

**Sixth South Asia Economic Summit  
CUTS Reporting - Day 3**

**Competitiveness of Private Sector at Crossroads in South Asia**

**Participants voice their angst that policy makers and civil servants do not take active interest in such meetings, which is unhealthy**

Challenges facing the private sector in the region were the principal topic of discussion during the third and final day of the 6<sup>th</sup> South Asia Economic Summit. An excellent panel chaired by Rajiv Kumar, Senior Fellow, Centre for Policy Research, New Delhi, deliberated on the steps required for improving the climate for private enterprise in South Asian countries.

The thematic paper on this subject, presented by Golam Moazzem of Centre for Policy Dialogue, Dhaka, finds that the emerging growth trends in all main South Asian countries are more or less similar and has all the indications for a stagnation of private sector led expansion in the coming years.

Several challenges such as predominance of micro, small and medium enterprises, sole focus on domestic markets and lack of dynamism, low value addition and lack of conducive regulatory environment are curbing the growth of South Asian industries. This is reflected in the fact that on almost all indicators of Global Competitiveness Index, South Asian Countries are at the bottom ranks.

In addition, there are several trade and infrastructural bottlenecks to the development of regional value chains, leading to missed opportunities for industrial development. Services sector, though growing, is concentrated in a few sectors and those services, such as infrastructure, that should complement and enable the manufacturing sector still remain underdeveloped.

The discussants suggested that exposure of domestic industries to competition is a sine qua non for them becoming globally competitive and opening up of regional markets would be an ideal way to prepare for it. Arif Zaman, Advisor, Commonwealth Business Council, said that South Asia must now engage in investment tapping and the huge untapped investment appetite of the diaspora must be turned into an advantage in this direction. Moreover, fostering innovation must be an important part of the new industrial policies. There are several good practices that South Asian countries can follow from the Southern African region on creating innovation hubs.

Pradeep S Mehta, Secretary General, CUTS International, invited attention to the importance of optimising regulations imposed on the private sector and getting rid of the regulatory burden. While well thought out regulations make way for healthy industrial development, excessive regulatory regimes often lead to counterproductive outcomes. He took examples from the Indian civil aviation sector to show that competitive neutrality and reverse competitive neutrality are all pervasive in South Asia. He added that all countries in the region are following a mixed economy approach, and hence creating a level playing field is essential for industrial development. Few of the priorities of India's proposed National Competition Policy is to get reduce the regulatory burden while levelling the playing field.

Suresh Shah, Chairman, Ceylon Chamber of Commerce, voiced the concern that while regulatory improvement is needed and corresponding policy options are already known, the implementation side remains weak. Representing the private sector's interests, he noted in the context of a comparative scenario between the ASEAN and South Asia, that political imperatives are determined by keeping the economic imperatives in the centre in the former region while the trend is unfortunately the opposite in the latter. He said that the think tanks should now focus on how to achieve regulatory rationalisation rather than lingering on what regulatory improvements are needed, as they have long been identified.

The discussants agreed that there must be regional solutions for the common problems facing the private sector. One of the main ideas that were proposed in this regard is the involvement of state governments in India with borders with other countries on international trade and investment issues as they have an important role to play. It was also suggested that the old paradigms should make way for new institutional economics and industrial organization theories in addressing the competition issues facing the private sector.

In response to the phenomenon of crony capitalism, Farooq Sobhan, President, Bangladesh Enterprise Institute, proposed formation of a South Asia Network on Corporate Social Responsibility and Corporate Governance, which can promote ethical business practices. He added that empowering the SAARC Chamber of Commerce and Industry is crucial for collective action plans at the regional level on private sector development.

The expert panel discussions on sub themes of 'strengthening small and medium enterprises', 'global and regional competitiveness of South Asian enterprises' and, 'overcoming trade barriers and improving trade facilitation' came up with analytical observations and several policy directives. Focusing on 'low value -high volume' sectors, developing lead firms that participate in global value chains, fostering relations between trading communities etc. are some of the most important steps.

In a special session titled 'In 60 Minutes', six veterans spoke concisely about most pertinent points about South Asia's present and future. While one of them argued for addressing knowledge asymmetry by mainstreaming its think-tanks into global discourse, yet another view in disagreement supported pure local planning by setting own goals through own understanding as the way forward.

In conclusion it was mentioned that the political leadership should shed their denial mode, accept the realities and should bring their fears to open discussions. The scope of SAES should be broadened thus to include all that was previously kept under wrap. In future the event shall focus on South Asia integration at a broader level, while economic development, which should only be a subset of this all inclusive integration, should not be discussed in abstractions, devoid of ground realities.

Several participants voiced their angst that policy makers and civil servants do not take active interest in such meetings, which is unhealthy. If they do not participate, then they miss the crucial deliberations which can generate new ideas which can aid the growth and development process in each of the eight member states of SAARC, and also promote regional cooperation and integration.

The 7<sup>th</sup> South Asia Economic Summit will be hosted by Research & Information Systems for Developing Countries (RIS) in New Delhi in 2014.