

3rd Focused Group Meeting between Clientele Group,
Financial Intermediaries and Apex Financial Regulators

to address

“Lack of Reliable and Fast Payment Options to Facilitate Trade Transactions in South Asia”

Saturday, 24th May 2014

New Delhi, India

REPORT

1. Introduction



- 1.1 CUTS International is implementing a project titled “Lack of Reliable and Fast payment Options to Facilitate Trade Transactions in South Asia”. This project is being supported by The Asia Foundation. In association with Federation of Indian Chambers of Commerce and Industry and with support from the Asia Foundation, CUTS organized 3rd and the final focused meeting as part of a series to present the memorandum of recommendations to SAARC Secretariat. The Memorandum comprises of key policy and procedural remedies to address the issues of payment defaults and trade related financial services in context of trade between India-Bangladesh, India- Pakistan in particular and South Asia in general. The meeting was attended by representatives of trade and industry organisations including representations from SAARC CCI, FICCI, FBCCI, FPCCI and SAARC Secretariat.

2. Key Reflections based on the Memorandum



- 2.1 Bipul Chatterjee, Deputy Executive Director, CUTCs International, underlined the objective of organising a series of meetings to address the issues of financial non-cooperation in South Asia. He asserted that without financial integration, regional economic cooperation will not flourish as harmonization of norms of trade-related financial transactions is very vital and is a first step in facilitating banking reforms in support of furthering trade transactions. “While opening of native bank branches in all South Asian countries and creating a harmonised system of trade-related financial transactions should be part of short- and medium-terms goals of regional trade facilitation, over time, SAARC countries should do intra-regional trade in local currency as that would significantly reduce the costs of doing trade,” he reflected.
- 2.2 Goutam Ghosh, Director & Head, South Asia & Arab Regions, Federation of Indian Chambers of Commerce and Industry highlighted that “In order to find long-term solutions to banking related problems faced by traders, it is not only necessary to facilitate cross-border presence of native banks of South Asian countries in each other’s territory, but also it is an imperative to introduce harmonised system of regulatory reforms for the betterment of quality of trade-related financial institutions and services.”
- 2.3 Muhammad Iqbal Tabish, Secretary General, SAARC Chambers of Commerce and Industry highlighted the importance of collective efforts. He reiterated that “think-tanks, civil society organisations, business and trading community need to come together to generate the demand for a new, simplified financial mechanism to facilitate intra-regional trade.”

- 2.4 Allen Choate, Acting Country Representative of The Asia Foundation underlined that “there is an urgent need to address specific non-tariff barriers in a systematic and harmonised manner as they are hindering SAARC countries to realise the potentiality of intra-regional trade.” Currently, annual volume of intra-regional trade is about US\$ 20 billion, whereas potential trade value is estimated to be US\$ 80 billion annually. “Several low-hanging fruits are there. One has to identify and make sustained efforts to achieve practical results,” he added.
- 2.5 Joseph George, Policy Analyst, Centre for International Trade, Economics and Environment, CUTS International delivered a five point agenda presentation recommending 1) Harmonisation of norms for processing trade-related financial instruments; 2) Appointment of nodal providers of trade-related financial services; 3) Establishment of a Regional Mediation Centre; 4) Formation of a regional inter-ministerial committee for assessing the need for required regulatory reforms; 5) A written mandate by the SAARC Secretariat to the SAARC Chambers of Commerce and Industry to act as coordinator of required reforms.
- 2.6 “For political manoeuvring by the private sector, confidence in the system has to prevail. Business houses should complement the efforts of central banks with their own,” asserted Majyd Azij, Former President, Karachi Chamber of Commerce and Industry.
- 2.7 Participants advocated for the Ministerial Council of the Agreement on South Asia Free Trade Area should constitute a commission to function under the supervision of the SAFTA Committee of Experts, which has the mandate to assess and implement regulatory reforms required for facilitating access to reliable payment modes, instruments and service providers.
- 2.8 The participants also expressed their demand that the SAARC Chambers of Commerce and Industry be duly notified and entrusted with the responsibility of assisting reform initiatives in consultation with apex industry chambers of all SAARC Countries.
- 2.9 In addition, the idea of a regional mediation centre was mooted which would expedite the processing of line of credits and related financial instruments used in trade and act as a redressal body dealing with complaints related to trade-related payments.
- 2.10 While the South Asian trading community demands that the initiatives taken in this area are expedited, in the interim, a list of banks from each country should be identified and authorised by respective national financial regulatory authorities as nodal financial service providers with regard to intra-regional trade. Such nodal banks should be entrusted with the responsibility of fast-tracking reliable and transparent payment modes.

3. Conclusion and the way forward

- 3.1. On Behalf of the representatives of present National Chambers of Commerce & Industry and CUTS International, Muhammad Iqbal Tabish, Secretary General of the apex SAARC Chamber of Commerce and Industry, presented the Memorandum to L.Savithri, Director (Economic, Trade and Finance), SAARC Secretariat.
- 3.2. L.Savithri, Director (Economic, Trade and Finance division), SAARC Secretariat thanked CUTS International and The Asia foundation for bringing in key stakeholders to frame a reform agenda to address the issue of financial non-cooperation in South Asia. Highlighting the key points of the Memorandum she indicated that “Central banks of South Asian countries will be consulted to develop a work programme to reduce delays and stop defaults on trade-related payments in South Asia.



PROGRAMME

09:30-10:00	REGISTRATION
10:00-10:30	<p><u>WELCOME REMAKRS</u> Bipul Chatterjee, Deputy Executive Director, Centre for International Trade, Economics & Environment, CUTS International Allen Choate, Acting Country Representative, The Asia Foundation, New Delhi Goutam Ghosh, Director & Head, South Asia & Arab Regions, Federation of Indian Chamber of Commerce and Industry</p> <p><u>SPECIAL ADDRESS</u> Muhammad Iqbal Tabish, Secretary General, SAARC Chamber of Commerce and Industry</p>
10:30-10:45	BREAK FOR TEA/COFFE
10:45-12:45	<p>SESSION: POLICY AND PROCEDURAL REFORMS NEEDED TO ENHANCE TRADE RELATED BANKING INFRASTRUCTURE IN SOUTH ASIA</p> <p>Chair: Muhammad Iqbal Tabish, Secretary General, SAARC CCI L. Savithri, Director (Economic, Trade and Finance Division), SAARC Secretariat</p> <p><i>Key recommendations by the Industry Leaders, Apex Chambers of Commerce & Financial Intermediaries: Joseph George</i>, Policy Analyst, Centre for International Trade, Economics & Environment, CUTS International</p> <p><i>Designated Discussants</i> Goutam Ghosh, Director & Head, South Asia & Arab Regions, Federation of Indian Chamber of Commerce and Industry Manzur Ahmed, Advisor, Federation of Bangladesh Chambers of Commerce & Industry Somi Hazari, Managing Director, Shosova Group of companies; Board Member, Southern India Chamber of Commerce and Industry; Former President, India ASEAN Sri Lanka Chamber of Commerce& Industry Majyd Aziz, Chairman, Board of Directors, SME Bank Limited, Pakistan & Former President Karachi Chamber of Commerce and Industry S K Agarwal, Director, Vimal Organics Limited</p> <p>SUBMISSION OF THE MEMORANDUM TO THE SAARC SECRETARIAT AND SAARC CHAMBERS OF COMMERCE AND INDUSTRY/GROUP PHOTO</p>
12:45-13:00	<p><u>KEY NOTE CLOSING ADDRESS</u> L. Savithri, Director (Economic, Trade and Finance Division), SAARC Secretariat</p>
13:00	LUNCH

MEMORANDUM

Transpired from the Focused Meetings between Clientele Groups and Financial Service Providers

On

Lack of Reliable and Fast Payment Options to Facilitate Trade Transactions in South Asia

Organised by CUTS International in association with The Asia Foundation

20 Feb (New Delhi), 08 April (Dhaka) and 24 May (New Delhi) 2014

1. For many years intra-regional trade in South Asia has suffered because of lack of reliable means of financial payments made against trade transactions. There have been frequent complaints of delays in transfer of payments made by trades or even rejection of financial instruments furnished for such payments. Many traders have reported difficulties faced in inter-country transfer of funds, which have inflicted significant financial losses, leading to discouragement from entering into further cross-border commercial engagements within South Asian. Rejection or dishonoring of Letters of Credit (LCs), one of the principal financial instrument used to facilitate trade payments, issued by financial service providers in one country by counterparts in another country has been one of the most frequently raised issue.
2. While some of the cases of rejection of LCs are due to failure on the part of traders/parties in complying with norms or applicable regulations for furnishing LCs in countries involved, the trading community recognizes that such norms or applicable regulations have to be standardized at the regional level and disseminated accordingly to traders and service providers. For standardization of regulations applicable to furnishing and processing of financial instruments used in trade, the SAARC Secretariat is requested to submit this issue for the consideration of the forum of Central Banks (national apex financial regulatory authorities) of all eight SAARC member states.
3. In order to find long-term solutions to the mentioned problems faced by traders, it is necessary to facilitate cross-border presence of native banks (financial service providers) of SAARC Countries in each other's territory. While the trading community wishes that the initiatives taken in this regard are expedited, in the interim, a list of banks from each country are identified and authorized by respective national apex financial regulatory authority as nodal financial service providers. Such nodal banks may be entrusted with the responsibility of fast-tracking reliable and transparent payment modes used for honoring trade transactions.
4. The participants wish to bring to the attention of the SAFTA Ministerial Council (SMC), the need for constituting a commission to function under the supervision of the SAFTA Committee of Experts (COE), which has the mandate of assessment of regulatory reforms required for facilitating access for traders to reliable payment modes, instruments and service providers.
5. The participants wish that the SAARC Chamber of Commerce and Industries be duly notified and entrusted with the responsibility of assisting the reform initiatives in consultation with apex industry chambers of all eight SAARC Member Countries.
6. The participants wish that a regional mediation center be constituted to expedite resolution of complaints related to trade payments, processing of LCs and related financial instruments used in trade.

List of Endorsees

Of

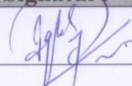
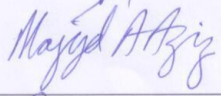
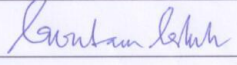

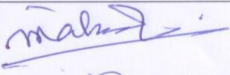
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S. No.	Details	Signature
1.	Muhammad Iqbal Tabish SAARC Chamber of Commerce and Industry	
2.	Majyd Aziz Former President Karachi Chamber of Commerce and Industry Former Chairman SME Bank Ltd, Pakistan	
3.	Goutam Ghosh Federation of Indian Chambers of Commerce and Industry	
4.	Somi Hazari Managing Director Shosova Group of companies Board Member, SOUTHERN INDIA CHAMBER OF COMMERCE & INDUSTRIES	
5.	Manzur Ahmed FBCCI Dhaka Bangladesh	
6.	Bipul Chatterjee CUTS International	