

KEYNOTE ADDRESS

REGIONAL COOPERATION FOR ECONOMIC DEVELOPMENT

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PRELUDE

The world has seen spectacular changes in the past over two decades. Globalization has driven the world followed by emerging trends in regional blocks.

Unfortunately the regional block set up as South Asian Association for Regional Cooperation (SAARC) which was set up in 1985 as a consortium of seven countries namely India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan and Maldives could not deliver the goods. Based on World Development Report 2003, the share of SAARC Countries in global exports was 1.07% against 22% as its share in global population. The basic problem with SAARC was that its objectives were restricted to promoting active collaboration in economic, social, cultural, technical and scientific fields. Very candidly, it excluded political aspect which is a crucial factor. Fortunately on April 12, 2003, the Honorable Prime Minister of India made a public announcement of promoting political goodwill in SAARC Countries in general and with Pakistan in particular. This had a positive snowball effect and the 12th Islamabad SAARC Summit declaration of January 2004 is a manifestation of the commitment demonstrated by all the seven SAARC Countries.

In this backdrop, SAFA Seminar 2004 with the theme entitled "Regional Cooperation for Economic Development" has been organized at Lahore during January 17-18, 2004.

SUB-THEMES

Seven sub-themes have been selected which include the following:

- 1) Regional Trade, Performance and Prospects
- 2) Tax Reforms in SAARC Countries
- 3) Tourism for Regional Development
- 4) Regional Cooperation for Development of Capital Market

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- 5) WTO Challenges and Opportunities for Accounting Sector
- 6) Review of SAPTA and SAFTA
- 7) Movement of Resources within SAARC

Nominated representatives from various SAARC Countries accounting profession institutions have been invited to present their thoughts. Tangible logistical support is extended to materialize the theme of the Seminar.

CONSTITUENTS OF THE ADDRESS

Eleven (11) aspects have been selected for presentation to set the pace for discussion. These include the following:

- 1) Challenges to SAARC Countries
- 2) Enabling Environment
- 3) Global Exports
- 4) NAFTA
- 5) G-8
- 6) D-8
- 7) SAARC
- 8) SAARC Objectives
- 9) SAARC Initiatives
- 10) 12th SAARC Islamabad Declaration
- 11) What to do?

REVIEW

A brief review in respect of the foregoing aspects is presented below:

1) **Challenges to SAARC Countries**

a) Poverty:

Poverty is a curse and is found in all SAARC Countries. India is determined to alleviate poverty. The rising trend of poverty in Pakistan has been stopped and according to the President of Pakistan, poverty has shown reduction for the first time by 0.8% in recent years. Through various Government and non-government agencies (Brack and Grameen Bank) concrete steps have been taken in Bangladesh to reduce the impact of poverty. Sri Lankans have tried to tackle it through accelerated literacy drive and rural development projects. Nepal and Bhutan are tussling with this problem. A synergistic approach is needed to first alleviate the

poverty and later uproot the same. Determined effort is the crying need of today.

b) Unemployment:

Unemployment is rampant in all SAARC Countries. Real solution lies in promoting self-employment through large financial allocation for micro credit. An accelerated strategy of agricultural growth, industrial development and a breakthrough in services sectors can enable SAARC Countries to appropriately handle unemployment problem.

c) Literacy:

Except for Maldives and Sri Lanka, where literacy rates are above 90%, all other SAARC Countries require a breakthrough in achieving high literacy rates for obtaining an accelerated economic development for social benefits to the community. The strategy should be to achieve functional literacy.

d) Governance:

All SAARC Countries not only require good governance at the Government level but also need excellent corporate governance for a healthy corporate sector. A humble start has been made. However a long way is needed to achieve the much coveted goal of good governance and excellent corporate governance.

e) Education:

Qualitative dimensions in professional education in a hallmark to be achieved on KAIZAN spirit basis. This would ensure continuous improvement to produce professionally qualified manpower on a globally acceptable competitive basis.

f) Development:

The crying need is to reduce expenditure on defense and divert the same to development. This requires determined efforts and commitment namely, from "D" (Defense Expenditure) to "D" (Development Expenditure).

g) Self-Reliance:

Most of the economies of SAARC Countries have heavily depended on foreign assistance in the past. The crying need is to move to self-reliance for developing self confidence through promoting indigenous technologies.

h) Staying in main streams:

Globalization has persuaded all countries including SAARC to break the shackles of isolation and stay in the main stream to achieve and reap the benefits of globalization.

2) **Enabling Environment**

To harness full benefits of SAARC, PEST approach is needed as is shown in Box No. 1:

Box No. 1
PEST Approach

P	Political
E	Economic
S	Sociology
T	Technological

While economical, sociological and technological aspects have been included in Inter SAARC Objectives, there is a need to extend the frontier of politics also to achieve high political goodwill to pave the way for accelerating and promoting trade, tourism, investment, etc. among SAARC Countries.

3) **Global Exports**

Box No. 2 summarizes recent export trends and also presents ten (10) leading exporters of the world (Box No. 3). The world is coming out of recession and a positive message needs to be taken from the following trends.

Box No. 2
Global Exports

Year	Billion \$	%
2001	6,163	91
2000	6,350	94
1998	6,767	100

Box No. 3
Ten Leading Exporters of the World

Leading Exporters	Billion \$	Share of Global Exports %
1. United States	731	12
2. Germany	570	9
3. Japan	405	6
4. France	320	5
5. United Kingdom	275	5
6. China	266	4
7. Canada	262	4
8. Italy	241	4
9. Netherlands	191	4
10. Hong Kong	189	3
	3,450	56
Others	2,713	44
	6,163	100

4) **NAFTA**

North American Free Trade Area (NAFTA) consists of three Countries namely USA (US \$ 731 billion), Canada (US \$ 262 billion) and Mexico (US \$ 159 billion). Based on World Development Report 2003, total NAFTA exports for 2002 amounting to US \$ 1152 billion representing 18.69% share of global exports.

5) **G-8**

G-8 is a consortium of eight countries namely USA (US \$ 731 billion), Germany (US \$ 570 billion), Japan (US \$ 405 billion), France (US \$ 320 billion), UK (US \$ 275 billion), Canada (US \$ 262 billion), Italy (US \$ 241 billion) and Russia (US \$ 103 billion). Based on foregoing World Development Report total G-8 exports aggregated to US \$ 2907 billion – representing 47% of global exports.

6) **D-8**

D-8 is a fresh arrival and consists of eight countries namely Malaysia (US \$ 88 billion), India (US \$ 57 billion), Turkey (US \$ 31 billion), Iran (US \$ 26 billion), Nigeria (US \$ 19 billion), Pakistan (US \$ 9 billion), Bangladesh (US \$ 6 billion) and Egypt (US \$ 4 billion). Total export of D-8 for 2003 was US \$ 240 billion – representing 3.8% of its share on global exports.

7) **SAARC Share in Global Exports**

Box No. 4 sums up the total picture of SAARC Countries in respect of its share in global exports – 1.07%:

Box No. 4
SAARC Share in Global Exports

Country	Share (%)
India	0.71
Pakistan	0.15
Bangladesh	0.10
Sri Lanka	0.08
Nepal	0.02
Bhutan	0.01
Maldives	0.00

A long way is needed to tap the hidden potential of a breakthrough in exports to materialize its full potential.

8) **SAARC Objectives**

An analytical analysis of SAARC objectives in respect of inter-SAARC and intra-SAARC has been undertaken which is presented below:

a) Inter-SAARC:

- * Promote welfare of people of South Asia & improve their quality of life
- * Accelerate economic growth
- * Promote active collaboration and mutual assistance in economic, social, cultural, technical and scientific fields
- * Promotion and strengthen collective self reliance among the countries of South Asia
- * Contribute to mutual trust, understanding and appreciation of one another's problems

b) Intra-SAARC:

- * Strengthen Cooperation among themselves in International Forum with developing Countries
- * Strengthen cooperation with other developing Countries
- * Cooperate with international and regional organizations

9) **SAARC Initiatives**

Since 1985, several SAARC initiatives were undertaken and major milestones accomplished include the following:

- a) In the 7th SAARC Summit held in Dhaka on December 07, 1995, it was announced that tariffs within SAARC will be gradually reduced and eventually eliminated.
- b) This was considered as a step on the road to creating South Asian Free Trade Area (SAFTA).

The following institutional initiatives have so far been undertaken:

- * SAARC Agricultural Information Centre, Dhaka
- * SAARC Documentation Centre, New Delhi
- * SAARC Fund for Regional Projects
- * SAARC – Japan Special Fund (1983)
- * South Asian Development Fund (1995), New Delhi

10) **12th SAARC Islamabad Declaration**

The 12th SAARC Islamabad Declaration was released in January 2004. Amongst many actions announced, the following three constitute as major milestones to be achieved:

- a) Progress towards South Asian Economic Union
- b) Establishing South Asian Development Bank
- c) Strengthening SAFTA and SAPTA Framework

11) **What to do?**

The following three actions need to be initiated immediately to achieve the spirit of Regional Cooperation for Economic Development:

- * Talk less and do more.
- * Keep strengthening Institutional Framework.
- * Action Plan to achieve the implementation spirit be taken with the following guidelines:
 - ◆ Main directions to be identified.
 - ◆ Responsibility to be fixed.
 - ◆ Time lines to be adhered to.
 - ◆ Continuous evaluation and monitoring to be strengthened.

- ◆ Quantified results to be ensured.

CONCLUSION

It is high time that we should learn from our past and translate the spirit of SAARC objectives to benefit the teeming millions who have been languishing in poverty stricken plight and have been yearning for a respectful and dignified standard of living. Professional accountants, through South Asian Federation of Accountants, stand to serve the noble cause of Regional Cooperation for Economic Development and in this respect the holding of SAFA Seminar in Lahore is a humble effort.