

Project Inception Meeting
Cost of Economic Non Cooperation to Consumers in South Asia
(COENCOSA)
Jaipur, 16 April, 2011

A Brief Report

1. Introduction

CUTS CITEE is implementing the project entitled ‘Cost of Economic Non Cooperation to Consumers in South Asia’ (COENCOSA) with the support of the Asia Foundation, New Delhi. It will be implemented in five South Asia countries viz Bangladesh, India, Nepal, Pakistan and Sri Lanka. The project aims to analyse the reasons for economic non-cooperation between these countries, assess the costs thereof in terms of loss of consumer welfare and derive recommendations for minimising such welfare loss. In this context, the inception meeting of the project was held in Jaipur on April 16, 2011 with the purpose of discussing and refining the theoretical foundations and methodology of meta-analysis, existing literature that are to be looked at, and the questionnaire and methodology of the perception survey.

2. Participants

The meeting had the participation of representatives from partner organisations, external subject expert, CUTS representatives who will be involved in this project, and representatives of The Asia Foundation. The representatives from Asia Foundation included Nina Merchant, from San Francisco and Mandakini Devasher, from Delhi.

3. Proceedings

3.1 Pradeep S Mehta, Secretary General of CUTS International, delivered the opening remarks and pointed out that the share of intra-regional trade for SAARC nations increased only marginally from 2.6% to 4.5% of total trade of SAARC nations during the 15 year period from 1990 to 2005. Despite huge benefits that would follow economic cooperation the region remains one of the least integrated, resulting in avoidable high prices of goods and services. Mehta opined that, as a large constituency who would benefit from enhanced regional trade relations, consumers in South Asia should voice their concerns. In this direction, the project would generate awareness and give the necessary impetus for reversing the political apathy of South Asian nations towards each other. He also thanked the Asia Foundation for supporting this timely initiative.

3.2 Bipul Chatterjee, Deputy Executive Director of CUTS International and Head of CUTS CITEE, presented an overview of the project including background, objectives, activities to be carried out in the project, research methodology, chapter scheme of the research report and plans for dissemination and advocacy. He explained that the proposed research work has two components viz., (i) Meta-analysis of the relevant literature to assess actual vs. potential impact of economic cooperation on consumer welfare and (ii) Perception survey in 5 South Asian countries (viz. Bangladesh, India, Nepal, Pakistan and Sri Lanka) – of relevant stakeholders (such government officials dealing with issues of regional trade integration, politicians, trade and industry representatives, and consumer representatives) to gather

political-economic nuances about causes of and solutions for economic non-cooperation in South Asia.

3.3 Mr. Chatterjee mentioned that the study will give more thrust to the political economy aspects of regional integration initiatives in South Asia. The differences in consumer welfare given the actual and potential levels of economic cooperation will be assessed from results of quantitative studies done previously as well as own calculations using secondary data. The selection of studies will be done in an unbiased manner to capture the diversity of approaches and arguments that have emerged so far. He shared the plans for final dissemination of the research report to target groups including primarily consumer groups and also producers, policy makers, political organisations, academia and other relevant stakeholders. Concluding the presentation, Mr Chatterjee said that there is a general perception amongst stakeholders in the developing countries that exports are good and imports are bad for the economy. The research report will bring about a radically change this wrong perspective.

3.4 In the floor discussion two important points were discussed. First point was regarding coverage of issues in the quantitative analysis part of the research report, given limitations of data availability and other constraints. It was decided that the report will basically look at the effects of liberalisation of trade in goods and will incorporate the effects of trade in services and liberalisation of cross-border investments to the extent possible. Primarily, inferences will be drawn from the existing body of literature containing quantitative analysis and a simple methodology will be used to assess the effects of tariff reduction on prices. In addition, some sectors/products will be chosen on merits and will be dealt with in detail. The analysis will also take into account the possible loss of customs revenue and will deal with alternative ways to cover for short term losses that may accrue to governments and vulnerable producer groups.

3.5 The second point was regarding the issues that may arise while dissemination of the report. It was mentioned that trade liberalisation movement may face stiff resistance from some producers who stands the risk of losing market share and South Asian Parliamentarians who prioritise longstanding political differences between countries to advancement of economic relations. As regards dealing with resistance from producer groups, it was mentioned that while consumer welfare will definitely increase with open trade in goods and services, gross producer welfare may/need not decrease and may even increase because of new market opportunities available in other countries in the region. Similarly, since consumers as a group represents a larger electoral constituency political organisations can be convinced to act in their interest. Both these points will be dealt with in detail and be given an important exposition in the research report.

3.6 Nina Merchant, the Asia Foundation asserted that political economy aspects of economic non-cooperation in South Asia should be given importance and while studying the causes and possible solutions, non-economic factors that hinder regional integration should be analysed in detail and the report should come up with practical solutions to counter the same. Following this point, ways to effectively capture non-economic factors through the perception survey was discussed. Nina Merchant and Mandakini Devasher proposed a method to select various stakeholders. Accordingly, a list of prospective interviewees will be populated from each country and will be qualitatively mapped based on their attitude towards trade reforms as well as their power to influence policy change. Adequate representation of stakeholders will be given to different groups formed from this mapping process in order to understand and compare diverse viewpoints.

3.7 The tentative chapter scheme of the report was discussed and some changes were suggested by the participants so that key messages can be put across to target groups without losing focus. Bipul Chatterjee mentioned that a simplified and shortened version of the report in the form of a policy brief will also be published and used for wider dissemination. The session was concluded with the note that this project has immense potential to bring about positive changes in the situation of economic relations in South Asia.

4. Discussion with Project Partners

4.1 A briefing of the tentative time line for research and mode of conducting the perception survey was discussed between CUTS research team and representatives from partner organisation. Accordingly, a draft of the first two chapters including review of theoretical literature linking trade and consumer welfare as well as review of empirical studies done in the South Asian context will be circulated by the end of June. This draft will be peer reviewed by a select group of subject experts including Dr. Gordhan Saini, who will contribute in an advisory capacity throughout the project.

4.2 Simultaneously, the questionnaire and other preparations for the perception survey will be undertaken by the CUTS research team in consultation with the project partners. A MoU will be signed with partner organisations from each country included in the study namely, I-PAG (Bangladesh), SAWTEE (Nepal), SDPI (Pakistan) and IPS (Sri Lanka). Accordingly each partner organisation will have a dedicated project coordinator who will not only coordinate with CUTS team but also will undertake the responsibility of the survey in the desired manner. The months of July and August are marked for completing the survey and transcripts of the interviews will translated and communicated to CUTS during this period. The pre-final version of the report will be presented in a dissemination event to be held in Kathmandu in November 2011. Thereafter the report will be finalised and published at the earliest and CUTS will continue advocacy using various networking channels.

The project launch meeting was a success with active participation from all the participants.s
