

Stakeholders Consultation on
Participatory Approaches to South Asian Regional Integration and Connectivity

Friday, April 12, 2013
New Delhi, India

1. Objectives

Realising that an inclusive and participatory approach is necessary to achieve progress on development issues in South Asia, the proposed meeting has two objectives:

- a. to gain civil society inputs on AusAID's strategy supporting South Asian regional integration and connectivity; and
- b. to develop a shared understanding of the big issues affecting progress towards regional economic integration and identify priority actions.

2. Workshop methodology

a. Participation

- i. Potential participating organizations; relevant stakeholder groups including civil society and community-based organisations, business/industry associations, international developmental cooperation partners and academia

b. Process

- i. Presentation of AusAID's South Asia Regional Economic Integration Strategy
- ii. Facilitated discussion on:
 - achieving consensus on AusAID's strategy by identifying
 - major concerns of participants,
 - any inconsistencies
 - any gaps that need further research
 - roles that civil society can play
- iii. Facilitated discussion on a comprehensive agenda for useful action research and suggesting socio-economic and political-economic issues affecting regional economic integration in South Asia, kicked off by a presentation by CUTS.

3. Background

- a. Although a movement for intra-regional economic cooperation in South Asia in the form of the institution of South Asian Association for Regional Cooperation (SAARC) started as early as 1983, there is no significant advancement in this direction till date. Intra-regional trade in South Asia is stagnated at around 5 per cent of total trade volume of the region.
- b. There is evidence of significant unexplored potential for increased trade among South Asian countries that will help improve the economic status of millions in the sub-continent which accounts for the largest concentration of global poverty.
- c. Exports from South Asian countries are increasingly facing the threat of losing their traditional markets lending urgency to the need for exploring markets in the region.

- d. The opportunity cost of not bringing about reforms to enhance intra-regional trade relations is high. According to quantitative estimates, based on the 2012 World Bank-UNESCAP Database on Trade Costs, made in a study by CUTS International (forthcoming), as much as 27.61 per cent of total intra-regional trade value can be saved if South Asian countries undertake a set of achievable reforms, addressing non-tariff barriers and other factors affecting cross-border trade by matching intra-regional trade conditions with that of ideal global standards. This will yield additional annual saving of more than US\$ 4.63 billion. The study has further estimated that if proposed measures are undertaken intra-regional trade in South Asia would increase from the present level of about five per cent of global trade of South Asian countries to about 15 per cent over the next five to seven years. Development implications of this expected increase in intra-regional trade would be huge, provided civil society's concerns and views are taken into account for mainstreaming trade into development.
- e. Long-standing political tension and fragile diplomatic relations are often cited as the main reasons behind lack of progress in implementing the South Asian Free Trade Agreement. Closer examination would reveal that lack of political will is only a symptom; not involving stakeholder groups who will benefit from regional economic integration is a basic causal factor. The following points are relevant in this regard.
 - i. Consumer welfare impact of trade has neither been subjected to thorough analysis nor considered seriously in the context of regional economic integration, leading to benefits of imports not being mainstreamed in national trade policies nor communicated to society at large. Consequently a skeptical approach towards imports exists, which prevents reciprocal exchange of export opportunities for import concessions, negatively impacting the progress of regional trade. Inclusion of consumer groups and other civil society and community-based organisations in the trade policy-making process as potential beneficiaries would therefore be positive. .
 - ii. The current approach towards regulations and reforms of non-tariff barriers and other factors affecting cross-border trade suffer from inherent problems such as lack of clarity in definition, fragmented policy responses towards inter-related non-tariff barriers, lack of data, difficulties in quantifying costs and benefits of reforms and subsequent problems related to incentives and enforcement. Hence their sub-optimal influence on reduction of trade costs. Inclusion of relevant stakeholders (consumer groups and other civil society and community-based organization and business/industry associations, particularly those representing SMEs and women, directly affected by non-tariff barriers and other factors affecting trade costs) could help achieve progress. Many of those non-tariff barriers and other factors are not even addressed in the formal review process because of non-involvement of these stakeholder groups.

4. *Rationale for Mainstreaming a Multi-Stakeholder Approach*

- a. Widespread awareness generation on consumer gains from increase in imports can significantly influence incentives for governments to take forward the regional economic integration agenda. Consumer groups and other civil society and community-based organisations are likely to play a supporting role if they are convinced that increasing imports will lead to welfare gains.
- b. Greater involvement of such groups and the private sector would strengthen the existing system by regularly providing data and other information on costs of doing trade; suggesting alternatives to costly and ineffective trade regulations; and facilitating responsibility sharing between governments, the private sector and other stakeholder groups.
- c. Reforms for regional economic integration require cooperation and coordination amongst institutions and organisations.
- d. It is important to respond to the needs and concerns of consumer and producer groups and other stakeholders, and ideally, align their interests. For this a network of such stakeholder groups is needed both at the national level and at the regional level, together with a platform for regular dialogue.

5. *Role of the Civil Society*

- a. The most crucial building block for a participatory approach to regional economic integration is mutual consultation and consensus among various stakeholders groups (such as consumer groups and other civil society and community-based organisations, business/industry associations, government officials and political groups) from all countries in the region for reform, particularly in border areas. This is because improvements made on one side of the border would be useless if matching facilitative reforms are not implemented on the other side. Involvement of academia and media will complement such efforts for collective action.
- b. Civil Society organisations that operate with a regional perspective on regional integration issues have policy and advocacy influence and good research/analytical capabilities to ensure a strong poverty focus. They are essential to influence and maintain the public momentum and ensure a strong poverty focus to the work of the multilaterals.
- c. Groups of civil society organisations at sub-national, national and regional level, led by action-oriented civil society and community-based groups can act as facilitators and mediators for dialogues between all stakeholder groups. This is because they are in the best position to understand and analyse socio-economic implications of enhanced regional economic integration, particularly at local level and, thus, can potentially bridge macro-micro gaps in the policy-making process and its implementation. They can help understand and address the concerns of those who may resist the participatory approach. They can also lead awareness generation and anchor the dialogue process by providing appropriate platforms. Academia and research organisations/media groups/networks/other groups will be brought into the process.
- d. Civil society organisations can gather crucial information on socio-economic and political-economic factors that affect the process as well as content of regional economic integration in South Asia through perception surveys of key informants and stakeholder groups.