

**Report of the Dissemination Meeting**  
**Cost of Economic Non-Cooperation to Consumers in South Asia**  
**(COENCOSA)**  
**Kathmandu, Nepal, February 03-04, 2012**

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*The project entitled 'Cost of Economic Non-Cooperation to Consumers in South Asia' (COENCOSA) was initiated by CUTS International with the support of the Asia Foundation to enquire into the potential benefits of increase in intra-regional trade to consumers in the South Asian region, based on a hypothesis that ineffective and insufficient trade liberalisation in South Asia is resulting in high cost by way of loss of consumer welfare. The study involved a meta-analysis of existing literature, a quantitative assessment of loss of consumer welfare and a perception survey of key stakeholders.*

*A dissemination meeting was organised on 3-4 March, 2012, at Kathmandu to present the findings of this study and discuss future course of action on its recommendations and further research on intra-regional trade costs in South Asia. The following is the report of the proceedings of the meeting.*

## **I. Inaugural**

### ***Speakers***

Posh Raj Pandey, Executive Chairman, South Asia Watch on Trade, Economics and Environment  
Bipul Chatterjee, Deputy Executive Director, CUTS International  
Nick Langton, Country Representative, the Asia Foundation  
Edwin Laurent, Adviser and Head-International Trade and Regional Cooperation, Economic Affairs Division, Commonwealth Secretariat  
Lekh Raj Bhatta, Minister of Commerce and Supplies, Nepal

- 1.1 Posh Raj Pandey, Executive Chairman of SAWTEE, chaired the session. He highlighted the fact that the South Asian trade liberalisation scenario remains paradoxical, where, despite geographical proximity and cultural similarity, trade and economic interaction is extremely limited. The share of regional trade, which currently stands around five percent, is equivalent to the position of the region before 1950s. While all South Asian countries have managed to expand trade relations with the outside world, the potential of intra-regional trade has been neglected. Both economic and political issues have marred growth in trade within the region and the results of the COENCOSA study would be an important contribution to the discourse on solutions to intra-regional trade barriers.
- 1.2 Nick Langton, Country Representative of the India Office of the Asia Foundation, and Bipul Chatterjee, Deputy Executive Director, CUTS International, gave a very brief overview of the rationale and the results of the COENCOSA project in their introductory remarks. Bipul Chatterjee informed that CUTS undertook the COENCOSA project with the support of the Asia Foundation to enquire into the potential benefits to consumers from an increase in intra-regional trade in the region.
- 1.3 The study, covering five of the eight SAARC countries, Bangladesh, India, Nepal, Pakistan and Sri Lanka, focused on reasons for economic non-cooperation among South Asian countries, assessment of the costs thereof in terms of losses to consumer welfare and derived recommendations for enhancing trade and investment relations in the South Asian region so as to maximise welfare gains from trade. It was found that consumer welfare gains to the tune of USD1.9bn could be generated by reducing tariffs under the South Asian Free Trade Agreement (SAFTA). Significant benefits are to be had from imports and South Asian countries must shed the wrong notion that imports are harmful. Nick Langton stressed on the importance of conducting advocacy based on the results of the COENCOSA study, especially focusing on non-politicised economic issues.
- 1.4 Edwin Laurent, Advisor and Head, International Trade and Regional Cooperation, Economic Affairs Division of the Commonwealth Secretariat, said that the unique value of the project is the insights it gives into the often ignored consumer welfare effects of trade.
- 1.5 Speaking as the Chief Guest, Lekh Raj Bhatta, Nepal's Minister for Commerce and Supplies, said that the interests of consumers, who constitute the largest segment of stakeholders, should not be neglected while assessing the impact of trade liberalisation. Stressing on the importance of offsetting

the possible revenue loss due to tariff reduction, he said that tariff liberalisation should also be complemented with a robust and meaningful revenue compensation mechanism.

## **2. Trade Liberalisation and Consumer Welfare in South Asia**

*Chair:* Amrit Lugun, Director, SAARC Secretariat

### *Speakers*

Joseph George, Research Associate, CUTS International

Arbaaz Nayeem, Institute for Policy, Advocacy and Governance, Bangladesh

Qasim Shah, Director Programme Development, Sustainable Development Policy Institute of Pakistan

Saman Kalegama, Executive Director, Institute of Policy Studies of Sri Lanka

- 2.1 Amrit Lugun introduced the session saying that tariff reduction has now become one of the most important priorities for SAFTA member countries. This is evident from the resolution taken by all members at the SAARC summit held in Maldives in December, 2011, to cut down their sensitive lists of products and bring many more items into the purview of SAFTA's preferential rates. Studies like COENCOSA holds particular relevance in this context, as it provides many valuable inputs for accelerating this process.
- 2.2 Joseph George, in his presentation of the COENCOSA project results, dealt with the background of the study and the results of the main components of the study, namely, literature survey, quantitative analysis and perception survey analysis as well as the policy recommendations emerging thereof. At the outset, he said that the past research experience of CUTS on economic affairs in South Asia has revealed that consumer welfare is almost completely ignored in the context of SAFTA and CUTS' commitment towards enhancing consumer welfare motivated it to undertake this project. Keeping in mind the objective of this project, i.e., examine the economic case for untapped consumer welfare gains from insufficient trade integration in South Asia, desk research based on secondary data analysis as well as field research based on a primary survey on perceptions of stakeholders was undertaken in selected important cities of five South Asian countries, viz., Bangladesh, India, Nepal, Pakistan and Sri Lanka.
- 2.3 The first stage of detailed literature survey on the topic of potential impact of SAFTA revealed that a contrasting picture is emerging, as many arguments for and against positive impacts of full implementation of the Agreement exists and whether the net impact will be positive or negative still remains unresolved. For instance, there exist several arguments and empirical evidences in the literature that refute the claim that SAFTA will lead to harmful trade diversion effects. It became evident from the survey that all existing studies, being partial in nature because of methodological limitations, do not take into account positive factors like spillover effects of comprehensive economic integration, including simplification of banking facilities for import financing, transit facilities for the landlocked countries, removal of barriers to intra-SAARC investment, rules for fair competition and promotion of venture capital, development of better communication systems and transportation infrastructure, easing foreign exchange controls on repatriation of profits, simplification of procedures for business visas, etc. Another key observation was that consumer welfare effects of trade as an important source of benefits from trade liberalisation have never been subjected to thorough analysis. This serious gap in the literature was the motivation to undertake a quantitative analysis of consumer welfare gains from SAFTA.
- 2.4 Moving on to the method and results of the quantitative analysis, he said that it has attempted to select products included in the sensitive lists of five of the largest SAFTA members which have high trade potential, reflected by high export capacity and high import demand of SAFTA trading partners. This group of products was further filtered by applying the criteria that export price of a SAFTA member is less than the price of imports from Rest of the World (ROW). Following the selection of such products, consumer welfare gains accruing through the selected product categories were calculated for each country as the difference between total import price paid to ROW and the

possible lesser import price if such imports are to be sourced from a SAFTA trading partner. The results show aggregate consumer welfare gains of USD\$1.9bn per annum for SAFTA members. Further, it was revealed that if SAFTA rates are applied to the selected product categories, intra-regional trade will double and will pave the way for a manifold dynamic increase in regional trade in the years to come.

- 2.5 After presenting the detailed country-wise results, he mentioned that these preliminary estimates give only minimum figures of consumer welfare gains that are guaranteed and actual welfare gains will increase considerably if certain omitted factors (in this analysis) are also taken into consideration.
- 2.6 Concluding his presentation, Joseph discussed the main results from the perception survey analysis carried out under the project. The perception survey of key informants and stakeholders on regional trade integration in South Asia was conducted based on the premise that political economy aspects rooted in conflicting interests of diverse stakeholder groups eclipse pure economic reasoning, when it comes to trade policy decision-making in the region. A qualitative analysis of the views of about 300 stakeholders, including producers/exporters, government officials, trade-related service professionals, political persons, academic/researchers, civil society organisations, business/industry organisations and the media from five countries was carried out. It was found that awareness of consumer welfare gains from intra-regional trade is seriously lacking among all stakeholder groups. Though importance of regional integration and its economic merits is widely recognised, most of the respondents disfavour SAFTA as an effective instrument because of pessimism about the political feasibility of regional trade negotiations. Further, it was found that SAFTA's future critically depends on the extent to which non-trade issues are disentangled from trade negotiations. A key learning which emerged from the study of perceptions is that awareness generation on consumer welfare impacts of regional trade can make regional trade discourse more participatory and balanced. Also, mainstreaming consumer welfare gains in trade discourse can change the incentive for political utilisation of SAFTA, as consumers as a stakeholder group forms the largest constituency.
- 2.7 As a discussant, Arbaaz Nayeem commented that political inertia is one of the main hurdles in SAFTA negotiations, wherein economic logic is downplayed by populist and protectionist measures. Bringing in new insights about gains from the agreement may help to change this scenario to a great extent. However, concerns on risk factors and threat to sustainability of import competing domestic industries will continue to play an important role in shaping up trade policies and the study should highlight the findings which would allay such fears. He said that infrastructural deficiency is a fundamental bottleneck in South Asian trade and success stories of public-private partnership models in funding infrastructure building should inspire SAFTA members to resort to such arrangements for the betterment of trade infrastructure. Similarly, citing examples, he illustrated how lack of adequate trade financing hampers trade between India and Bangladesh and suggested that improvement of trade financing facilities must be given adequate attention on a priority basis.
- 2.8 Qasim Shah stressed on the importance of reforms for removing non-tariff barriers that plague South Asian trade relations. He mentioned that huge variations in the trade balances of South Asian countries with each other, depending on their market size, may also discourage policy makers from moving in the positive direction towards deeper regional trade integration. In this context, there must be more studies and discussions about safeguards against possible losses from trade openness. Therefore, future research must look into national policies of each member state more closely in order to understand the differences in concerns and priorities which shape up trade policies at the national level and arrive at suitable solutions for policy paralysis, if any.
- 2.9 Saman Kalegama dealt with the methodological aspects of the study. He commented that, to the extent possible, the study shall include the cases of three smallest SAFTA members (Afghanistan, Bhutan and Maldives) which are left out from the analysis and also try to see if there is any change in the results, as certain changes have been made to the sensitive lists in recent times. One of the main aspects left out by the study is consideration of product quality, as it is equally important in determining product demand and preferences as prices. He said that the importance of the quality of a product as a determining factor of import demand may vary for competing (items which face high

competition from countries outside the region) and non-competing items. There exists a general perception that intra-regional imports are of inferior quality and this must be addressed. Another important omission is the consideration of supply potential, i.e., whether supply capacity of regional trading partners is sufficient to meet their respective import demand. Given that there exists fear of uneven distribution of gains from intra-regional trade liberalisation, the study must touch upon provisions for special and differential treatment and safeguards available for smaller members of SAFTA.

2.10 Saman Kalegama further mentioned that tariff policy at the national level is usually a compromise between pressures from producer and consumer groups. This political sensitivity should be taken into account while planning any advocacy campaign for furthering regional trade negotiations. Trade in goods form only a part of regional economic relations. The impact of trade in services and trade-investment nexus must be taken into account in future studies, which are two areas which promise substantial gains for the South Asian region.

2.11 During the ensuing discussions, Prof. M.A Taslim of Dhaka University raised the issue that, in per capita terms, the figures for consumer welfare gains appear small and it may not generate sufficient interest in policy makers. Several other views were expressed which, by and large, reflected the same concerns expressed by the discussants. In reply, Joseph said that some of the missing aspects in the study, like quality considerations, inclusion of trade in services, investment flows, etc., were left out either because of methodological limitations or because they fall beyond the ambit of the study. He highlighted the fact that the figures generated by the analysis represent only static consumer welfare gains and the actual figures will grow manifold because of numerous factors in the dynamic scenario. In the long run, a one-time boost in intra-regional trade will bring about faster growth in trade and proportionately the welfare gains will also increase considerably. Agreeing that the study should be complemented by deeper research into some of the omitted aspects, Amrit Lugun thanked the participants and concluded the session.

### **3. An Advocacy Agenda for Mainstreaming Consumer Interest in Regional Trade and Economic Cooperation**

*Chair* : Shafqat Munir, President, Journalists for Democracy and Human Rights, Pakistan

#### *Speakers*

Bipul Chatterjee, Deputy Executive Director, CUTS International

Quazi Faruque, President, Consumers Association of Bangladesh

Syed Masood Alam Rizvi, Secretary General, Federation of Pakistan Chambers of Commerce and Industry

Mian Abrar Hafeez, Secretary General, Consumer Rights Commission of Pakistan

3.1 In his introductory remarks, Shafqat Munir said that the interest of consumers is often neglected because of ignorance and lack of adequate representation. The COENCOSA project throws new insights into not only benefits to consumers but also benefits to the entire South Asian community from enhanced trade. It is very crucial that the results of the study be brought to the attention of all relevant stakeholders in the region and, therefore, an effective awareness generation campaign and advocacy strategy must be planned.

3.2 Bipul Chatterjee presented the outline for future advocacy agenda based on the research results of the project. At the outset, he highlighted the main observations from the study. It is found from the literature that treating reciprocal exchange of import concessions for export opportunities is an absolute necessity for the functioning of trade agreements. But, imports are generally viewed disapprovingly under the influence of protectionism, especially so in the case of South Asian countries. The study provides conclusive empirical evidence for significant consumer welfare gains from enhanced intra-regional trade in South Asia. However, lack of awareness of this fact, owing to lack of reference to consumer welfare gains in the academic literature as well as in the popular media, is a serious concern. The general perception is that South Asian intraregional trade is under-

performing currently and a turnaround is possible by concentrating purely on the economic merits of deeper regional trade.

- 3.3 He presented five key advocacy messages emerging from the study: (i) importance of networking, (ii) importance of research, (iii) importance of balanced representation of the concerns of producers and consumers, (iv) importance of inclusiveness and (v) importance of publicising. On each of these messages, he presented the underlying research finding as well as the future course of action.
- 3.4 As regards the importance of networking, it was found that lack of awareness of consumer welfare gains and lack of involvement of consumer organisations in trade issues are equally important causes of oversight of gains from imports in the South Asian context. Therefore, building networks of consumer organisations in the region to discuss and spread awareness about consumer welfare gains from intra-regional trade liberalisation is crucial. Organising regional workshops for relevant CSOs in various South Asian Capital cities can help build such networks. Another key finding of the study was lack of adequate reference to the topic in the existing academic literature. Therefore, further detailed studies on the topic of loss of consumer welfare gains and other trade costs owing to tariff and non-tariff barriers in the region must be inspired to generate more informed discussions. With this objective, trade economists from within and outside the region should be supported to conduct more detailed research. He suggested that conducting international academic seminars on specific topics would help progress in this direction.
- 3.5 Another serious lacuna identified by the study is that the concerns of consumers in trade matters should be adequately represented at the national level and subsequently at the regional level. As a remedy, the SAARC secretariat and other relevant regional bodies should use their channels of liaison with national trade policy-making bodies, chambers of industries, CSOs, etc., to empower consumer organisations in the region. In this process, two of the most important concerns of the industry, (i) safeguards for import sensitive sectors and (ii) non-tariff barriers faced by exporters, should be taken into account for balanced negotiation process. Mapping inclusiveness in trade issues at the regional and national levels and taking corrective actions for improving the same are the next important areas. The fifth important point is publicising consumer welfare impact of intra-regional trade through popular media. Bipul said that CUTS, with the collaboration of partner organisations in five South Asian countries, spearheaded a campaign, through press releases, an online discussion forum and poster campaigns, for popularising the topic.
- 3.6 Quazi Faruque said that consumer organisations are few and far between in the region and most of them are organisationally small in terms of membership and scale of operation. These factors make building networks of such organisations a huge challenge. He said that international cooperation between consumer groups across South Asia is a must for running a successful advocacy campaign on regional issues and the support of the media is very crucial for this. Syed Masood Alam Rizvi said that business organisations in South Asia would be very interested in participating in the process of trade facilitation in the region, as there is hardly any information available for businesses which look forward to expanding regional markets. The support mechanism for exporters/traders is weak when it comes to regional trade. While the COENCOSA project offers new insights, utmost care should be taken while running an advocacy campaign. Citing the example of the misinterpretation of the granting of MFN status to India in Pakistan, he said that the language in which the advocacy messages are conveyed should take into account the sensitivities of all stakeholder groups. Mian Abrar Hafeez pointed out that communication in local languages is essential. Simplified briefs and translations of the advocacy messages in local languages should be an essential part of the advocacy campaign.
- 3.7 Concluding the session, Shafqat Munir tabled seven titles which may be used for the advocacy campaign through media as follows:
- One fifth of the world's poor in South Asia are bearing the brunt of the cost of economic non-cooperation.
  - Trade agreements failed to guarantee consumer's gains.

- Influence of protectionism on imports marginalises prospects of consumer welfare gains.
- Intra-regional trade in South Asia has the potential to enhance consumer welfare gains.
- Lack of awareness about consumers' gains in South Asia lowers expectations of stakeholders from intra-regional trade.
- Increased media and policy spaces on consumer welfare gain may change the perceptions of stakeholders for improved intra-regional trade.
- Turn around is possible: Let us separate non-trade issues plaguing the region from trade issues.

Following this session, a partners' meeting was conducted to discuss the future agenda on this subject.<sup>1</sup>

#### **4. Trade Costs in South Asia: An Agenda for Future Studies**

*Chair* : Veronique Salz-Lozach, Director, Economic Reforms Division, the Asia Foundation

##### *Speakers*

M.A. Razzaque, Economic Adviser, Commonwealth Secretariat

Saikat Sinha Roy, Assistant Professor of Economics, Jadavpur University

M.A. Taslim, Professor of Economics, University of Dhaka

Paras Kharel, Senior Programme Officer, SAWTEE, Kathmandu, Nepal

- 4.1 Veronique Salz-Lozach introduced the session by saying that, though the COENCOSA project offers a good beginning, the research agenda is still incomplete and there are many areas which need to be covered. However, the agenda for further research must be planned by prioritising the issues, as there are numerous topics to be covered.
- 4.2 M.A. Razzaque explained that he would draw the priority areas for future research by mapping the coverage of existing studies, with special reference to the coverage of the COENCOSA project, and identify the gaps thereof. The existing studies are mostly descriptive on trade processes and trade constraints as well as empirical assessments of outcomes of trade liberalisation. They cover mainly goods, with only limited coverage of trade in services and cross-border investment. The expansion of coverage is limited because of data and methodological limitations. Broad findings of such studies reveal low intra-regional trade because of restrictive trade regimes. Amongst the quantitative studies, there are basically three groups: gravity-model-based studies show high trade potential within the region through trade facilitation measures, partial equilibrium models generally show positive outcomes and general-equilibrium-model-based studies give mixed results.
- 4.3 Consumer gains generally treated in the sidelines are implicitly expressed in general-equilibrium-models. The COENCOSA project addresses this gap to a great extent. Moreover, one of the usual methodological problems in trade analysis is the existence of various layers of tariff preferences, which has been overcome by the COENCOSA study by segregating products groups according to the differences in application of preferential rates and by taking actual applied tariff rates, irrespective of differences in trade regimes. He cited the example of a similar study undertaken by the Commonwealth Secretariat and the UNCTAD which analyses the potential of supply-chains in South Asia's textile and clothing sector.
- 4.4 Proceeding on to priority areas on the basis of this mapping, he firstly mentioned areas in which the COENCOSA study can be enriched. One of the main concerns is loss of government revenue owing to tariff reduction. This issue can be addressed by searching for ways in which trade costs can be minimised without inflicting drastic cut in tariff revenue. Growth in trade can also be linked to growth in income and employment which will offset revenue losses. By highlighting the cases in which neighbours are natural trading partners, better understanding about most profitable sectors from regional trade can be obtained. Research on product variety and increase in consumer's choices and allied benefits, possibility of reduction in trade costs by non-tariff trade reforms, identification

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<sup>1</sup> A report of this meeting is annexed herewith.

of consumer gains through trade in non-traditional sectors value added services, tourism, BPOs, etc., can be of immense value to policy makers.

- 4.5 Comparison of South Asian scenario with experiences of other trading blocs and identification of trade complementarities are two additional analytical exercises which are useful. The COENCOSA study can also be advanced by moving on to sector-specific analysis. More formal and fuller analytical structure can be adopted to analyse product substitutability, including analysis of product quality differences, as well as supply-side capacity. Given that many products in which preferential tariffs are applied are still traded outside the preference regime, the analysis can be extended to products outside the sensitive lists. Finally, the future growth of regional trade under alternative scenarios can be studied and the results thereof can be used to assess changes in consumer welfare gains accordingly. In conclusion, he said that further research should be done with the objective of supporting informative policy actions. Studies on trade liberalisation must be linked to its developmental outcomes and must be disseminated in the right forums in non-technical ways.
- 4.6 Saikat Sinha Roy said that it is important to extend the analysis to all products and the results must be compared to those of general equilibrium models. The sources of consumer welfare gains must be dealt with in detail. The effects of reduction in NTBs and development of trade infrastructure must be segregated and studied in detail in future studies. Study of regional value chains in isolation is also important as trade in intermediate goods across the region has high expansion potential. Another area which requires attention is third-country completion faced by SAFTA members in regional market. M.A. Taslim highlighted the issue of loss of revenue which is very sensitive for other development expenditure of South Asian governments which face serious budget constraints. The figures generated by the study should be supported by additional analysis on how gains to consumer will benefit the economic growth as a whole. The aspect of increase in consumer choices is not adequately expressed in the present study and it may be explored further in detail. It should be remembered that one-size-fits-all approach will not work for South Asian countries at different levels of economic development with different sets of constraints. Deeper understanding on the possibility of suitable policy prescriptions for each country can be conducting a detailed country wise analysis of policy constraints.
- 4.7 Paras Kharel also stressed on the need of extending the analysis to all products. In order to overcome the issue of revenue loss, he suggested the segregation of revenue-sensitive products and calculation of aggregate possible revenue loss due to tariff reduction. This will help compare it with the welfare benefits and arrive at net effects. He suggested that the gains to producers as result of tariff reduction in the selected product categories may also be calculated and thus more empirical support can be gathered for aggregate welfare gains. Agreeing with the other commentators, he said that the implications of regional trade growth for product diversification as well as the effects of non-tariff trade reforms on reduction of overall trade costs, etc., remain to be studied in detail.
- 4.8 During the ensuing open floor discussions, Joseph George said that, given the time constraints, most of the recommendations for extension of research can be taken on board only during the subsequent phases of the project. However, extension of the analysis for all product categories will be incorporated in the final report. He sought clarifications as to whether there exists any prior study which analytically links growth in trade and income generation with increase in tax base thereof which will help governments to recoup loss in tariff revenue through additional tax earnings. It was also asked whether trade outside SAFTA's preference bracket, despite being lower than MFN rates, is due to NTBs and whether such trade can be directly quantitatively linked to the costs of NTBs. M.A. Razzaque replied that it is methodologically very difficult to assess increase in tax earnings, owing to growth in trade and income, and hardly any prior detailed study exists. It is also not advisable to directly link trade outside preferential bracket with cost of NTBs as preferential rates are avoided owing to a number of reasons apart from existence of NTBs and the cost of NTBs is a much wider domain. S.C. Sharma of SAARC Secretariat mentioned that there exists a Mechanism for Compensation for Revenue Loss under SAFTA for helping smaller SAFTA members in case of contingencies and this fact may be mentioned in the report with its implications for the concerns raised on revenue loss.

## 5. Rapporteurs' Presentation and Closing

*Chair:* Edwin Laurent, Adviser and Head, International Trade and Regional Co-operation, Economic Affairs Division, Commonwealth Secretariat

### *Speakers*

Amitendu Palit, Head, Development and Programme, and Visiting Research Fellow, Institute of South Asian Studies, Singapore

Syed Al-Muti, Project Director, the Asia Foundation

Ratnakar Adhikari, Executive Director, South Asia Watch on Trade, Economics and Environment

Bipul Chatterjee, Deputy Executive Director, CUTS International

- 5.1 Edwin Laurent introduced the session by commenting that the COENCOSA study lays a strong foundation for bringing to the forefront an important, but often ignored, aspect of consumer welfare gains from trade. He lauded the Asia Foundation, CUTS and all project partners for choosing this topical issue for study and coming up with a thorough report. Speaking on behalf of the Commonwealth Secretariat, he assured support for the future research phases of this project as well as the advocacy plans discussed in the course of the meeting.
- 5.2 Amitendu Palit took stock of the discussions based on report and offered critical comments. He said that, while the report and its recommendations are highly relevant and should attract the attention of all stakeholders in the region, its presentation must be made carefully, taking into account the sensitivities and concerns of all stakeholder groups. While separation of non-trade issues from trade issues, as recommended by the report, is desirable, it may be difficult in the short-run, given the long tradition of highly politicised economic relations in the region. The advocacy campaign must highlight the gains to all groups based on the fact that reciprocity is the fundamental basis of trade negotiations and there are ways in which trade liberalisation can be planned with minimal distortions and losses for the benefit of all.
- 5.3 Examining the specifics of the study, he said that the report's results can be interpreted in more insightful ways than is apparent. Consumers, as a group, are not isolated, since all categories of stakeholders belong to this group. This fact can be leveraged for the advocacy campaign. The results of the study can be put in the light of the overall development objectives and aspirations of the South Asian member countries. For instance, the expected increase in real income owing to price reduction, increase in new export opportunities and consequent rise in export earnings, increase in purchasing power of South Asian consumers, etc., will contribute immensely to South Asia's overall economic development. Placing the project results in these perspectives will enhance its scope.
- 5.4 The present study can be improved in many respects. In addition to incorporating the suggestions made by the commentators to extent the analysis to all products, analysis of product quality differences, addressing the issue of revenue loss and costs of NTBs and benefits of trade facilitation measures etc. other facets of regionalism can be included. For instance, there are items in the sensitive lists which would face less political resistance for tariff reduction and such products/sectors can be identified and prioritised in the beginning. Another area is the study of inclusivity and the relative place of consumers in the national trade policy-making process. It is wrong to study regional integration in isolation from developments in the world economy. Studying and drawing lessons from the experiences of trade and economic integration processes in other regions will enrich the study. The report should also acknowledge the fact that enhancing trade relations may require unequal amount of efforts from different members and the gains thereof need not be equally distributed.
- 5.5 Syed Al-Muti said that the Asia Foundation is keen to support a well-targeted advocacy campaign for actual policy and practice changes. As far as the advocacy based on COENCOSA project is concerned, it poses many challenges. Political influence of consumer forums is weak in South Asia. Moreover, longstanding standoffs in negotiations and repeated failure to arrive at tangible results have affected the motivation of stakeholders and it is difficult to inspire them to action. Therefore, it is very important to plan result-oriented and focused advocacy campaigns. Achievable and realistic targets for incremental progress must be fixed and, at various stages of the campaign, results must be

shown to validate the efforts to sustain the campaign. More representation must be the utmost priority and the COENCOSA initiative must take on board all interested parties and become as much accommodative as possible.

- 5.6 Bipul Chatterjee and Ratnakar Adhikari delivered the concluding remarks and thanked the Asia Foundation, the Commonwealth Secretariat, partner organisation and all the participants, commentators and contributors on behalf of CUTS International and SAWTEE.

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**Report of the Partners Meeting  
Cost of Economic Non-Cooperation to Consumers in South Asia  
(COENCOSA)  
3 February, Kathmandu, Nepal**

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1. The partners meeting under the COENCOSA was organised to collect and discuss the views of existing and new partner organisation of the project regarding the future course of action with respect to advancing the research and advocacy activities envisaged by the project.
2. The discussion was held in the light of the main observations and recommendations of the project as follows:
  - Trade literature treats reciprocal exchange of import concessions for export opportunities as an absolute necessity for the functioning of trade agreements. Despite the prospects of consumer welfare gains to be had, imports are generally viewed disapprovingly under the influence of protectionism in South Asia.
  - Empirical evidence exists for significant consumer welfare gains from enhanced intra-regional trade in South Asia. The study shows minimum welfare gains to the tune of USD\$1.9bn can be generated by subjecting selected product categories to the tariff liberalisation programme envisaged under SAFTA.
  - Various categories of South Asian stakeholders have very low expectations, in general, about consumer welfare gains, owing to either ignorance about the issue or negligence as an unimportant factor. Lack of reference to consumer welfare gains in the academic literature as well as in the popular media has heavily influenced the perceptions of all categories of stakeholders.
  - Despite its stagnant state, general perception is that South Asian intraregional trade is under-performing currently and its potential is highly under-rated. Stakeholders believe a turnaround is possible by disentangling trade issues from non-trade issues plaguing the region. Deeper research on consumer welfare aspects of regional trade and mass awareness generation about this topic are required for initiating such a change.
3. The meeting was attended by representatives of the Asia Foundation, CUTS International (India), SAWTEE (Nepal), IPS (Sri Lanka), SDPI (Pakistan) I-PAG (Bangladesh) and participants representing various stakeholder groups and organisations from five South Asian Countries. The main action points which emerged from the meeting are as follows:
  - The general advocacy plan of the project may be grouped into short-term (one year), medium-term (three years) and long-term (continuation till the objectives are achieved). A one-year advocacy phase must be planned to spread the research results of the COENCOSA project. This shall be taken forward by organising networking workshops

involving various stakeholder groups, as well as publicising through media. This shall be done in a result-oriented manner, by fixing targets to be achieved.

- Two or three key issues shall be selected for focused advocacy for the one-year pilot campaign. The following suggestions are to be kept in view for this campaign:
  - ✓ Highlight win-win situations where all stakeholder groups benefit and select issues which are common concerns of both producers and consumers;
  - ✓ Use attractive titles for campaign and keep the campaign inclusive to the extent possible;
  - ✓ Use sector-specific examples to effectively appeal to policy makers;
  - ✓ Seek the involvement of SAARC Secretariat and its relevant subordinate bodies; and
  - ✓ Examine how other regional bodies have taken into account the consumer welfare angle and draw lessons.
  
- Policy briefs in simple language and translations in local languages are to be prepared and disseminated for wider reach. An executive summary of the report is to be prepared.
- CUTS to use the platform of South Asian trade Forum, an e-group, for generating open debates on the issue.
- Media release functions are to be organised in all South Asian capitals.
- Research and advocacy on trade costs due to NTBs and benefits from trade facilitation to be undertaken in the medium term as such reforms should accompany tariff reduction for enhancing trade relations.
- Coalitions are to be created and widened by taking on board like-minded organisations and groups during the medium-term campaign. Fundraising to be planned keeping in view the medium-term objectives.
- Development of trade infrastructure, inclusion of trade in services and investment are issues to be pursued in the long run.