, Chinese financial assistance will indirectly contribute to stimulating more intraregional trade in SAARC, which is currently at a low level of five to six per cent of the total international trade of the region.

Existing literature has shown that Japanese FDI to the ASEAN region in the 1980s played a key role in stimulating ASEAN intraregional trade by using the trade-investment nexus. Although parallels may be tricky to draw, the financial assistance-based entry of China to South Asia has some familiar characteristics to the FDI-based entry of Japan to East Asia. It is safe to assume that Japanese infrastructure projects took a long time to deliver results, especially in terms of increasing intraregional trade. Thus, from a SAARC regional perspective, Chinese financial assistance is welcome in the region.

India reacts

China's business with South Asia takes place at the bilateral level. China's 'Observer Status' in SAARC since 2005 has provided no role for it



in the regional organization due to the vagueness of the concept. Hence, it finds it difficult to engage with South Asia at the regional level. In spite of that, China has donated more than US$500,000 for the SAARC Development Fund.[2] China's growing bilateral economic links with individual South Asian countries have made India active in the SAARC process. India's unilateral gestures such as (i) granting duty-free market access to all SAARC LDCs in 2008; (ii) unilaterally reducing its 'negative list' to 25 items under SAFTA in 2011; and (iii) donating US$100 million to the 'social window' of the SAARC Development Fund in 2010 can be considered as proof of this newfound energy.

The recent growth in Chinese presence in the region has raised some concerns in India as it had been considering the neighbourhood as its geo-political space. These concerns have been aggravated by increasing Chinese attempts to assert its presence in the region by (i) seeking the 'Dialogue Partner' status in the Indian Ocean Rim Association in 2000 (where India, Sri Lanka and Bangladesh are members); (ii) seeking membership of the Asia-Pacific Trade Agreement (APTA) in 2001 (where India, Sri Lanka and Bangladesh are members); (iii) acquiring the 'Observer Status' in SAARC itself; (iv) initiating dialogue with some SAARC countries to revive both the land and the maritime Silk Routes since 2014; and (iv) heavy involvement in developing sea ports in the region, namely Gwadar (Pakistan), Hambantota (Sri Lanka) and Chittagong (Bangladesh). This is perceived by India as China's "String of Pearls" strategy to encircle India with Chinese naval presence.

India can do very little to prevent the growing economic influence of China in the rest of South Asia as all these countries require financial assistance and benefit from the growing trading and investment links with the growing economic powerhouse. According to Indian political analyst Professor S.D. Muni, India's policy towards China is revolving around

> The recent growth in Chinese presence in the region has raised some concerns in India.

4Cs—containment, conflict, competition and cooperation. Various groups in the Indian system are backing the different "C"s—the Indian business community supporting competition, a segment of the military calling for containment, and a segment of the bureaucracy calling for cooperation. Thus, the overall Indian policy appears to be a confused one and diluted by the interests of various lobbies.[3]

As long as this is the case, India cannot do anything in regard to China's aggressive engagement with other South Asian countries other than expressing its concerns to the neighbouring countries. For instance, Sri Lanka's Colombo Port City project was halted from April 2015 to August 2016 due to Indian concerns of growing Chinese power in its Southern neighbourhood. Sri Lanka revived the project, and in July 2017, signed a US$1.1 billion deal to sell a 70 per cent stake in Hambantota port to China[4], amid concerns over the massive debt the island nation incurred in building the port. China's state-run conglomerate China Merchant Port Holdings is to invest up to US$1.1 billion in the port under the 99-year lease agreement.[5] The deal had been delayed by several months over concerns, mainly from India, that the deep-sea port could be used by the Chinese navy.

Balancing act

Since there is a slowdown in global economic growth and Western donor funding appears fatigued, most small South Asian countries will depend on emerging new donors like China for their very political survival. India is not in a position to match China in both donor assistance and market access for trade, not to mention injecting FDI. In the last two decades, many smaller South Asian countries have gradually come to depend on Chinese economic linkages and assistance for economic growth and development.

However, there is a caution to be applied in such linkages. The disputes over the Senkaku/Diaoyu Islands between China and Japan, and over oil drilling in South China Sea between China and Vietnam, were an eye opener for some ASEAN countries that were shaken by the wrangling. These resulted in bringing in the United States into the scene. Moreover, in the event of a dispute between China and India, there could be adverse spillovers on all South Asian countries. Thus, managing economic ties with China has to be a careful exercise in geo-politics. Balancing the ties will become a challenge to smaller South Asian countries in the near future. ■

Late Dr. Kelegama was the Executive Director of the Institute of Policy Studies of Sri Lanka. He was also on the Regional Advisory Board of this magazine.

Notes

1. Haque, Md Azizul. 2016. "Xi Jinping's milestone visit: transforming dynamics". *The Daily Star* October 19. http://www.thedailystar.net/perspective/xi-jinpings-milestone-visit-transforming-dynamics-1300573 http://aa.com.tr/en/analysis-news/opinion-how-huge-china-investment-in-bangladesh-affects-region/683065
2. Post Report. 2014. "China seeks to elevate its role in Saarc". *The Kathmandu Post* November 27. http://kathmandupost.ekantipur.com/news/2014-11-27/china-seeks-to-elevate-its-role-in-saarc.html
3. Muni, S.D. and T.T. Yong. 2012. *A Resurgent China: South Asian Perspective*. India: Routledge.
4. Reuters. 2017. "China signs 99-year lease on Sri Lanka's Hambantota port". *Reuters* July 29. https://www.reuters.com/article/us-sri-lanka-china-ports/sri-lanka-signs-1-1-billion-china-port-deal-amid-local-foreign-concerns-idUSKBN1AE0CN
5. Press Trust of India. 2017. "Hambantota Port Not Military Base For Other Nations: Sri Lankan Prime Minister". *NDTV* September 1. http://www.ndtv.com/world-news/hambantota-port-not-military-base-for-other-nations-sri-lankan-prime-minister-1744971

BIMSTEC trade facilitation

A new horizon of regional integration

BIMSTEC can draw on good practices from other regional trade agreements with which it has some overlapping membership.

Amitava Chakraborty

The Bay of Bengal Initiative for Multi-Sectoral, Technical and Economic Cooperation (BIMSTEC), connecting South and South-East Asia, can be considered as the future of subregional cooperation in South Asia. BIMSTEC's commitments towards a vast range of areas, including both social and economic issues, provide a unique scope of association to the member nations. However, it continues to be an under-performing grouping as its potential remains to be fully realized. Countries have recently endeavoured to correct that impression by agreeing to cooperate and work collectively towards making the association stronger with a broader objective of becoming the bridge between South and South-East Asia.

South, east and west

Previously known as BIST-EC, the initiative started with the "look east" policy of India and the "look west" policy of Thailand. The arrangement has the potential to bring more economic benefits for its members than the South Asian Association for Regional Cooperation (SAARC) as its focus has been on economic interests rather than political ones. The 14 carefully chosen priority areas (see Table) can create an enabling environment for trade, investment and many other important areas. There is scope for exchange of knowledge, which will ultimately support the greater agenda of economic and social integration of the region. The selected sectors are interlinked, requiring member countries' political commitment and active initiatives to reap the inherent benefits.

BIMSTEC covers almost 21 per cent of the world's population with an abundance of unskilled, semi-skilled and skilled labour. The individual economies have shown immense progress in terms of gross domestic product (GDP) growth, even during the global recession.[1] The member countries are heterogeneous in resource endowment, size and population with a rich heritage and large consumer markets. Despite all these salient features, data show that intra-BIMSTEC trade is less than five per cent of the members' trade.

Table
BIMSTEC priority sectors of cooperation

Sectors	Led by
Trade and investment	Bangladesh
Transport and communication	India
Energy	Myanmar
Tourism	India
Technology	Sri Lanka
Fisheries	Thailand
Agriculture	Myanmar
Public health	Thailand
Poverty alleviation	Nepal
Counter terrorism and transnational crime	India
Environment and natural disaster management	India
Culture	Bhutan
People-to-people contact	Thailand
Climate change	Bangladesh

Source: Author's compilation

Intra-BIMSTEC trade has grown only marginally, from 3.6 per cent in 2002 to 4.3 per cent in 2014.[2] In 2014, trade peaked to US$80.59 billion. The figure came down to US$74.52 billion in 2015 and further down to US$72.76 billion in 2016.[3]

The Framework Agreement of the BIMSTEC Free Trade Area (BIMSTEC-FTA), signed in 2004, provides opportunities for an enabling environment for trade and investment. Unlike many FTAs, it also provides scope for trade in services and investment. Delays in its implementation have recently pushed the members into consenting to conclude the FTA at the earliest. Several economic and political reasons underline the lagging trade figures—tariff and non-tariff barriers, limited connectivity and communication and weak regional value chains. There are political issues hampering integration among the member countries. Both the Rohingya issue between Myanmar and Bangladesh and border issues between Thailand and Myanmar have negatively impacted regional integration. Market access issues between India and Thailand have also delayed the enactment of the BIMSTEC-FTA. Deepening economic and social integration will require an early conclusion of the FTA negotiations on goods so that the region can then move on to focusing on an agreement on trade in services and investment.

In addition, a BIMSTEC Trade Facilitation Agreement (BIMSTEC-TFA) is needed among the member countries. Most regional trade agreements (RTAs) show the growing importance of trade facilitation for success in regional integration. BIMSTEC can adopt the best practices and best instances from the existing RTAs for its own trade facilitation framework. The agreements under the Asia-Pacific Trade Agreement (APTA) and the Association of Southeast Asian Nations (ASEAN) can provide some of the best examples. These RTAs have several member states that also are a part of BIMSTEC. What is more, the scopes and challenges faced are similar in many cases.

Bangladesh, entrusted with the leadership of BIMSTEC's trade and investment sector, has already started preparing an agreement for trade facilitation. The BIMSTEC-TFA should toe the line of the Word Trade Organization's Trade Facilitation Agreement (WTO-TFA)[4] by featuring transparency in and harmonization of trade regulations and administrative procedures. Similarly, customs procedures, harmonization and mutual recognition of standards, mechanism for trade in services, exchange of information, etc., should also follow the WTO pact.

Additionally, non-tariff measures (NTMs) require rationalizing. Non-tariff barriers (NTBs) must be removed as they are more trade restrictive than tariffs. Around 86 per cent of South Asia's NTMs and NTBs involve measures related to standards and certification. Developing standards of international criteria, harmonizing them and mutually recognizing the certificates of standards for the Bay of Bengal region, therefore, become vital. Many of the member countries already have bilateral arrangements for recognition of standards. The TFA can provide a basis for a regional one.

Since trade and business procedures are becoming automated worldwide, the Agreement must also promote paperless trade instruments. This requires electronic exchange, submission and processing of all trade-related documents and data. The best option is to bring all relevant information on one single platform for all trading partners. Paperless trade will also involve harmonization of customs and administrative procedures and removal of duplication. The *Doing Business* report of the World Bank shows variations in documentary requirements and trans-border formalities among the countries of the region. Developing a seamless procedural system for both cargo and people in the region is a challenge, but essential for easing trade.[5]

Many regional trade facilitation commitments have endorsed the concept of advanced ruling. This is a platform for traders to obtain information related to tariff classification, customs valuation, etc., prior to transactions. As it enhances transparency and predictability of cross-border trade transactions, the BIMSTEC-TFA too should incorporate advanced ruling provisions. The terms and scopes of the provisions should be discussed beforehand and set in a manner which benefits all the members. Issues like pre-arrival processing, e-payment system, risk management mechanism, post clearance audit, etc., which are integral parts of the WTO-TFA, must also be considered for the BIMSTEC-TFA. These are necessary for easier and automated trade procedures.

Trade facilitation involves a wide range of actors and, therefore, coordination and cooperation among trade agencies of the member nations are critical in this regard. The BIMSTEC-TFA also requires provisions for institutional connectivity, because without formal mechanisms for institutionalizing cooperation, initiatives will not bring much benefit. The idea of cooperation must not be limited to governments and border agencies. Rather, major focus should be given to business communities and think tanks for accelerating knowledge and experience sharing.

Trade facilitation involves a wide range of actors and, therefore, coordination and cooperation among trade agencies are critical in this regard.

Special consideration must be given to small and medium-sized entrepreneurs, not only for competitive and efficient trade and investment but also to engage them vigorously in the integration process. This is crucial for developing a regional value chain as well. Risk management and related mechanism should also be provisioned in the BIMSTEC-TFA to overcome de-

http://globalapparelforum.com

lays in cargo clearance which hampers regional trade.

Transit and transport connectivity is key to any regional integration. Physical connectivity and effective transit and transport facilitation are necessary for improvements in the overall trade and investment scenario. Combined with trade facilitation it can boost intra-BIMSTEC trade by reducing its cost. Multi-modal connectivity ensures smoother trade routes for all members and its development should be prioritized by members. Successful regional initiatives show that a long-term strategy for infrastructure development has significantly helped to boost trade and investment.

A connectivity strategy is needed to build road, rail and air transport for regional benefits. The BIMSTEC Transport Infrastructure and Logistics Study[6], which was initiated in 2007 and later revised by the Asian Development Bank (ADB) in 2014, has developed an action plan for regional connectivity improvements. Some progress has been made regarding its suggested planning and identified projects. There is also an urgent need to frame the BIMSTEC Framework Agreement on Transit, Transshipment and Movement of Vehicular Traffic.

Laggards to the forefront

Effective implementation of trade facilitation measures requires active participation from all the member countries, such that the advantages of the facilitation mechanism are provided to every member. Least developed countries (LDCs) like Bangladesh, Bhutan, Myanmar and Nepal must be given special consideration by the implementation strategies. This gives them the space to bring their capacities to a level on a par with countries like India and Thailand, which are already ahead in many areas relating to trade facilitation. Another dimension is intra-country preparedness, meaning that there must also be space for some laggard trade and border agencies to catch up with other agencies in terms of their capacity to fulfil their trade-related commitments and obligations. This means special consideration and assistance are also required to enable individual countries ready to meet the commitments of the Agreement.

> The idea of cooperation must not be limited to governments and border agencies.

A successful negotiation for framing and finalizing the BIMSTEC-TFA requires strong commitments from all the member countries. Implementation of the strategies and the commitments thus laid out would also come across challenges—like meeting costs, forging consensus, differing mandates of stakeholders, bringing all relevant agencies on board, etc. Dynamic and collective actions are needed to overcome these challenges. ■

The author is Director, Bangladesh Foreign Trade Institute (BFTI), Dhaka.

Notes

1 RIS .2016. *BIMSTEC: A Road Ahead*. New Delhi, India: Research and Information System for Developing Countries.

2 *ibid*.

3 The Financial Express. 2017. "BIMSTEC move for cross-border movement of multimodal vehicles". *The Financial Express* July 2. Dhaka.

FE Report. 2017. “BIMSTEC intra-regional trade drops”. *The Financial Express* June 24 http://www.thefinancialexpress-bd.com/2017/06/24/74822/BIMSTEC-intra-regional-trade-drops.

4 Six BIMSTEC countries are parties to the WTO-TFA (Bangladesh ratified on 27 September 2016; India on 22 April 2016; Myanmar on 16 December 2015; Thailand on 5 October 2015; Sri Lanka on 31 May 2016; and Nepal on 24 January 2017)

5 M. M. Rahman and C. W. Kim. 2015. “BIMSTEC Regional Integration: Prospects and Challenges”, *Advanced Science and Technology Letters Business*, vol. 114. http://dx.doi.org/10.14257/astl.2015.114.18

6 Gautrin, Jean-Francois. 2014. “Connecting South Asia to Southeast Asia: Cross-Border Infrastructure Investments”. *ADB Institute Working Paper Series* No 483. Tokyo: ADB Institute. https://www.adb.org/sites/default/files/project-document/62351/38396-01-reg-tcr.pdf

Subregions can alleviate provincial concerns in South Asia

For subregionalism to advance the collective interest of South Asia, it must be delinked from any single country's foreign policy.

Madhukar SJB Rana

The South Asian Association for Regional Cooperation (SAARC) must not be allowed to die. For this, SAARC must, first and foremost, come out of the vicious clutches of the foreign ministries in all the member countries, where even the SAARC Secretariat is their mere extension. The regional grouping remains stymied by the mandatory need for consensus for decision-making over all matters. This negates innovation, especially over subregional initiatives. Subregionalism is as much a matter for local and provincial governments as it is for national governments.

Region vs subregions

Of late, subregional efforts appear as being promoted at the cost of regionalism. The call for Bangladesh, Bhutan, India and Nepal (BBIN) to form a subregional grouping is a glaring proof. It goes further with the added momentum being given to the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)—albeit providing the grouping an interregional dimension as well. Unfortunately, these new organizations are being integrated with one country's foreign policy, India's 'Act East' policy, at the cost of the collective interest of South Asia. What is actually needed is to ensure that South Asia collectively becomes a supreme economic hub in the 21st century by connecting West Asia, Central Asia, North Asia and Southeast Asia, including Australasia.

Subregionalism too could achieve better fruit if we begin to visualize SAARC as a '4 x 1 economy' consisting of (i) Bhutan, Bangladesh, North-East India and Nepal on the eastern seaboard along with (ii) South India and Sri Lanka in the south. On the western seaboard, (iii) West India, South Pakistan and the Maldives could find greater common grounds. Finally, (iv) North India, North Pakistan and Afghanistan can come together. Each component can be connected by transport with their own metropolitan economic and cultural growth hubs serving as subregional bridgeheads for localized growth and prosperity. Given its geographic location, for this to become a reality, India has to open up its railways, roadways and waterways to its neighbours for them to be able to trade with each other.

When such possibilities existed under British imperial rule, trade within the subcontinent, in 1947, was 19 per cent of its total trade. This was the result of good connectivity: the extensive railway network; the free movement of vehicles along the 2,500 km Grand Trunk Road from Kabul to Chittagong; free movement of trade, traders and people and the rapid rise of an inland entrepreneurial class. Intraregional trade is now just 5 per cent of total trade.

Despite the Agreement on South Asian Free Trade Area (SAFTA), in effect since 2006, this miserable trade statistic, compared to that of 1947, is the result of the fundamentally faulty policy of India—no matter how enlightened it may be. The policy assumes that regional and subregional cooperation can be a byproduct of bilateralism. Thus, all the countries in the region are deprived of overland trading with each other, other than with India.

Since the essence of regionalism and subregionalism is overland trade and a way towards economic and social integration to form a regional bloc, they can gainfully contribute to, and benefit from, the 21st century multipolar globalism. This is the *raison d'être* of the idea that India should lead. But, it must lead with a clear commitment to genuine regionalism and subregionalism.

Then there is the statistical reality that 70 per cent of South Asia's geography, demography and trade and 77 per cent of the regional gross domestic product (GDP) are situated in India. For a country that aspires to become a global power of the 21st century, one doubts this dream will be possible without regional followers drawn from one's own civilization. South Asia's geopolitical, geoeconomic and geopsychological global strength resides in its unity as well as its diversity. Simply depending on one's power of asymmetry is the antithesis of leadership, where generations of inbuilt fear of hegemony and domination amongst one's neighbours are a natural corollary.

Tariff vs cost reduction

Experiences prove that mere tariff reduction and negotiation over rules of origin do not significantly augment regional trade. Access to overland transport and transshipment guaranteeing maximum trade facilitation is crucial. In their absence, South Asian nations have been reduced to competitors offering similar products seeking overseas markets.

India must lead with a clear commitment to genuine regionalism and subregionalism.

On the economic front, both regionalism and subregionalism can be ushered through Business-to-Business (B2B) initiatives. Subregionalism as a Government-to-Government (G2G) concept was adopted by Nepal as early as 1997, when it institutionalized the South Asian Growth Quadrangle (SAGQ). The concept came forth with an innovative modality and the enunciation of short-, medium- and long-term goals. BIMSTEC too has borrowed this leadership model, but is devoid of the time-bound vision that the SAGQ espoused.

Nepal was to serve as an Overall Coordinator of the SAGQ process that was also to involve the Asian Development Bank (ADB) for its technical expertise, financial resources and long experience in regional and subregional integration in the Asia-Pacific region. Each member was to assume leadership for agreed sectors: India for trade and investment; Nepal for tourism and multimodal transportation; Bhutan for sustainable environment development; and Bangladesh for sustainable utilization of natural resources (chiefly water and energy). It was a project-based cooperation over chosen sectors, which could later be developed as sectoral programmes as subregionalism progressed.

Two vitals need underscoring, here. One, SAGQ was a sequel to the birth of the Gujral Doctrine, where non-reciprocal preferences were to be offered to all by India, save Pakistan. It was, as the then Indian prime minister I.K. Gujral later mentioned in his autobiography, the doctrine was enunciated in order to foster 'total peace' with Bangladesh, Bhutan, the Maldives, Nepal and Sri Lanka in the wake of the hostile northern neighbours—Pakistan and China. The second vital was that more than 'trade complementarity', there was the need for designing 'production complementarity' with an emphasis on infrastructure.

It should be well underscored that SAGQ was mandated to maintain the sanctity of SAARC. This was by inviting all SAARC nations to participate in any SAGQ project depending on whether they saw it fit to participate with technical, financial and managerial inputs. All members were allowed to participate in all the SAGQ projects for mutual benefit. This is not so in the case of BIMSTEC.

Meanwhile, the South Asia Subregional Economic Cooperation (SASEC), led by ADB, was initiated in 1997 as an integral part of SAGQ. With the demise of the Gujral Doctrine, it took on a life of its own as a subregional initiative. The Maldives and Sri Lanka were also included later, expanding the scope of the subregion. By 2016, it had already executed 44 'regional projects' worth US$9 billion in sectors such as energy, transport, tourism, trade facilitation, and information and communication technology. Its Operational Plan 2016-25 has identified 200 projects for an investment of US$120 billion.

On the other hand, the BBIN subregional initiative was born when Pakistan rejected the SAARC Motor Vehicle Agreement, 2015. Its future is still uncertain as Bhutan's Parliament has rejected it for being against its national interest. It is still uncertain what India has in mind for BBIN. Is the grouping to be a part of its Neighbourhood First Policy or Act East Policy? And, does it reject SAARC or seek to accommodate it? How BBIN will accommodate local and provincial initiatives is a question yet to be answered.

In order to revive SAARC, the Secretariat has to be radically overhauled.

Subregional possibilities

Most subregional nations would like to know how BBIN, if at all, seeks to integrate India's neighbours with its Punjab-Kolkata Industrial Corridor, if not the Delhi-Mumbai Industrial Corridor. Nepal, for its part, desires to integrate its Tarai Plains with its immediate neighbourhood in Bihar, Uttar Pradesh and southern Uttarakhand. After the completion of Nepal's Mid-Hill East West Highway it would be possible to conceive a new subregion, a Himalayan Economic Corridor that comprises the Uttarakhand-Nepal-Sikkim-Darjeeling strip. Given the threats of global warming and climate change, this subregion may be envisaged to become, uniquely, the Greater Himalayan Sustainable Carbon Free Economy.

Thus, it is better to opt for more than the hackneyed 'transport connectivity' and embrace economic, financial, legal, institutional, policy and, not least, local planning connectivity. The concept is a move away from old notions of comparative and competitive advantages towards creation of growth hubs for economic integration by creating supply chains and industrial corridors. Integration of the national economy with its immediate neighbourhood through creation of industrial hubs would help industrialization, which is a must to ensure maximum employment of its labour force.

In the meantime, in order to revive SAARC, the Secretariat has to be radically overhauled. The Secretary General must have a ministerial rank with

cache.pakistantoday.com.pk

direct access to the heads of state/government. The appointee must be supremely professionally and technically capable of drawing up regional and subregional strategies for all domains—G2G, B2B and people-to-people (P2P). And, vitally, all decisions of the technical and other committees should be subject to majority decisions, except decisions by the Council of Ministers and at the Summits.

As in Association of Southeast Asian Nations (ASEAN), there should be a provision for maintaining a SAARC scorecard to measure, quantitatively, the degree of integration—regionally and subregionally—and also make an objective assessment of the extent of compliance with the legal agreements by each member country. This way, SAARC will move to becoming a legal institution driven by a powerful, professional Secretariat that can reach out to governments, civil society, business federations and international organizations with regional and subregional programmes. While it is legitimate for national governments to put their national interest first and foremost, it behoves the SAARC Secretariat to think regional and subregional at all times and come forth, independently, with win-win policy, project and programme scenarios.

With an effective, professional SAARC Secretariat led by a Secretary General with a ministerial rank, the various United Nations (UN) agencies' regional programmes for South Asia could be lodged in and worked through the Secretariat. With such an innovation, duplication in UN regional and SAARC regional programmes—a commonplace feature today—would be effectively avoided.

Needless to say, South Asia's civil society is dynamic and highly committed to social development of the region. The enunciation of the SAARC Social Charter is their pride contribution. They should be the lead agencies in the execution of regional and subregional projects. When this happens, South Asia will be endowed with federations and confederations of civil society organizations to give voice to its peoples on issues ranging from social development to global warming.

Subregionalism may be encouraged in the P2P domain with the formulation and execution of the SAARC Social Charter through projects that can be funded by the SAARC Development Fund. The fund should be used exclusively in the implementation of P2P regional and subregional projects. Co-financing from members should be encouraged out of their national budgets.

Further, at the P2P level, grand innovations are desirable at the subregional level. For example, the South Asian diaspora in the United States, the United Kingdom, Australia and Europe, among others, can get Punjabis, Kashmiris, Bengalis, Sindhis and Tamils to get to dialogue with each other to promote peace and tranquillity among the communities, which have been the victims of partition of the subcontinent at the end of the British rule. They, foremost, need to dig deep into their cultures and dialogue across borders to reinvent their common civilizational space for peace and prosperity in SAARC. The role that the South Asian diaspora can play in bringing peoples divided by the bitter history remains underrated. It needs to be explored by the Council of Ministers and the Summits.

It's all business

SAARC's third pillar for regionalism and subregionalism is the role of the private sector, or B2B initiatives. Unlike the civil society, who gave the SAARC Social Charter, the private sector's role has been rather passive and devoid of any innovation. It is high time that they took the lead to enunciate the SAARC Economic Charter and provide the necessary economic vision. This can make SAARC strong and powerful to eventually allow the region to serve as the manufacturing hub of the world in the 21st century—just as China did in the third quarter of the 20th century. One outstanding innovation made by the private sector is the creation of the SAARC Chamber of Commerce and Industries (SAARC CCI) in Islamabad. By all reckoning, it is the one and only genuinely regional organization in South Asia with true potentials.

> SAARC's third pillar for regionalism and subregionalism is the role of the private sector.

The SAAR CCI has been recognized as the SAARC Regional Apex Body. Beyond this, it has no formal structured links to the SAARC Secretariat and its decision-making processes. It was established as early as 1992, just seven years after the birth of SAARC. Sadly, it remains a marginal player in the SAARC process, despite its enthusiasm for SAARC and the huge potential to give dynamism to it.

The private sector's role is completely stymied by the limitations of SAFTA and the inability to extend the agreement to include services, investment and finance. Not to forget is the lack of progress in trade facilitation and measures to ameliorate transit, which are the real handicaps to free trade. At this rate, it would be a utopian dream for the private sector just to be in a position to enunciate the Economic Charter for SAARC to provide South Asia with an economic vision that arrests the imagination of all the peoples. Ironically, the private sector, owing to its own vested interest, has not been able to give us more by way of regional trade, transport and investment under the SAFTA modality.

In order to get out of this conundrum there is a need to get the Indian business conglomerates to think more about opportunities in South Asia. Getting them to invest in and think, indeed, of grand opportunities for regionalism and subregionalism in South Asia would be a great leap. The problem is that their eyes are rather glued to Argentina and Africa for contract farming or all manner of business investments in the US, Europe and elsewhere. How long can this ignoring of one's own region go on?

Capitalism and globalism are under attack everywhere. This is bound to happen in South Asia if the business community fails to create the 12-18 million jobs needed to keep its youth employed and to move out the 66-70 per cent of the labour force that is still dependent on agriculture. Furthermore, negotiations at the World Trade Organization (WTO) have slowed down with the North blocking multilateral agreements over agriculture and rural development by refusing to restart the Doha Round negotiations. The private sector must come to grips with the idea that if capitalism is to survive in South Asia, businesses must be the prime force responsible to create jobs and distribute wealth among all subregions.

It is doubtful that all these jobs can be created through the traditional export-led strategy of development. It is also doubtful that South Asia can generate a GDP growth of eight to ten per cent for 12-15 years, which is required to create full employment and transform South Asia into an industrial region, by, say, 2040. Here, thinking out of the box is a strategic must.

All this is possible with a more self-reliant regional and subregional development strategy. The 100 South Asian billionaires listed by Forbes in 2017 can be approached to come together and collectively enunciate the SAARC Economic Charter inspiring South Asia's private sector to come forth and play a proactive role for societal transformation. The sector must demand public-private partnership (PPP) in policy formation as well as plan execution, be they at the national, regional or subregional levels. Indian billionaires can mobilize other billionaires and millionaires in other countries to create win-win synergies.

The private sector should revisit the agreement to create regional and subregional production, supply and value chains on a sector basis. They can recommend to their governments the supportive fiscal, monetary, foreign exchange, investment, finance, land and labour policies required to support such sectoral strategies. The interest of the micro, small and medium enterprises (MSME) sector is also expected to be taken into account in strategizing value and supply chains, regionally or subregionally.

World politics and economics are both moving towards regionalism and subregionalism.

An optimal start could be made by using transport connectivity, where production complementarity can be devised by creating supply chains in the manufacture of trucks, cars, railway wagons, ships, ferry boats and material handling equipment. Such an approach could tackle issues over trade and balance-of-payments deficits, as well as using the vast remittances flowing into the region towards development. The latter can be achieved by developing new financial instruments.

Products and groups of products within a sector may be chosen based on their current and potential comparative advantages, taking account the need for economies of scale and scope, and accordingly negotiations over tariff levels and non-tariff barriers (NTBs), among others. Naturally, specific, as opposed to generic, monetary, fiscal, tariff and subsidy policies, have to be designed to make the regional or subregional venture successful. Such policies should, include swap arrangements to overcome foreign exchange constraints.

In short, South Asian billionaires, jointly amongst themselves—and in consultation with the private sector of each SAARC member—should come forth with a suggested Regional and Subregional Integrated Commodity and Service Arrangements.

Proactive roles by the private sector in partnership with government can help flourish PPP as a model of regionalism and subregionalism in South Asia. But the evolution of SAARC's regionalism and subregionalism does not end there. If the emergence of a new model of regionalism and subregionalism can be foreseen, it would look like People-Private-Public-Participation or 4Ps, which is able to fight grave threats to the region such as those to food security and water security amid global warming and climate change. The 4Ps will seek to harness the Himalayan rivers as a common heritage of South Asians to create dams, generate energy, and augment the supply of sweet water needed for drinking, irrigation, manufacturing, etc., as well as a means of trade and transport connectivity.

This will eventually lead to grand river-basin planning and execution of multisector regional plans and subregional programmes. The result will tie all South Asians, poor and rich, as one family with a common destiny, nourished and united culturally and spiritually by the Indus, Ganges, Meghna and Brahmaputra.

Future appears subregional

World politics, as well as world economics, is becoming more fragmented and moving towards regionalism and subregionalism. Subregionalism appears set to get a boost from the rise of China in global affairs. It is China's One Belt One Road (OBOR) initiative that is bound to give further impetus to subregionalism, which is expected to extend to multiple regions and continents.

SAARC has opted for the European Union model of economic integration progressing through free trade in goods and services, removal of NTBs and cooperation in trade and transport facilitation, leading, eventually, to a Customs Union and then an Economic Community. There has been abysmal progress in regional trade even after the launch of SAFTA. The question is: how much longer should we wait for a structural breakthrough? ■

Dr. Rana, an economist, is former Minister for Finance and Special Advisor to the Ministry of Foreign Affairs, Government of Nepal.

Sowing *buen vivir* in Ecuador

A new law for agrobiodiversity, seeds and sustainable agriculture

The law contains provisions aimed at protecting the rights of indigenous and smallholder farmers, but there are also ambiguities that could work against these provisions.

David J. Jefferson

Since 2008, Ecuador has been experimenting with initiatives to embody *buen vivir*—translated as "good living" or "living well"—into law. The concept of *buen vivir* is derived from Andean indigenous cosmologies that understand human beings as being holistically intertwined with other people, community and the natural environment. In recent years, *buen vivir* has been invoked as a paradigm to frame Ecuadorian State priorities, including conservation of the natural environment, respecting the values and principles of indigenous peoples, satisfying basic human needs, and realising social justice, democracy and equality.[1]

Movements beginning in the 1990s, advocating for the rights of indigenous peoples, as well as on behalf of peasants and smallholder farmers—collectively termed *campesinos* in Ecuador—have led to social movements that began to coalesce in the early 2000s. Fiscal austerity policies, widespread poverty and unemployment also came under their scanner. Rafael Correa, the leader of Citizens' Revolution Movement, which promised to create a new Constitution to grant rights to marginalized Ecuadorians, was elected to the presidency in 2006. It was drafted by a Constituent Assembly[2] the following year and approved via a referendum in 2008.

The Constitution's recognition of new "*buen vivir*" rights was considered a victory by groups representing *campesinos* and indigenous people. The new guarantees enshrined in the 2008 Constitution include the right to water; the right to secure and permanent access to healthy, sufficient and nutritious food and the right to live in a healthy and ecologically balanced environment that guarantees sustaina-


quwenge.com

bility and *buen vivir*. Given the breadth of the reforms promised by the Constitution, numerous new legislative projects have been launched since 2008. These include recently enacted frameworks to protect plant varieties and traditional knowledge,[3] govern access to genetic resources[4] and promote food sovereignty.[5]

The Law for Agrobiodiversity, Seed, and Promotion of Sustainable Agriculture was enacted in June 2017. It seeks to realize multiple goals related to the conservation and sustainable use of genetic resources; the regulation of various categories of seeds; and the promotion of ecologically based agricultural practices.

Ecuadorian agriculture is characterised by two distinct systems. The first of these, industrial agriculture, is dominated by large-scale production of crops for export, which include bananas, cacao and coffee, as well as ornamental plants such as roses and carnations. Meanwhile, *campesino* agriculture involves small-scale cultivation, mostly on family farms, of crops that are important for subsistence, exchange with other farmers and for sale in local markets. While industrial agriculture contributes significantly to the national economy—three of Ecuador's top four exports are agricultural products[6]—*campesino* agriculture is a way of life for many Ecuadorians residing in rural areas, providing both a source of income and a means to ensure food security.[7]

Approximately 85 per cent of the agricultural production units in Ecuador are classified as familial and *campesino* farmers are responsible for growing over 60 per cent of the food consumed in Ecuador.[8] However, industrial agriculture cultivates 80 per cent of the productive land in the country and utilizes 63 per cent of the water available for irrigation, even while constituting only 15 per cent of Ecuadorian agricultural production units.[9] Unlike the *campesino* sector, industrial agriculture primarily produces high-value crops for export. In contrast, when *campesinos* sell their produce, it is generally traded in local markets. Campesinos also routinely employ non-commercial, customary practices of seed saving and exchange through farmer-to-farmer networks.[10]

Laws to formally regulate seeds began to emerge in the Andean region in the 1970s. This first generation of national seed laws was criticized by scholars and activists as hindering *campesinos'* customary practices while enabling industrial agriculture to consolidate control over the flow and uses of seeds.[11] The requirements for registration and certification may have been be too strict for the seeds of native or local plant varieties to meet, which could marginalize or even criminalize *campesino* seed management practices.[12] Critics have attacked the so-called Green Revolution in Ecuador characterized by the expansion of crop monocultures, as well as the proliferation of seeds that require significant inputs of chemical fertilizers and pesticides.[13]

Ecuador has had a system for seed certification since 1978.[14] The 1978 law divided seeds into two essential categories: certified and common. Certified seed was subjected to greater oversight by the Seed Certification Department than common seed, ostensibly leaving space for the trade of *campesinos'* seed according to

customary practices. However, once implemented, the law effectively mandated that all seeds sold in Ecuador be registered and evaluated according to specified quality standards.[15] While this requirement was not routinely enforced against *campesinos*, activists called for the framework to be rewritten to acknowledge the importance of *campesino* agriculture and protect its customary practices.[16]

Movements to reform the 1978 Seed Law culminated in 2009 with the creation of a Plurinational Conference for Food Sovereignty. This group worked for several years—in collaboration with over 500 civil society organizations[17]—on a proposal for a new regime. The task was to embody multiple themes important to *campesinos*, including agrobiodiversity, the promotion of "agroecological" practices and seed regulation.[18] One of the key objectives of this proposal was to guarantee the free flow and exchange of *campesino* seeds.

The proposal became one inspiration for the initial draft of the Law for Agrobiodiversity, Seeds, and the Promotion of Sustainable Agriculture in 2012. The project stalled for several years in the legislature until 2016. During this period, an official consultation about the draft law was opened with *campesinos* and indigenous groups. The Plurinational Conference filed a pronouncement based on input from nearly 700 organizations and institutions across the country.[19] The principal themes articulated in the document formed the basis for discussions between legislators, *campesino* and indigenous organizations and community members throughout the consultation process.

The new Ecuadorian Law for Agrobiodiversity, Seeds, and the Promotion of Sustainable Agriculture was enacted in June 2017. The principal objectives of the framework are

> "To protect, revitalise, multiply, and invigorate agrobiodiversity in relation to plant genetic resources for food and agriculture; ensure the production, free and permanent use of seeds of quality and variety, through the promotion and scientific investigation and the regulation of models of sustainable agriculture; respecting the diverse identities, knowledge and traditions for the end of guaranteeing the self-sufficiency of healthy, diverse, nutritious and culturally appropriate foods to achieve food sovereignty and contribute to *Buen Vivir or Sumak Kawsay*."[20]

The new seed law guarantees the free flow and exchange of *campesino* seeds.

Given these ambitions, the 2017 Seed Law on its face appears to incorporate many of the policy priorities that the Plurinational Conference for Food Sovereignty had promoted.

One of the most significant features of the new law is that it "guarantees the free use, production, promotion, conservation and exchange of *campesinos'* seed, which comprises native and traditional varieties."[21] In addition, the law establishes an individual and collective "right to the free production, conservation, commercialisation, exchange and access to all classes of native, traditional, and certified seed."[22] This right is reinforced in one of several guarantees granted to farmers, such that farmers may "conserve on their holdings, utilise, exchange and commercialise their planting or propagating material."[23] Finally, the law obligates the State to "preserve, produce, regenerate, conserve, revitalise, distribute, promote and facilitate the use, free exchange and consumption, in a sustainable manner, [of] agrobiodiversity and native and *campesino* seeds."[24]

These guarantees take customary *campesino* agricultural practices seriously. The Law for Agrobiodiversity, Seeds, and the Promotion of Sustainable Agriculture recognizes the *campesinos'* contributions to ensure national food security, as well as to conserve Ecuadorian agrobiodiversity. The protections thus advance the *buen vivir* agenda of the government.

The Law for Agrobiodiversity, Seeds and the Promotion of Sustainable Agriculture creates a typology of seeds (see Figure). It generally differentiates between non-conventional and conventional seed production. The first is conceptualized as a "traditional system practiced by natural or legal persons, collectives, communes, communities, peoples and nationalities that produce, reproduce, exchange, commercialise, lend and maintain their own seeds, under multiple modalities."[25] Meanwhile, the conventional seed system is based on seed certification and subject to State regulation.[26]

A new typology of seeds

The non-conventional seed system is concerned entirely with *campesinos'* seed, a category that is divided into two classifications: native and traditional. The former is defined as

> "All sexual and asexual plant reproductive material that maintains its capacity of reproduction, original or autochthonous, that has been domesticated, conserved, raised, cared for, utilised and exchanged by producers, communes, communities, peoples, and nationalities in accordance with their diverse knowledge and cultures…."[27]

Meanwhile, traditional seed is similarly conceptualized, except that traditional seed is not original or autochthonous, but "has been adapted, conserved, cared for, utilised, cultivated and exchanged by producers, communes, communities, peoples, and nationalities."[28]

The distinction between native and traditional seed may be illustrated, for instance, by comparing crops such as quinoa and rice. Quinoa is indigenous to the Andean region[29] and, therefore, this grain would be classified as native seed under the new law. While rice was not domesticated in Ecuador, it has been cultivated in the territory that is located within the country's borders since at least the end of the eighteenth century.[30] Rice would thus fall within the category of traditional seed.

The separation of native and traditional seed into two distinct categories, based on the historical origins of species, may be convenient for the purposes of lawmaking. However, the science on plant genetics has long questioned the utility of the "centres of origin" concept for certain crops.[31] Furthermore, for the purposes of protecting *campesino* agricultural practices, the distinction between native and traditional seeds may be counterproductive. The international conceptualization of farmers' rights recognizes the contribution of *campesino* and indigenous farmers towards the conservation and development of all plant genetic resources for food and agriculture, regardless of where a particular species was domesticated.[32]

The rationale behind the differential protections is difficult to discern. The law expressly declares native seed to be the "heritage of [Ecuadorian] peoples and nationalities, [which] is part of the genetic resources for food and agriculture," and may not be misappropriated.[33] Yet, traditional seed is not included within the ambit of the heritage *(patrimonio)* of Ecuadorian *campesinos,* and hence not explicitly protected from misappropriation.

Similarly, the Law for Agrobiodiversity, Seeds, and the Promotion of Sustainable Agriculture guarantees that the National Agrarian Authority will promote the organization of seed fairs and other spaces for the exchange and commercialization of native seed,[34] in addition to creating campaigns, mechanisms of stimulus and incentives so that "peoples and nationalities protect, conserve, use, and reproduce native seeds."[35] The law is silent as to whether traditional seed would also be included in these initiatives. These are curious and potentially detrimental discrepancies, especially given that certain traditional but non-native crops are critical for the *campesino* agricultural economy as well as for food security in Ecuador.[36]

The reformist language of the law belies other areas of ambiguity. Although one of the goals of the framework is to strengthen the use, conservation and free exchange of native and traditional seed,[37] the seed would need to meet phytosanitary requirements to enter the conventional seed market.[38] Furthermore, the law permits transgenic seeds and crops to enter the country, provided that these materials are used solely for research purposes.[39] The potential uses of genetically modified organisms are narrowly drawn in the new law and the State is explicitly obligated to "monitor and control the condition of the country as a territory free of transgenic seeds and crops."[40] Importing transgenic seeds and crops solely for research purposes could enable Ecuadorian scientists to develop capacities in biotechnology, which could in the future support policy goals including the promotion of organic agriculture.

Nevertheless, four lawsuits have been filed since the enactment of the law. The plaintiffs—who are the organizations Ecological Action, Ecuarunari, the Confederation of Indigenous Nationalities of Ecuador and the Ecuador Free of Transgenics Collective—contend that the law violates the 2008 Ecuadorian Constitution,[41] which declares the country to be "free of transgenic crops and seeds," a prohibition that can only be subverted in cases of "national interest dually established by the President of the Republic and approved by the National Assembly."[42] *Campesino* and indigenous groups have wondered whether the aspiration of the law to realize *buen vivir* has been subordinated to the interests of industrial agriculture.[43]

The legislation has not yet been implemented so it is still too early to assess its potential impact on *campesinos'* customary agricultural practices. Although the new framework expressly incorporates several of the points listed in the Plurinational Conference proposal, certain conceptual ambiguities exist. The primary purpose of the regime is to institutionalize a system that essentially conforms to the realities of industrial agriculture. This orientation is evidenced by the continued emphasis on seed certification and regulation, which recapitulates the focus of the 1978 Seed Law.

> The distinction between native and traditional seeds may be counterproductive.

History and geography

In some ways, the Law for Agrobiodiversity, Seeds, and the Promotion of Sustainable Agriculture situates *campesino* agricultural practices historically rather than contemporarily. This tendency is evidenced by the terminology that the law employs. While *campesino* seed system is designated as "non-conventional," the industrial seed system is regarded as "conventional." Such language may be accurate in certain world regions such as North America or Europe, where industrial agriculture produces the majority of the food that residents consume. But in Ecuador, where the majority of the food consumed is locally sourced from family-farmed plots that rely on native and traditional seeds, the characterization of *campesinos'* seed as non-conventional is ironic and inaccurate.

Yet the law contains multiple provisions that may advance the realization of *buen vivir*. In addition to protections and guarantees, it establishes a series of individual and collective rights related to agrobiodiversity conservation and food security. These include the right to free production, commercialization and consumption of healthy, nutritious and diverse foods; the right of communities, peoples and nationalities to the recognition and valorization of ancestral and traditional knowledge linked to agrobiodiversity and the production of seeds; and the right to participation in decision-making surrounding agrobiodiversity.[44]

Notwithstanding the concerns, the law offers an illustration of a *sui generis* system that aspires to balance the interests of industrial agriculture with those of *campesinos*. This is further evidenced in the context of other recent initiatives—including new frameworks for the protection of traditional knowledge, access to genetic resources and food sovereignty. It is certain that an intriguing experiment is underway in the country to embody local rural realities in law. ■

Mr. Jefferson, JD, is PhD Candidate in Law, Australian Laureate Project: Harnessing Intellectual Property to Build Food Security, University of Queensland. He is also a Law & Policy Analyst, the Public Intellectual Property Resource for Agriculture (PIPRA), University of California, Davis.

Notes

1 Caria, S. and R. Dominguez. 2016 “Ecuador’s Buen Vivir: A New Ideology for Development”. *Latin American Perspectives* 206, 18-33.

2 Numerous civil society organizations participated in the 2007 Constituent Assembly, including the National Indigenous Confederation of Ecuador (Confederación Nacional de Indígenas del Ecuador – CONAIE); the National Federation of Indigenous and Afro-descendant Peasants of Ecuador (Federación Nacional de Organizaciones Campesinas, Indígenas y Negras del Ecuador – FENOCIN); the Ecuadorian Federation of Indigenous Evangelicals (Federación Nacional de Indígenas Evangelicas – FEINE); the National Affiliated Confederation of Peasant Social Security – National Peasant Coordination (Confederación Nacional de Afiliados al Seguro Social Campesino – Coordinadora Nacional Campesina – CONFEUNASSC-CNC); and the Nacional Confederation of the Quichua Community (Confederación de los Pueblos de Nacionalidad de Kichua del Ecuador – Ecaurunari).

3 Código Orgánico de la Economía Social de los Conocimientos, Creatividad e Innovación. 2016., Registro Oficial No. 899.

4 El Reglamento Nacional al Régimen Común sobre Acceso a los Recursos Genéticos en Aplicación a la Decisión 391 de la Comunidad Andina del Ecuador. Decreto Presidencial No. 905 (3 de octubre de 2011).

5 Ley Orgánica del Régimen de la Soberanía Alimentaria del Ecuador. Registro Oficial Suplemento 583 (5 de mayo de 2009).

6 The top four Ecuadorian exports are petroleum, followed by bananas, fish and aquiculture products, and flowers and other ornamental plants. Instituto de Promoción de Exportaciones e Inversiones del Ecuador (mayo – junio 2016) “Boletín Mensual de Comercio Exterior.” Available at: http://www.proecuador.gob.ec/wp-content/uploads/2016/06/Bolet%C3%ADn-de-Comercio-Exterior-Mayo-Junio-2016.pdf (accessed 4 September 2017).

7 One manifestation of this importance is the fact that in Ecuador between 80 and 90 per cent of the seeds sown by smallholder farmers have been saved from prior harvests, obtained through exchanges with neighboring communities, or acquired in local markets or seed fairs (Heifer-Ecuador 2015). This demonstrates that Ecuadorian *campesinos* are essentially self-reliant surrounding the production and procurement of seed, one of the principal agricultural inputs.

8 “Ecuador en una mirada.”. Food and Agriculture Organization of the United Nations. Available at: http://www.fao.org/ecuador/fao-en-ecuador/ecuador-en-una-mirada/en/ (accessed 4 September 2017).

9 *ibid.*

10 Santivañez, T., G. Tejada, J. Aguilera, J., N. Mastrocola, and R. Pinedo. 2014 “Semillas Certificadas para la Agricultura Familiar en la Zona Andina.” *In Agricultura Familiar en América Latina y el Caribe: Recomendaciones de Política*.

11 Bravo, E., Álvarez, T., Armendáris, E., and Almeida, A. 2014. *En El Laberinto De Las Semillas Hortícolas: Una Visión Desde La Ecología Política*. Abya-Yala: Quito.

12 *ibid.*

13 Conferencia Plurinacional e Intercultural de Soberanía Alimentaria (COPISA). 2012. “Un Nuevo Modelo Agrario para el Ecuador: Propuesta de Ley Orgánica de Agrobiodiversidad, Semillas y Fomento Agroecológico”.

14 Ley No. 2509, Ley de Semillas de 1978.

15 Grain. 2014. Leyes de Semillas y Otros Pesares: Los Pueblos de América Latina las Cuestionan e Impugnan. Available at: https://www.grain.org/es/article/categories/518-leyes-de-semillas-y-otros-pesares (accessed 4 September 2017).

16 *ibid.*

17 COPISA supra note 13.

18 *ibid.*

19 El Telégrafo. 2016. “Copisa presentará propuestas para la Ley de Semillas.” November 25. http://www.eltelegrafo.com.ec/noticias/economia/8/copisa-presentara-propuestas-para-la-ley-de-semillas (accessed 4 September 2017).

20 Ley Orgánica de Agrobiodiversidad, 2017. Semillas y Fomento de la Agricultura Sustentable. Registro Oficial No. 10. Art. 1.

21 *ibid.*

22 *ibid.* Art. 8(b).

23 *ibid.* Art. 9(b).

24 *ibid.* Art. 14(b).

25 *ibid.* Art. 25(a).

26 *ibid*. Art. 25(b).

27 *ibid.* Art. 28.

28 *ibid.* Art. 31.

29 Tapia, M. E., and A. M. Fries. 2007. Guía de Campo de los Cultivos Andinos. Rome: Food and Agriculture Organization of the United Nations (FAO).

30 INIAP. 2007. Manual del Cultivo de Arroz. Manual No. 66. Guayas, Ecuador: Instituto Nacional Autónoma de Investigaciones Agropecuarias .

31 Harlan, J. T. 1971 Agricultural Origins: Centers and Noncenters. Science 174(4008), 468-474.

32 See International Treaty on Plant Genetic Resources for Food and Agriculture (2009) Art. 9.

33 Ley Orgánica de Agrobiodiversidad, Semillas y Fomento de la Agricultura Sustentable. Art. 28.

34 *ibid.* Art. 29.

35 *ibid*. Art. 30.

36 Moreano B., M. 2001. *Perfil Nutricional de Ecuador*. Roma: Organización de las Naciones Unidas para la Agricultura y la Alimentación (FAO).

37 Ley Orgánica de Agrobiodiversidad, Semillas y Fomento de la Agricultura Sustentable. Art. 5(d).

38 *ibid.* Art. 32.

39 *ibid.* Art. 56.

40 *ibid.* Art. 14(i).

41 La Hora. 2017. 2017 “Preparan en Ecuador demanda contra Ley de Semillas.” June 3. https://lahora.com.ec/noticia/1102063343/noticia (accessed 4 September 2017)

La Hora. 2017. “Tercera demanada de inconstitucionalidad en contra de Ley de Semillas.” 13 July. https://www.lahora.com.ec/noticia/1102084195/tercera-demanda-de-inconstitucionalidad-en-contra-de-ley-de-semillas (accessed 4 September 2017).

42 Constitución de la República del Ecuador, 2008. Art. 401.

43 La Hora. 2017. “Colectivo indígena de Ecuador muy preocupado por Ley de Semillas.” May 6. https://lahora.com.ec/noticia/1102055605/colectivo-indc3adgena-de-ecuador-muy-preocupado-por-ley-de-semillas (accessed 4 September 2017).

44 Ley Orgánica de Agrobiodiversidad, Semillas y Fomento de la Agricultura Sustentable. Art. 8.

Regionalism from Pakistani perspective

Amid stiff competition from other regional initiatives, SAARC needs to go beyond its rigid understanding of regionalism.

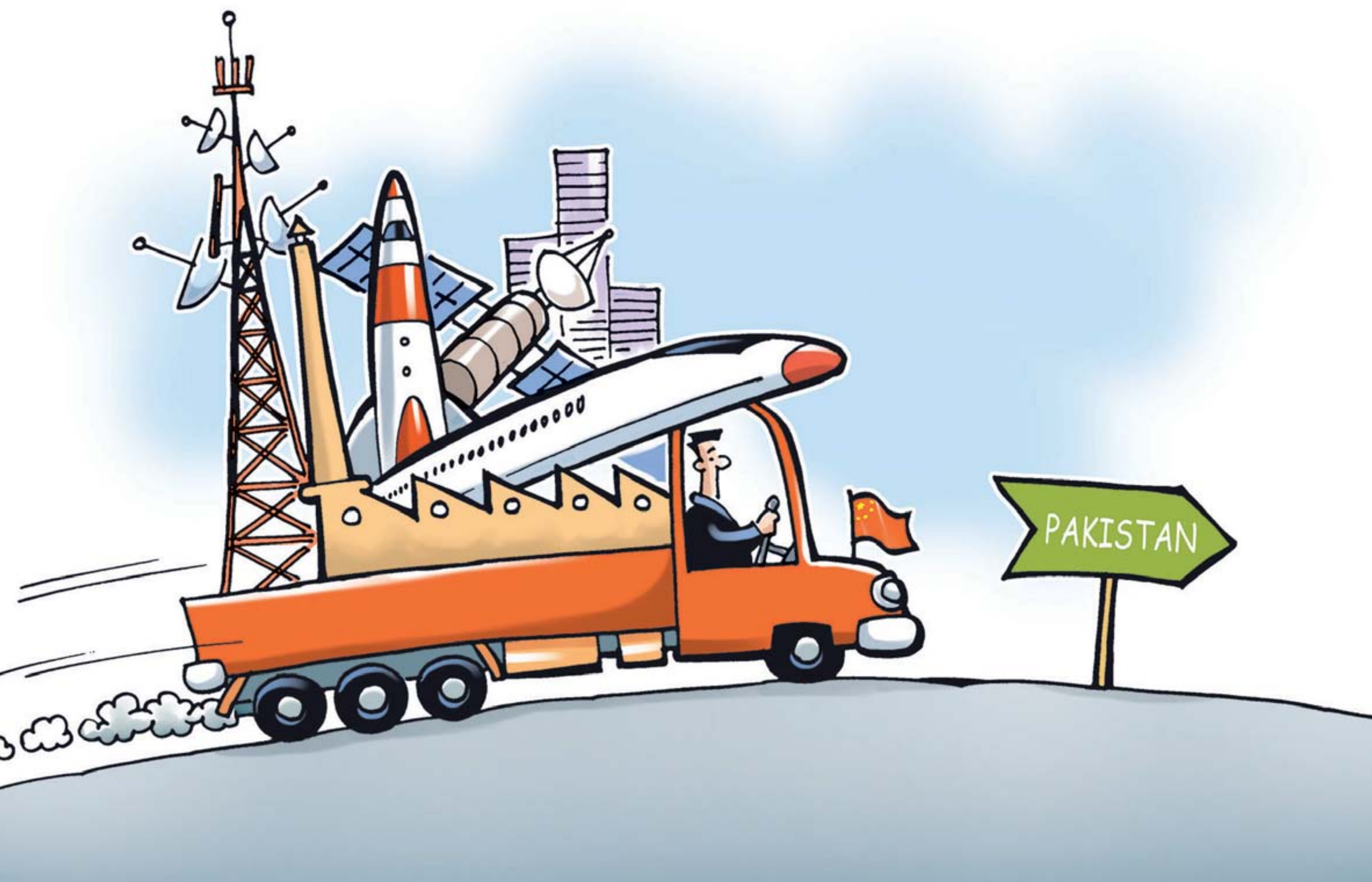
Adnan Rasool

Even as a wave of nationalism sweeping the world is forcing policymakers to rethink their stance on free trade, countries in Asia and Africa are witnessing a renaissance of free trade initiatives and collaborative opportunities. Be it the 'One Belt One Road (OBOR)' initiative led by China, or the assertive growth of the African Union as an organization, regionalism is thriving in the East while it appears to be stumbling in the West.

Regionalism confronts other options

In South Asia, Pakistan's approach to regionalism has been slowly evolving over the past fifteen years. Since China's ascent as a major global power, Pakistan has been trying to take advantage of its 'all-weather ally' by billing itself as a reliable trading partner of a global power on the rise. It provides Chinese companies a test market and logistical training ground before they expand elsewhere. Meanwhile, Pakistan's strategic location is also exploited by the Chinese as they look for opportunities to assert themselves in South Asia and the Middle East.

It is no surprise then that one of the largest and most well-thought-out phases of the OBOR initiative is the China-Pakistan Economic Corridor (CPEC). With a promised investment of over US$46 billion, CPEC pledges to



modernize Pakistan's ailing infrastructure, create jobs and give Pakistan a competitive edge over its neighbours. Pakistan is fully invested in the project because without Chinese money rolling in to fund its growth, Pakistan's other options are few and far between.

Pakistan's export trade is abysmally low and declining, down by 18 per cent from its peak in the last three years. As a percentage of gross domestic product (GDP), exports have almost halved in the last one decade—from 12 per cent to 6.7 per cent. Textile remains key to Pakistan's exports. On average, the sector has contributed 58 per cent of overall exports in the past 15 years. Even textile exports have come down from US$13.7 billion in 2014 to US$12.5 billion in 2017. The energy shortage gripping the country had adversely affected the textile sector and its overall competitiveness. Further, the Pakistani rupee has been trading at close to PKR 105 to the American dollar since late 2015 although the currency has no official peg. This has eroded the competitiveness of Pakistani exports, among other things. The artificial currency peg, a lack of incentives for industries, global shocks, and energy and security woes are some of the main reasons for the dismal performance of the economy.

The European Union (EU), the United Kingdom and the United States are unlikely to invest in a country they only view as a logistical support base for their military ventures in Afghanistan. Russia lacks the economic prowess to invest abroad, at the moment, on the same scale as the Chinese or the Americans. So, without China's money, Pakistan's chances of growing and stabilizing its economy are next to nil. It is not just Pakistan that is in such a position. Sri Lanka too is relying heavily on Chinese investment and infrastructure to expand its economy. Chinese investors are building new ports as well as setting up brand new cities to reshape Sri Lanka's economy. Bangladesh and Nepal are on the verge of signing up to large-scale Chinese investment projects as well. Given the circumstances, the question is whether the South Asian Association for Regional Cooperation (SAARC) is even relevant today.

Over the last decade and a half, most SAARC discussions have focussed on the potential windfall for its members if Pakistan and India could come to terms with each other and work together. Unfortunately, Pakistan and India have been unable to do so and move beyond the jingoistic political rhetoric that is used in each country for domestic consumption. The result is that SAARC is forced to operate as a stunted organization, where the two largest members are creating obstacles against each other at nearly every corner. Compare this with any other regional organization that functions well and it becomes evident why regional integration among SAARC members is lagging behind.

The EU would not survive if Germany and France were at each other's throats most of the time. Neither would the Association of Southeast Asian Nations (ASEAN), had Indonesia, Malaysia and Thailand refused to work with one another. Academics have long argued that for any regional organization to function well, it needs to have clear and attainable goals. Additionally, it needs to either have countries willing to take the leadership, as per the hegemonic stability theory, or a structure where certain countries are willing to take up the mantle on specific issues. For instance, in the EU, Spain and Italy take the lead on migration and refugee policy, while Germany and France are the leaders on most other issues. ASEAN has a similar structure, where Singapore and Malaysia take the lead on economic issues. SAARC lacks any of this. Because of India and Pakistan's refusal to follow each other's lead, the organization is often gridlocked, with Sri Lanka and Bangladesh quickly taking sides while Nepal and Bhutan along with the Maldives sit it out.

There are other better regional initiatives with tangible results on offer.

The result is a dysfunctional organization that is there only in name and on paper, while nearly all its affiliates are more actively involved in other organizations. Pakistan and Sri Lanka are involved with Chinese-led initiatives while India and Bangladesh have refocused their energies on the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). Additionally, all members have signed on to multiple free trade agreements besides their World Trade Organization commitments. Internal trade figures among SAARC members do not help matters much.

So, why even bother with SAARC anymore? The answer to that is finally being discussed out in the open. At least from a Pakistani perspective, it makes no sense to be part of an organization that is dominated by an archrival while benefits accrued to the country by becoming its member is negligible. Similarly, for countries like Sri Lanka or the Maldives, the organization does not offer tangible membership benefits. However, SAARC can still function as a cultural exchange or technical platform for member countries to share experiences and expertise on non-binding topics.

SAARC is proving to be irrelevant for the interests of its members like Pakistan. That does not mean that the idea of regionalism is not relevant or potent in today's world. In fact, the reason SAARC is no longer relevant is because there are better regional initiatives out there with tangible results on offer for members.

Chinese initiatives operate on the hegemonic stability provided by the country allowing unfamiliar countries to work together for larger common goals. The new regionalism that is being promoted with Chinese involvement is not geographic, but an economic one. This means that the global South is being rallied under banners like BRICS (Brazil, Russia, India, China and South Africa), OBOR

commons.wikimedia.org

and Asian Infrastructure Investment Bank, with China being a dominant part of all these initiatives. Here, the advantage is that we are witnessing collaboration between economic neighbours spread across the globe who genuinely wish to work together for the greater gain. At least the economic and financial prospects motivate them to cooperate. Because there is a hegemon pushing forward the agenda, members, who otherwise are unlikely to work with each other, are willing to collaborate.

In such circumstances, Pakistan is choosing not to play second fiddle to India in South Asia. By allying closely with China, Pakistan is fulfilling its trade and security interests, while China can contain India's economic prowess on all sides. India's latest initiatives and investments with Bangladesh, as well as Iran, are signs that India realizes the economic and geopolitical threat it is under from its neighbours on two sides. For India, focusing on BIMSTEC and African initiatives, rather than SAARC, is a better use of its diplomatic capital.

Rethink required

Torn between two giant neighbours, SAARC is gridlocked, but regionalism is seeing an uptick. This is a positive development that is often lost in discussions on South Asia's failure to evolve like Southeast Asia or even the EU. The issue is with our rigid understanding and definition of regionalism and what we consider a regional success.

That definition, being Eurocentric, does not take into account the problems of the post-colonial subcontinent and its economic limitations.

What South Asia requires is not a regional organization that intends to emulate the EU, but a series of specialized technical initiatives and free trade agreements.

Such a structure gives stakeholders the leeway to work with those partners that they wish to, instead of being stuck in an organization that includes non-cooperative members. Technical initiatives such as the South Asian University can continue to function, while bigger ideas like the South Asian Bank can be revamped to something on the lines of ASEAN's Chiang Mai Initiative. This initiative started in the aftermath of the 1997 Asian Financial Crisis, with ASEAN, China, Japan and South Korea aiming to promote greater financial cooperation.

If we were to deconceptualize what a regional organization means, beyond its rigid Eurocentric definition, there is potential for localized cooperation in South Asia on issues that are currently far down the list of diplomatic priority within the SAARC structure. To get South Asia to collaborate more, we need to rethink what collaboration looks like. It is clearly not an organization like SAARC, it is more on the lines of a cross between OBOR and ASEAN.

There is no hard and fast structure, but the initiatives should be binding for members and taken seriously by all those involved. For South Asia to truly grow, SAARC in its current form cannot contribute much. ■

Mr. Rasool is PhD scholar, Georgia State University, United States of America.

Regional cooperation in big data

Data collected in many less developed countries have serious problems and shortcomings. Big data offer tremendous opportunities to improve the effectiveness of public policies.

Zubair Faisal Abbasi

"Land was the raw material of the agricultural age. Iron was the raw material of the industrial age. Data is the raw material of the information age."

The Industries of the Future by Alec Ross, p 152

Data collection and analysis is an established technique of understanding the world through research. South Asia has centuries-old tradition of data collection to gather information for government interventions. Data about prices, living conditions of people and also about social, political and economic histories of administrative territories were collected during the British Raj. These data were made part of official district gazettes, which were published periodically. With the passage of time, the spectrum of data collection expanded and many social and economic indicators were added in different kinds of surveys, such as integrated household surveys, demographic and health surveys, industrial and agriculture census and population census. Governments in South Asia also tried to increase both institutional and technological capacity of their statistical organizations and line departments with varying degrees of success and failure.

Less developed data

However, the data collected at the state level also attracted critique of public policy experts. It was argued that the data collected in many less developed countries have serious problems and shortcomings.[1] Some of the issues related to data are serious shortage of data for analysis and policy advice[2], and late data processing and dissemination, sometimes with a lag of two to three years, by which time issues have changed and the data do not reflect the true picture on the ground for policy action. Similarly, there are many issues like poor security situation, inaccurate responses, lack of logistical support to access remote locations, existence of informal economy, limited capacity of enumerators and quality assurance mechanisms, low budgetary allocations and a sheer lack of autonomy in the statistical offices. Moreover, most of the data which are collected anyway are not designed to inform policy analysis, and most of the data are not shared with public.

It has been argued that one of the key reasons for United States of America (USA) being an ideal country for economic and social research is the availability of "troves of good quality data". The reverse is true for South Asian countries, where there are significant internal and external problems pertaining to statistical offices.

With the passage of time, and with the introduction of modern information and communication technologies (ICTs), such as satellite images, videos, text messages, internet, emails, biometric systems and social media websites, a new source of data has emerged. These are a part of big data, which promise to show "how a large amount of data can now be used to understand, analyze, and forecast trends in real time".[3] One of the biggest and most successful uses of big data for politics was undertaken during the two presidential campaigns of President Obama. In the data analysis then, emails were analyzed in real time to understand which variant of email messages was able to generate more funding. It made the campaign one of the most effective.[4]

The World Bank, by using satellite to analyze the nightlights at different locations of South Asia, has shown a correlation between economic growth and nightlights. The World Bank's South Asia Unit uses nightlight data to indicate how overall urban land use is increasing over time. Not only are Indian cities growing in size, the intensity of activity within certain

elektrika.cz

urban regions, such as Coimbatore in Tamil Nadu, is growing as well. The areas registering the fastest rates of growth are those in close proximity to existing cities—Delhi, Hyderabad, Lahore, Mumbai, etc.[5] Nightlight shows economic activity, prosperity and vehicular movements, thus portraying the level of production of goods and services. An interesting aspect of the nightlight indicator is that it is the same everywhere, hence, "an excellent indicator of economic activity"[6].

There are many other sources of big data, such as cellular companies that have record of users' text messages and calls data. There is whole range of social media providing an enormous amount of data on individual preferences and activities. All these sources of data can be and need to be utilized for economic measurement.

Pakistan has also started seriously thinking and using big data with various degrees of success. For example, there are evidences that telecommunication companies in Pakistan are investing in technologies associated with big data and deep analytics. The drive is coming from multinational companies that want to understand the markets and their customers in the face of market competition.[7] In addition, the global market players are also picking the best brains from Pakistan for data science advancements. Pakistan is also witnessing a government and private sector cooperation in big data. Teradata, a US-based firm, works closely with National Database and Registration Authority (NADRA) in the analysis of demographics, supports intelligence and provides help in crime investigations. The Government of Punjab, with the help of Teradata, also worked on a dengue fever epidemic and successfully used big data analytics to understand the situation and develop interventions to control the deadly menace. It has been reported that the interventions were successful. Since then, the results and methods of big data use have been shared with other countries too.

Another set of notable interventions in the pipeline is coming from Sindh Province, where land records and electricity metering systems are being digitized. It is being reported in the press that data on electricity use and land ownership shall help improve economic governance, as well as create better policy actions for tax reforms (working with the Federal Board of Revenue (FBR)) and economic incentives.[8]

Data gap

Interviews with officials of Pakistan Bureau of Statistics (PBS) have revealed that the Bureau was sending its employees for training to USA and other countries to learn and implement new technologies. Some efforts have been made at the PBS to create a common database for different surveys, NADRA, Benazir Income Support Programme (BISP) and FBR. The effort is to remove data gaps and create both synergies and "single window" analytics. As a result, Pakistan, like other countries, is poised to have much more data available and also the ability to chew through the data.

A good example of the opportunities presented by good data is the Survey of Well-being via Instant and Frequent Tracking (SWIFT) Project of the World Bank, where small survey and big data are being simultaneously used for poverty estimation, viz:

"Like typical "Big Data" approaches, SWIFT applies a series of formulas/algorithms, as well as the latest ITS technology, to cut the time and cost of data collection and poverty estimation. For example, SWIFT does not estimate poverty from consumption or income data, which is time-consuming to collect, but uses formulas to estimate poverty from poverty correlates, which can be easily collected. Furthermore, by embedding the formulas into the SWIFT data management system, the correlates will be converted to poverty statistics instantly. To further cut the time for data collection and processing, SWIFT uses Computer Assisted Personal Interview (CAPI) linked to data clouds, and if possible, adopts a cell phone data collection approach.[9]

These are projects to help South Asian countries complement their existing practices of poverty estimation. These advancements can help improve the effectiveness of poverty reduction programmes as well as increase the efficiency of policy actions. The most important point is that South Asian countries must learn to use big data in the context of measuring progress towards their Sustainable Development Goals (SDGs), not to mention developing targeted interventions. In this way, big data analytics can help governments execute midcourse corrections for better development outcomes.

There is a potential to learn from different country experiences, as well. However, looking at the current state of cooperation in the South Asia Association for Regional Cooperation (SAARC) region, it seems advisable that multinational companies and international financial institutions, such as the World Bank, should step in. They can work closely with the governments, private sector and civil society organizations and help them in the use of big data analytics for social and economic development—health, education, gender-based violence, deforestation, crime control and what not. This should set a stage and create an eco-system of cooperation.

As data are increasing, so are the complexities. It is said that every nine seconds one petabyte of data is added in the global virtual repository. This shows the enormous rate of increase in both the volume and velocity of data. At the same time, variety in data has also increased manifold. There are emails, videos, pictures, text messages, social media content and calls, in addition to the existing databases of economic indicators. Most of the data are unstructured and multilingual, which need filtering and storage to make them usable for analytics and then retrieval and discussion.[10] However, big data technologies are fast solving the problems of inter-language communication. Real time auto-translators have almost demolished the language barrier.

The good news is that the emerging technologies, both hardware and software, are not only capable but increasingly being enabled to neatly undertake analytics and generate reports needed for measurements. We do not need super computers to develop and use algorithms for big data analytics, because computing power and software functionality are increasing very fast.

In South Asia, the current state of statistical cooperation needs a thorough rehashing of policies and practices related to data management. National governments need to understand that governments and public policies now need rapid action to stimulate responses in economic and social development fields. Time lags in stimulus and response create more problems than they solve. In fact, big city management in South Asia really needs smart data collection, interpretation and reporting platforms. Much of the problems, such as poverty and hunger, which has endangered South Asia, can be solved with financial technology and smart precision agriculture, which are nothing but big data-based interventions. Big data are said to be both a telescope and a microscope.

Regional data

Although there are serious security concerns over data protection and data governance, there are solutions in new technologies as well. Countries need to explore security options so that confidence level is achieved for further advancements. South Asian countries need to harness those technologies and bring in private, public and the third sector to rebuild and strengthen institutional arrangements for sound evidence-based and policy-relevant economic measurement systems.

South Asia's need for assistance from developed countries must be looked into and efforts made to keep brain circulation within, as opposed to brain drain from, the region for cross-border learning. A real South-South cooperation can help change the economic measurement and policy action landscape in the region. In this context, some quick and handy recommendations are listed below:

- SAARC countries should develop a programme for big data in their human resource development units;
- Scoping studies of regional advances are needed in big data uses, advancements and plans;
- Governments must jointly, and in a standalone fashion, engage in open dialogue with multinational private sector firms to assist their national statistics bureaus;
- There should be linkages with development agencies, such as the World Bank and social and economic research organizations, to raise awareness about new technologies and new data; and,
- SAARC countries must organize serious dialogue and institute a high-level commission to report on advances in big data in the region and how intra- and inter-regional cooperation is possible. ■

The author is Director, Institute for Development Initiatives (IDI), Islamabad.

Notes

1. Elahi, Asad. 2008. "Challenges of Data Collection: with Special Regard to Developing Countries". In *Statistics, Knowledge and Policy 2007: Measuring and Fostering the Progress of Societies*. Paris: OECD Publishing.http://www.pbs.gov.pk/sites/default/files/articles/Elahi%20Article%20-%20For%20FBS%20Homepage.pdf.
2. Haider, Murtaza. 2014. "Desperately seeking data in Pakistan...". *Dawn* June 4. https://www.dawn.com/news/1110537
3. Ross, A. 2016. *The Industries of the Future*. London: Simon & Schuster UK.
4. *ibid.* p. 155.
5. Mukim, Meghna. 2013. "Tracking light from space: Innovative ways to measure economic development". *World Bank Blogs* December 11. https://blogs.worldbank.org/category/tags/nightlight.
6. Henderson, J. Vernon, Adam Storeygard, and David N. Weil. 2012. "Measuring Economic Growth from Outer Space." *American Economic Review*, 102(2): 994-1028. http://www.econ.brown.edu/Faculty/David_Weil/Henderson%20Storeygard%20Weil%20AER%20April%202012.pdf.
7. Javed, Hassan. "Big Data Challenges and Opportunities". *Pakistan Advertisers' Society*. http://www.pas.org.pk/6375-2/.
8. Haq, Shahram. 2016. "Tech expert dives into big data potential in Pakistan". *The Express Tribune* December 21. https://tribune.com.pk/story/1151447/telecommunication-tech-expert-dives-big-data-potential-pakistan/
9. Yoshida, Nuobo. 2014. "Revolutionizing Data Collection: From 'Big Data' to 'All Data'". *World Bank Blogs* November 12. http://blogs.worldbank.org/developmenttalk/revolutionizing-data-collection-big-data-all-data.
10. Nawsher Khan, Ibrar Yaqoob, Ibrahim Abaker Targio Hashem, et al. 2014. "Big Data: Survey, Technologies, Opportunities, and Challenges". *The Scientific World Journal* vol. 2014, Article ID 712826. doi:10.1155/2014/712826.

timedotcom.files.wordpress.com

BBIN's challenges

A BBIN Forum should be constituted to conduct research, advocacy, and training and capacity building of government officials.

Prabir De

The Bangladesh-Bhutan-India-Nepal (BBIN) subregional cooperation, although a small house, is a healthy family growing steadily as the "bridgehead" in the Bay of Bengal area linking South Asia with Southeast Asia. In other words, BBIN is a place where the Himalayas meet the Bay of Bengal.

All about connectivity

BBIN countries have realized that narrowing the connectivity gaps among countries is a must for facilitating regional trade. An improved connectivity is essential also to provide cheaper access to goods and services, create more jobs including along trading corridors, and ultimately help reduce poverty at a faster pace. The BBIN initiative, therefore, has emphasized building connectivity from the very beginning by coming up with a shared vision to increase trade and cooperation within eastern South Asia, create linkages within and beyond, ensure faster movement of goods and people, and bring about sustainable development through water resource management and climate protection.

The initiative was triggered by the BBIN Motor Vehicles Agreement (MVA) following a series of regular meetings of the Joint Working Groups (JWGs). It has so far dealt with water resources management, electricity exchange and connectivity at the subregional level. BBIN has two JWGs to deal with Water Resources Management and Power/Hydropower; and Connectivity and Transit. The third meeting of the JWGs was held in Dhaka on 19-20 January 2016. Three JWG meetings have been held so far and the outcomes have been very positive.

The fourth JWG meeting is expected to be held in the second half of 2017. At the upcoming JWG meeting, discussions are scheduled to commence on the possibility of a BBIN Rail Agreement drawing on the draft South Asian Association for Regional Cooperation (SAARC) Regional Rail Agreement template. All the four countries have agreed to prioritize issues related to land ports/land customs stations, crucial for subregional trade and transit.

The table below illustrates that BBIN's focus is more on non-trade issues such as connectivity and energy rather than trade and investment *per se*. Meanwhile, by starting late, it can learn from the mistakes of other regional integration initiatives.

The BBIN countries are relatively open economies. Except Nepal, trade openness in other countries has increased between 1991 and 2016. India is the largest trader occupying over 90 per cent of the subregional trade. The latest International Monetary Fund (IMF) Direction of Trade Statistics (DOTS) database indicates that India's total trade with BBIN was about US$12.5 billion, of which US$9.5 billion was export and the remaining was import. The recent trend in intra-BBIN trade has been influenced by the recent growth of the Indian economy and India's unilateral removal of tariff and sensitive list items for imports from least developed countries (LDCs). Since a large part of BBIN's trade is India-centric, any improvement of connectivity and trade facilitation in the subregion would, therefore, leads to improving the competitiveness of BBIN exports, thereby providing higher market access in India for exports from Bangladesh, Bhutan and Nepal.

> By starting late BBIN has learned from the mistakes of other regional integration initiatives.

South Asia has eight cross-border passenger bus services and a few cross-border freight services. These are too limited considering the available potential. It was to facilitate transportation and trade that BBIN countries signed the MVA for the 'Regulation of Passenger, Personal and Cargo Vehicular Traffic' on 15 June 2015. The BBIN MVA was drafted in line with the SAARC MVA. It aims to fulfil the need to accelerate cross-border transportation and deepen regional integration through subregional measures, as outlined in the declaration of the 18th SAARC Summit. This is expected to significantly reduce trade transaction costs in the subregion.

India, Nepal and Bangladesh have ratified the Agreement, while it is still under consideration in Bhutan. In its last communication to other BBIN countries, in May 2016, Bhutan indicated that it is not yet ready for the MVA. Nonetheless, Bangladesh, India and Nepal have agreed to complete the formalities required to implement the Agreement. In fact, successful demonstration runs of passenger and cargo services have been organized.

The MVA has 17 articles, four forms of permits for both passenger and goods traffic and three annexes. Among the 17 articles, three are unique in nature. Article VII talks

Table
BBIN in comparison with other subregional initiatives

Particulars	BBIN	SASEC	BCIM	BIMSTEC	IMT-GT	BIMP-EAGA	GMS
Location	South Asia	South Asia	South Asia-Southeast Asia	South Asia-Southeast Asia	Southeast Asia	Southeast Asia	Southeast Asia
Members	4	7	4	7	3†	4†	6
Year established	2013	2001	1997	1997	1993	1994	1992
FTA in goods	No	No	No	Yes*	Yes±	Yes±	Yes±
Investment agreement	No	No	No	No	No	No	No
Services trade agreement	No	No	No	Yes*	Yes±	Yes±	Yes±
Connectivity projects	Yes	Yes	Yes*	Yes*	Yes	Yes	Yes
Energy exchange	Yes	Yes	No	Yes*	No	Yes*	Yes
Financial integration	No	No	No	No	Yes	Yes	Yes
Customs cooperation	Yes	Yes	No	Yes	Yes	Yes	Yes
Initiative type	Track 1	Track 1.5	Track 1.5	Track 1	Track 1	Track 1	Track 1
Secretariat	No	Yes	No	Yes	Yes	Yes	Yes
Summit**	No	No	No	Yes	Yes	Yes	Yes

*Note: *proposed; †involves sub-national units; ±part of ASEAN Trade in Goods Agreement (ATIGA); **Both political and business summits.*

South Asia Subregional Economic Cooperation (SASEC); Bangladesh-China-India-Myanmar Forum for Regional Cooperation (BCIM); Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC); Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT); Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA); Greater Mekong Subregion (GMS)

Source: Author's compilation

en.wikipedia.org

about fees and charges; Article VIII presents the road signs and signals to be used and the need for compliance with traffic laws; and Article XI provides insurance arrangements.

The BBIN MVA is likely to generate economic dividends in the subregion, particularly for Bangladesh, Bhutan and Nepal. This is true because the corridors would pass through underdeveloped parts that generate relatively higher marginal returns to investment. The Agreement will certainly facilitate trade among the subregional partners through faster and uninterrupted movement of vehicles.

The BBIN MVA is expected to facilitate the formation of value chains in the subregion. However, there is a need for an integrated approach to BBIN connectivity. Such an approach is the only way to avoid decisions being prepared under wrong assumptions. However, it should be kept into consideration that the BBIN MVA is not going to fulfil every demand or aspiration, especially because expectations of its stakeholders are high.

A surge in traffic may cause damage to existing infrastructure as they are currently not equipped to bear the additional cargo loads arising from the MVA. Therefore, investments in hard infrastructure—such as roads, bridges and border facilities—are to be scaled up in the countries, particularly in Bangladesh. The members have identified 30 transport connectivity projects requiring several billion American dollars in investment. These projects must be implemented expeditiously, on a priority basis. In addition, an enabling framework to scale up the investments is required, particularly for public-private partnership projects.

Managing cross-border corridors is another challenge. Learning from existing corridors elsewhere, such as the Maputo Corridor between South Africa and Mozambique, appropriate trade reforms would be very useful. Training and capacity building has to be another priority. This includes strengthening the capacity of government officials involved in implementing the MVA. They must have the ability to carry out priority reform programmes in customs modernization and harmonization of border procedures, automation of border processes and delivery of improved services and information to the private sector.

The Motor Vehicles Agreement is expected to facilitate value chain formation.

Customs reforms

Customs should operate round the clock in the BBIN subregion. At present, there are differences in working hours between customs. Full automation and link-up between customs will reduce transaction time and cost. Simple, harmonized and standardized trade and customs processes, procedures and related information flows are expected to reduce transaction costs in the region. This will not only enhance trade competitiveness but also facilitate regional integration. The countries need to align their customs procedures and trade services among themselves through interoperability of Customs Single Windows.

Jointly managing exports and imports at the border would lead to the saving of resources, time and costs. For example, border cargo scanners can be shared. The One Stop Border Post principle allows neighbouring countries to coordinate import, export and transit processes. This ensures that traders are not required to duplicate regulatory formalities on both sides of the same border. This system may be implemented along selected corridors in the subregion. Regarding automation, digitalization in monitoring the movement of vehicles or payment of duties and toll taxes, among other things, will pave the way for faster clearances of goods both at the border and also along corridors.

Faster movement of goods and services is contingent upon harmonization of rules and regulations of motor vehicles in the subregion. Harmonization can be achieved quickly by entering international agreements such as the United Nations Convention on International Transport of Goods Under Cover of TIR Carnets (TIR Convention). This is useful in securing the safety of goods in transit. India has recently become the 71st country to ratify the UN TIR Convention. Implementation of the Revised Kyoto Convention (RKC) and the World Trade Organization's Trade Facilitation Agreement (TFA) would also help BBIN countries achieve simplification and harmonization of their customs procedures. In fact, all the BBIN countries have already ratified WTO TFA. The United Nations Network of Experts for Paperless Trade and Transport in Asia and the Pacific (UNNExT) offers many good suggestions and templates on cross-border harmonization of customs procedures. Learning from it would be beneficial for the BBIN countries.

Similarly, harmonization of road standards shall be another priority.

> Greater political will is needed to steer this cooperation forward.

For example, the parcel loads of Indian and Bangladeshi roads are different. Bangladeshi roads would not be able to carry fully-loaded Indian trucks or containers. It is suggested that BBIN develop specially designed containers, which are adjustable with global standards for road and rail transportation. There is a difference between containerized goods and goods in a container. The BBIN MVA talks about containerized goods, but there is no mention about the movement of containers in the subregion. For safe and fast movement of goods, container movement should be encouraged, apart from multimodal transportation within the subregion and also with rest of the world. The proposed BBIN Railway Agreement shall deal with railway movement in the subregion.

Trade focus

BBIN MVA is primarily designed to facilitate subregional trade, people-to-people contact and integration. However, the reality is that the BBIN countries are yet to be connected with each other through a comprehensive trade facilitation and connectivity measure. There are a number of logistics handicaps. Trade in these countries involves a relatively higher number of procedures and documents, in all the three BBIN corridors. By making e-filling of documents mandatory, the documentary burden will be reduced. India's Single Window System is a case in point which offers important lessons to other BBIN countries. To meet global, regional and subregional obligations, the BBIN countries have to improve trade performance through enhanced trade facilitation measures and both soft and hard infrastructure. Although BBIN countries have identified US$8 billion investment in 30 transport connectivity projects, those in priority sectors should be implemented expeditiously.

Non-cooperation may damage the whole effort. Therefore, a greater involvement of states or subnational entities would make it an inclusive trade-transport arrangement and act as a model for others in the world. Establishment of a Regional Power Grid and Integrated Transmission Lines would pave the way for establishing a BBIN Regional Energy Market. Greater political will is one of the most important tools to steer this cooperation forward. Additionally, being a common subset of SAARC, as well as BIMSTEC, its multi-dimensional presence is crucial for the success of both the integration initiatives.

Coordination through BBIN Forum

A BBIN Forum should be constituted to undertake research, advocacy and training and capacity building of officials. The BBIN nodal ministries should be consulted for this in coordination with the proposed customs sub-group—under Article VII of BBIN MVA—and the subregional joint committee. The latter will monitor the implementation of the Agreement.

Effective coordination among countries and other stakeholders is vital to implement connectivity corridors in a timely fashion. Without this, it is unlikely that an optimal connectivity will be achieved. The BBIN MVA has been recognized as complementary to existing transport agreements or arrangements at bilateral levels. India and Nepal have already signed a bilateral MVA. India and Bhutan have liberal transport arrangements. India and Bangladesh also signed a bilateral MVA in 2015. An effective coordination among the BBIN countries in implementing bilateral and subregional MVAs is required to minimize the wastage of resources and duplication of services. ■

Dr. De is Professor, Research and Information System for Developing Countries (RIS), New Delhi, and Coordinator, ASEAN-India Centre (AIC), New Delhi. Views expressed are personal.

Environmental Goods Agreement

EGA will contribute to tackling climate change while promoting job creation and economic growth.

Aditi Pokharel

Environmental Goods and Services (EGS) encompass technologies, products and services that directly contribute to environmental protection and climate change mitigation through ways such as prevention and reduction of emissions, waste management, pollution control and green energy promotion. According to the System of Environmental-Economic Accounting (SEEA) of the United Nations Statistics Division (UNSD), all products that are produced, designed and manufactured for the purpose of environmental protection and resource management are within the scope of environmental goods and services sector.[1] However, the definition of environmental goods varies by country and purpose, and thus there is no universally accepted definition.[2]

EGA at the World Trade Organization

The Environmental Goods Agreement (EGA) is a trade agreement being negotiated by 18 participants representing 46 members of the World Trade Organization (WTO), focusing on reducing tariffs on products that benefit the environment. The foundation of EGA dates back to the 2001 Doha Ministerial Declaration under the Committee of Trade and Environment Special Sessions (CTE-SS) negotiations. Under Paragraph 31(iii) of the declaration, members agreed on negotiations on the reduction or, as appropriate, elimination of tariff and non-tariff barriers to Environment Goods and Services (EGS).[3] It is thus a plurilateral initiative whose benefits will be applied to all WTO members using the most favoured nation (MFN) principle once a critical mass is reached. EGA negotiations, open to all WTO members to join, were officially launched on 8 July 2014 in Geneva.

The global market for environmental goods was estimated to be worth US$1 trillion in 2014, and is growing fast.[4] The participants to these negotiations account for the majority of global trade in environmental goods. The EGA negotiations have been underway for over two years and the parties have been through 18 rounds of negotiations so far.[5] The 18th round that took place in Geneva from 26 November to 2 December 2016 involved discussions on product coverage and the EGA text in various configurations, but could not provide a conclusive outcome.

The confusion regarding the definition of EGS comes as the foremost hurdle in concluding the EGA negotiations. Although the negotiating countries have decided to draw up a list of agreeable goods, they have yet to resolve the issues arising from multiple use of such goods.

In the absence of a universally approved definition of environmental goods, the negotiating countries have decided to draw up a list using references from other such initiatives such as that of the Asia-Pacific Economic Cooperation (APEC) and Organization for Economic Cooperation and Development (OECD).

The multilateral tariff-cutting agreement of APEC has endorsed a list of 54 environmental goods such as solar panel, wind turbines and pollution control equipment that positively contributes to the green growth and sustainable development objectives of the region. APEC in 2012 has decided to bring duties on these

Box

WTO members currently participating in EGA negotiations

Canada, China, Costa Rica, European Union (28 member states), Hong Kong, Iceland, Israel, Japan, Korea, New Zealand, Norway, Singapore, Switzerland, Chinese Taipei, Turkey, Australia and United States.

products down to five per cent as part of its commitment of achieving global free trade in environmental goods.[6] The OECD list of environmental goods on the other hand was made with the purpose of analyzing the scope of environment industry and therefore broadly encompasses 248 EGS. The OECD has categorized environmental goods and services under three broad headings: pollution management, cleaner technologies and products, and resource management.[7]

The EGA aims to expand AEPC's list to include additional goods that represent the latest innovations in products with environmental benefits. Two broad classes of environmental goods are being discussed in WTO negotiations.

The class A EGs includes industrial goods used to provide environmental services to address pollution and waste affecting water, soil and air such as filters, pumps, chemicals used in water purification etc. The class B EGs sometimes referred to as Environmentally Preferable Products (EPPs) consists of Industrial and consumer goods that have environmentally preferable characteristics relative to substitute goods as organic agricultural products, natural dyes, energy efficient lighting etc.[8]

Challenges galore

EGA will contribute to tackling climate change while promoting job creation and economic growth, a "win-win" situation.[9] For example, developing countries will have better and cheaper access to cleaner technologies. Moreover, EGA can play an important role in supporting the implementation of the Paris Agreement on climate Change and the United Nations Sustainable Development Goals (SDGs).

But there are a number of challenges to concluding and implementing the EGA. Not only the consensus building in the definition and coverage is a formidable challenge, the EGA that is currently being negotiated under the WTO deals with environmental goods only and the environment services are not included so far. The OECD has long argued that many of the goods that are identified as essential for environmental protection and remediation are also important for their use in the provision of environmental services.[10] According to this rationale, environmental goods are supplied together with services; thus the synergy between these must be kept in mind while liberalizing trade in any of these.

Developing countries suspect that the EGA will primarily benefit the developed economies.

Moreover, the major concern for developing countries' firms in a liberalized market is the challenge of competing with well-established environmental firms of developed countries. Net importers of environmental products with negligible share of green-goods in exports[11], developing countries suspect that the EGA will primarily benefit the economies of developed countries which are looking for new markets, and are also worried of substantial revenue losses through tariff reduction.

Given the pervasive and adverse effects of climate change, promoting trade in environmental goods is necessary. Reduction of tariffs and non-tariff barriers on such goods is a powerful way to promote their use. The EGA being negotiated at the WTO is one way to achieve that. Thus, the definitional issue arising from multiple use of goods has to be sorted out first. The concerns of poor countries about the possible adverse impacts on their domestic industries have to be recognized. Effective technology transfer and targeted aid for trade are essential to help them develop the capacity to produce and export environmental goods and services. ■

Ms. Pokharel is Intern at South Asia Watch on Trade, Economics and Environment (SAWTEE), Kathmandu.

Notes

1 System of Environmental-Economic Accounting (SEEA) 2012

2 Jha, Veena. 2008. "Environmental Priorities and Trade Policy for Environmental Goods: A Reality Check" *ICTSD Trade and Environment Series* 1, no. 7. https://www.carib-export.com/obic/documents/ictsd-veena-jha_final-integrated-cover.pdf.

3 WTO. 2001. DOHA WTO Ministerial 2001: Ministerial Declaration. WT/MIN(01)/DEC/1. https://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm

4 Office of the United States Trade Representative. Environmental Goods Agreement. https://ustr.gov/trade-agreements/other-initiatives/environmental-goods-agreement

5 Global Affairs Canada. WTO Environmental Goods Agreement. http://www.international.gc.ca/trade-agreements-accords-commerciaux/topics-domaines/env/plurilateral.aspx?lang=eng

6 https://www.apec.org/Meeting-Papers/Leaders-Declarations/2012/2012_aelm/2012_aelm_annexC.aspx

7 Sugathan, Mahesh. 2013. *Lists of Environmental Goods: An Overview. Information Note.* Geneva: International Centre for Trade and Sustainable Development.

8 Hameway, R. 2005. *Environmental Goods: Where Do the Dynamic Trade Opportunities for Developing Countries Lie?*. Geneva: International Centre for Trade and Sustainable Development. https://www.ictsd.org/sites/default/files/event/2008/08/hameway.pdf

9 European Commissions. 2015. The Environmental Goods Agreement (EGA): Liberalising trade in environmental goods and services. Last modified 2016. http://trade.ec.europa.eu/doclib/press/index.cfm?id=1116

10 Steenblik, Ronald., Dominique Drouet, and George Stubbs. 2005. "Synergies between Trade in Environmental Services and Trade in Environmental Goods". Paris: Organization for Economic Co-operation and Development.

11 Monkelbaan, J. 2011. "Trade Preferences for Environmentally Friendly Goods and Services". *ICTSD Global Platform on Climate Change, Trade and Sustainable Energy*. Geneva: International Centre for Trade and Sustainable Development. http://www20.iadb.org/intal/catalogo/PE/2012/10005.pdf

South Asia improves competitiveness score

South Asian countries have succeeded in improving competitiveness scores despite limited progress in adopting information and community technology services, according to the latest figures on global competitiveness released by the World Economic Forum (WEF).

The latest report on Global Competitiveness Index (GCI) published by the WEF shows that competitiveness has improved across most countries in South Asia, in particular in the two Himalayan countries of Bhutan and Nepal. Among the 140 countries, Bhutan's ranks climbed by 15 places to reach 82nd place while Nepal also climbed 10 places to reach 88th rank in 2017–2018 in comparison to the previous year. On a similarly positive trend, Pakistan (115th, up seven) and Bangladesh (99th, up seven) have both improved their scores across all pillars of competitiveness. The biggest economy in the region, India has settled at 40th place this year. However, Sri Lanka slipped in the ranking to 85th from previous year's 71st.

The GCI tracks the performance of close to 140 countries on 12 pillars of competitiveness. It assesses the factors and institutions identified by empirical and theoretical research as determining improvements in productivity, which in turn is the main determinant of long-term growth and an essential factor in economic growth and prosperity. These indicators are grouped into 12 pillars—institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation.

The report points out that upgrading information and communications technology (ICT) infrastructure and increasing ICT use remain among the biggest challenges for the region. Over the past decade, South Asia has been the region where technological readiness stagnated the most, with a performance similar to that of Sub-Saharan Africa.

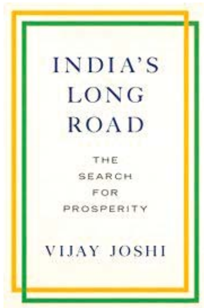
According to the report, India's score remains high due to improvements across most pillars of competitiveness, particularly infrastructure, higher education and training, and technological readiness. Further, improved performance in ICT indicators, particularly internet bandwidth per user, mobile phone and broadband subscriptions, and internet access in schools has boosted the country's rank. The quality of institutions has increased, especially in terms of efficiency of public spending, but the private sector still considers corruption to be the most problematic factor for doing business in India.

Sri Lanka slipping 14 places in a year is attributed mainly to a deteriorating institutional environment, lower goods markets efficiency and infrastructures. Macroeconomic stability needs to remain a priority for the government, as the country continues to cope with high levels of debt and tries to restore a sound macroeconomic environment. The high burden of interest on debt, amounting to most of the revenue collected by government, is a concern. Inflation also increased and forced the authorities to tighten monetary policy, with negative effects on credit. Business confidence has been declining over the past two years.

The Global Competitiveness Report 2017–2018 has focused on high levels of uncertainty as technology and geopolitical forces reshape the economic and political order that has underpinned international relations and economic policy for the past 25 years. Despite the global economy showing signs of recovery since the financial crisis 10 years ago, the GCI has detected vulnerabilities in the economic approaches.

According to the report, the GCI indicators of bank soundness have not recovered to pre-crisis levels, new sources of vulnerability have emerged—such as increasing private debt in emerging economies and the growth of non-regulated capital markets—and governments have less bandwidth than they did 10 years ago to cope with another crisis. Similarly, hesitation in adopting new technology, lack of labour market flexibility and worker protection and widespread inequality underscore the overall challenge for both advanced and emerging economies. The report says that the greatest economic challenge of the present time is to reallocate factors of production to be flexible and responsive to technological trends while protecting people's well-being during adjustment periods. ■

Excerpted from The Global Competitiveness Report 2017–2018.



Road to prosperity

Title: India's Long Road: The Search for Prosperity
Author: Vijay Joshi
Publisher: Oxford University Press
ISBN: 9780190610135

Avinash Chandra Gupta

Compared to sub-one per cent growth between 1900 and 1950, India achieved a relatively better 3.5 per cent growth in 1950-1980 despite multiple exogenous shocks such as droughts, war and oil price rise. Notwithstanding the unfavourable terms of trade (ToT) owing largely to the external volatility, a structural break occurred which the book attributes to "marketization, hesitatingly first, explicitly then (Ch. 2)". The author links the 'Hindu growth' (1950-1980) to command and control policies among other things, public sector dominance in most economic activities, trade protection and licensing regime.

The work, however, ignores several developments between 1950 and 1980 that led to the emergence of competitive sectors. Public Sector Undertakings (PSUs) like Bharat Electronics (estd. 1954) were a training ground for thousands of engineers; arguably the groundwork for turning Bangalore into the Technopolis. The graduates from Indian Institutes of Technology form the core human resource base in sectors like IT and manufacturing. The foundation of the competitive automobile sector was laid in the 1980s when capable Indian bureaucrats and credible political interventions led to the Maruti-Suzuki joint venture.

Broad-stroke economics needs to be read with caution. Between 1979 and 1984, a period associated with unleashing of 'animal spirits' (Ch. 4), saw almost 50,000 textile workers losing their jobs in Ahmedabad. Other sectors fetched the workers a quarter of what they earned in textiles.

The 1990s reforms—devaluation, delicensing and trade liberalization, among others—saw rising investments and greater production efficiency, a major explanation for the five per cent plus GDP growth. The 2003-2010 phase has registered the fastest growth so far, over eight per cent, largely via heavy firm level borrowing and increased corporate investments. However, beginning in 2011 and exacerbated partly by the financial meltdown, the growth slowed down which Dr. Joshi attributes to deleveraging (hence declining corporate investments) and governance failures and corruption.

Mr. Joshi notes that despite ingredients for growth—macroeconomic stability, no serious conflicts and 'non-extractive' governance—India grapples with suboptimal, mostly jobless, growth. Half of the industrial output (Ch. 5) is produced by the informal sector which employs over 80 per cent of those employed. Miserably paid amid exploitative work conditions, deprivation is rather common while an unfair value gets captured by capital. The adverse rent-seeking order where major capitalist houses of 1947 continue to be so explains the burgeoning inequality.

The book lists several critical challenges to expand labour-intensive manufacturing—physical capital, skills, Small and medium-sized enterprises (SME) finance access and rigid employment protection laws. On whether industrial policy (IP) is a solution, the author suggests that IP interventions that 'requires dispassionate and benevolent state being able to 'pick winners'—have a "thin empirical case" (Ch. 6) and that countries like India "should avoid the primrose path" of such policies. Reforms in—inter alia, labour laws, skills and 'ease of doing business' like governance areas, very much the priorities for the current government, the book argues, will address the disincentives in manufacturing. While such reforms have been ongoing, the results in terms of job-creation are dismal.

The author insightfully links largely neglected and underfunded public health services (less than 10 per cent of state health expenditure, Ch.9) and the poor social development outcomes. While there was a dedicated public health service, powerful medical lobby meant that public health was merged with medical services (Pp. 189). The author cites Tamilnadu which bucked this trend and as a result has had much better health outcomes.

The author proposes universal basic income (UBI) that raises average incomes to official poverty line level. UBI requires funding of about four per cent of GDP and this the work suggests can be freed up from ineffective subsidies such as targeted food grain that are often diverted to black market. However, subsidies are rents and redistribution mechanisms to sustain patronage networks—a necessary element in political stability. Subsidies as well as other informal rents, hence, are to stay till structural transformation occurs where several competitive sectors enable arms-length functioning.

As can be established from Hume's law, no normative prescription is derived from a positive analysis unless there is a normative basis. It is for the readers to infer for themselves what the normative assumptions are in this work. ■

The author is Research Officer at South Asia Watch on Trade, Economics and Environment (SAWTEE), Kathmandu.

‘Efficient financing needed for urbanization’

INSTITUTE of Policy Studies of Sri Lanka (IPS) Acting Executive Director, Dr. Dushni Weerakoon, recently highlighted the importance of seeking efficient financing mechanisms to fund urbanization projects in Asia and the Pacific, such as the much-touted Megapolis project in Sri Lanka, estimated to cost around US$40 billion.

She also noted that it was vital to use smarter resources for sustainable urbanization—a challenge for the rapidly growing cities in the region.

She made these remarks at the 5th ADB-ATTN Development Forum 2017, held in Colombo on 20—21 September 2017. The Forum, which saw the participation of more than 25 countries, was co-organized by the Asia Development Bank (ADB) and the IPS. The theme of the Forum was ‘Financing for Sustainable Urbanization in Asia and the Pacific.’

Delivering the keynote address at the Forum, Mr. Patali Champika Ranawaka, Minister for Megapolis and Western Development, said that 53 per cent of the world population will be urbanized by 2025.

“As a means of financing this rapid urbanization, it is imperative that the government integrate the private sector with public-private partnerships,” he noted.

Meanwhile, speaking on Sri Lanka’s economic outlook, IPS Research Officer, Mr. Kithmina Hewage, said that the government needs to focus its economic policies on the urgent need for an outward oriented growth strategy. There is a need to balance fiscal stabilization along with the need to catalyze growth, he said. ■

SDPI completes 25 years

THE Sustainable Development Policy Institute (SDPI) marked its silver jubilee on 4 August 2017.

At a special ceremony, SDPI Executive Director Dr. Abid Qayyum Suleri said that it was a moment of pride for the institute, which had won global acknowledgement and credence for its work.

“We have been, and we want to remain part of the solution rather than merely criticizing and pointing out flaws, especially on issues of sustainable development,” Dr. Suleri said. ■

Informal trade survey carried out

CUTS International (Consumer Unity & Trust Society) disseminated the key findings of a diagnostic study on informal cross-border trade in agricultural inputs on 4 August, in New Delhi.

The event comes after an extensive fieldwork, by CUTS in India, Unnayan Shamannay in Bangladesh and South Asia Watch on International Trade, Economics and Environment (SAWTEE) in Nepal. Informal trade across the India-Bangladesh and India-Nepal borders and its impact on the livelihoods of local farmers were the subjects of the study.

The survey findings were presented at the New Delhi meeting to seek feedback from subject experts.

The meeting also explored the benefits and/or challenges of formalization of cross-border informal trade in agricultural inputs, which can eventually enhance economic and social welfare for the farmers and the local economy. ■

Beach audit exposes Chennai's dirty coast

ABOUT 2,000 water packets and unbranded single-use cups are littered on the coastal stretch of Chennai each day, according to a study.

They account for most of the non-bio degradable litter after plastic bags, bottle caps, toothbrushes, straws, pet bottles and the like.

The finding comes from an audit carried out by Citizen Consumer and Civic Action Group (CAG) in collaboration with Chennai Trekking Club (CTC). They had collected samples to perform the brand audit after the annual beach clean-up held in June from Marina to Akkarai.

The Report mentions that there were 1,829 pieces of multi-laminate plastics, of which the Lighthouse Zone—between the Chennai Lighthouse and St. Bede's High School—had the highest number of pieces (702 pieces). The Broken Bridge stretch of Elliot's Beach (352 pieces) followed.

The waste audit revealed that carry bags accounted for 63 per cent of the total weight of the waste.

"Recreational activities by visitors along the Marina and Elliot's Beaches account for most of the waste seen on the beach. Inadequate number of dumpsters to collect the waste accounts for that. Even the dumpsters deployed along the seashore are improperly placed," said Ms. Satyarupa Shekhar, CAG.

Waste disposed by residents along Cooum and Adyar Rivers are the major sources of floatable plastic wastes entering the ocean. The audit says that the reason was heavy upstream water flow during monsoon. ■

Governance of genetic resources discussed

SOUTH Asia Watch on Trade, Economics and Environment (SAWTEE) organised a two-day workshop to discuss the existing regime related to protection of genetic resources in Asia.

Experts at the event, 'Reimagining the Governance of Genetic Resources and Intellectual Property for Agriculture and Food Security in Asia,' emphasized the need for legal infrastructure to ensure that the communities which spend generations preserving and innovating plant genetic resources are rewarded.

Farmers need to be duly recognized through intellectual property rights over their traditional knowledge and offered benefits from this resource. It is innovation and protection of genetic resources through generations of farmers that are crucial in sustaining agriculture and food security.

The two-day workshop discussed the opportunities offered by intellectual property rights related to patents and breeders' rights in areas of agriculture, food security and the use of plant genetic resources.

Experts assessed the arrangements related to plant genetic resources on national laws and international agreements such as the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) of the World Trade Organization (WTO), Convention on Bio Diversity and the International Union for the Protection of New Varieties of Plants (UPOV).

Presentation were made on the experience of different countries, including Nepal, India, Bangladesh, Thailand, Sri Lanka, Timor-Leste and Ecuador regarding governance of genetic resources. ■

South Asia Watch on Trade, Economics and 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 liberalization and globalization.

www.sawtee.org