

South Asia Regional Integration and trade agreements on Economic Security

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Abstract - South Asia has almost one half of the world's poor even though it has only 20% of the world's population and South Asia has always provided highly contrasting economic images. It is a land of fabulous wealth and of extreme poverty. It is poorest, the most illiterate, the most malnourished, and the least gender sensitive indeed the most deprived region of the world. Poverty is a problem in South Asia due to the population strain on limited land and other resources and weak economic development caused by faulty government policies and corruption. One of the poorest integrated regions in the world due to political instability. Regional integration is a process in which states enter into a regional agreement in order to enhance regional cooperation through regional institutions and rules. The objectives of the agreement could range from economic to political. Multilateral agreements which are signed for economic purpose named as trade agreements. Regional trade agreements cover more than half of the international trade and operate alongside global multilateral agreements under the World Trade Organization. It strengthened multilateral framework, particularly when regionalism leads to a patchwork effect between members and non-members within the concerned region, and thereby raise transaction costs for business. A trade agreements or trade pact is a wide ranging tax, tariff and trade treaty that often include investment guarantees. The most common trade agreements named as preferential and free trade which are concluded in order to reduce tariffs, quotes and other trade restrictions on items traded between signatories. South Asia Free Trade Agreement improve the economic stability within the region. The SAARC cooperation is the foundation for free trade framework within South Asian countries. The cost of trading across borders in South Asia is one of the highest in the world. Trade agreements have helped to maintain economic security in the region. Economic security is the condition of having stable income or other resources to support a standard of living now and in the foreseeable future. Especially it covers job security of citizens. Strategic management techniques and professionals are required to take decisions in upper management. The lack of intellectual property

management can be seen in the region compared to developed regions. Also economic security, in the context of politics and international relations, is the ability of a nation-state to follow its choice of policies to develop the national economy in the manner desired. Economic security today forms, arguably, as important a part of national security.

Key Words - Regional Intergration, Trade Agreements and Economic Security

I. INTRODUCTION

The South Asian Regional Cooperation comprising seven South Asian countries Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka was formed in 1985 with the adoption of its Charter at its first summit in Dhaka, Bangladesh. It was created for the purpose of holding periodic, regional consultations on matters of mutual interest and to explore the possibility of cooperation in economics, social, cultural and other fields. The acceleration of economic growth is the main objective of SAARC. Cooperation in the core economic areas among SAARC member countries was initiated following the study on trade, manufactures and services. Trade, Economy and Finance, and related areas will be promoted by SAARC committees such as ;

Committee on Economic Cooperation: Overall Coordination of cooperation in economic areas;

SAFTA Committee of Experts and SAFTA Ministerial Council: Administration and implementation of SAFTA;

Finance Ministers Mechanism: Cooperation in the field of Finance and related areas;

Standing Group on Standards and SAARC Standards Coordination Board: Cooperation in the field of harmonization of Standards;

Group on Customs Cooperation is dealing with issues related to harmonization of Customs rules and procedures. Trade performance of South Asian countries over the past two decades have been poor relative to other regions. South Asia total exports have declined compared to the developing countries due to slow

economic growth. This reflects South Asia limited trade integration with the rest of the world and the limited intraregional trade. South Asian countries should explore more trade opportunities within the region compare to the East Asia. South Asia intraregional trade is relatively very low. In fact South Asia have been engaged in trade with major industrialized countries most importantly EU, USA and Japan. In reality, however the distance for their major markets impose significantly higher transport cost for expose in South Asia. South Asia should improve regional trade in order to stabilize their economy. There are number of barriers to promote intraregional trade and expanding exports as whole. Tariff rate are one of the highest among developing countries. They have been reduced in the past decade. Other obstacles to trade liberalization and non-tariff barriers including transaction cost and behind the border barriers. Specifically constraint in supply chain and trade logistics include a number of import barriers to export for South Asian countries. The lack of harmonized transport system, frequent relocation, good port congestion affecting turnaround time for shipping, complicated custom clearance procedures and non-transparent administrative procedures at customs are often at the center of trade constraints.

Trade facilitation generally refer to policy measure and aimed to reduce the cost of transportation. It is now encompasses a broader set of factors that reduce non-tariff in order to lower the cost of moving good below destination across the region.

Trade facilitation, simply address the logistics of moving goods through ports or at customs checkpoint at national borders. Also it include trade reforms and modernization and regulation requirement harmonizing standard as well as customs regimes. Common to all these area is expanding the use of information technology to lower trade transaction costs. Security is also important part of trade facilitation in modern commerce. Terrorism and threats to security can disrupt global supply chain across border and damage economic program. The significance of South Asia in regard to trade facilitation is important. This includes plans to integrate more closely transport system and harmonize standards in regulations.

Efficiency and capacity constraints of South Asia with regards to trade depend on

1. Port Infrastructure and Efficiency
2. Land transportation including roads and railways
3. Customs and border crossing
4. Standards and technical regulations
5. Information Technology and E-Commerce
6. Port Infrastructure and Efficiency

1. Port Infrastructure and Efficiency-Air and maritime ports in South Asia are generally considered less competitive than those on East Asia. They play a pivotal role in trade for South Asia. There are three type of maritime ports such as transshipment hubs, regional hub ports and regional seaports. Transshipment hubs are located on or close to major shipping routes and attract frequent calls by large shipping lines. Such as port Colombo and Hambantota. Nihava Shiva port India's largest port considered as a regional hub port. Gradually infrastructure facilities of ports are improving within the region.

2. Land Transportation-The lack of cross border transit points and road connections across the region are significant hindrance to intra-regional trade. For example barriers to trade and commerce in Afghanistan are centred. The lack of intraregional transport networks in the region clearly raise cargo shipping costs. Also a significant factor driving costs and barriers is that at most every border in the region goods must be transhipped. Inland roads are a major means of moving goods across South Asia

3. Border Crossings and Customs- Border crossings often include inter related infrastructure and facilities such as customs clearance checkpoints, truck awaiting areas, storage depots, rail yards and loading or unloading areas at ports.

4. Standards and Technical Regulations-Like other countries, those in South Asia confront challenges and can realize opportunities for marker expansion in meeting standards and technical regulations. These measures are directly related to trade facilitation. Several memorandums and agreements signed by regional countries to improve standards of trade facilitation such as EU and SAARC memorandum of understanding, India and Nepal agreements etc

5. Information Technology and Service Sector Infrastructure –The countries of South Asia region have made a progress over the past decade in access information technology and application of technology in trade transactions. Technology can be applied to the customs and border clearance to facilitate trade transactions. However the use of information technology and electronic commerce will expand the trade in the region.

Following the sixth SAARC summit held in Sri Lanka an Intergovernmental Group was prepared to setup an agreement to establish a South Asia Preferential Agreement by 1997.

A. South Asia Preferential Trade Agreement

South Asia Preferential Trade Agreement, an inter-government group (IGG) is formed by South Asian Association for Regional Cooperation (SAARC) members to negotiation ,incremental tariff reforms between member countries. The goal is to increase trade between Asian countries and to assist less economically advantaged members through preferential treatment. The agreement was signed on 11 April 1993 and entered into the force on 7 December 1995 with the desire of member states of SAARC (India, Pakistan, Nepal, Sri Lanka, Bangladesh, Bhutan and the Maldives). The agreement was signed to promote and sustain mutual trade and economic cooperation within the SAARC region through the exchange of concessions.

SAPTA specified four negotiating approaches namely, product by product basis, across the board tariff reduction, sectorial basis and direct trade measures. However it was agreed that tariff concessions would initially be negotiated on a product - by- product basis. The agreement also provides for negotiation of tariff concessions to be an ongoing process. The SAPTA envisages that concessions on tariff para-tariff and non-tariff the Agreement on the South Asian Free Trade.

The objective of the SAPTA is to promote and sustain mutual trade and the economic co-operation among the member states through exchange of trade concessions. SAPTA therefore is the first step towards higher levels of trade and economic co-operation in the region.

B. The basic principles

Overall reciprocity and mutuality of advantages so as to benefit equitably all Contracting States, taking into account their respective level of economic and industrial development, the pattern of their external trade, and trade and tariff policies and systems;

Negotiation of tariff reform step by step, improved and extended in successive stages through periodic reviews;

Recognition of the special needs of the Least Developed Contracting States and agreement on concrete preferential measures in their favour; and

Inclusion of all products, manufactures and commodities in their raw, semi-processed and processed forms.

Area (SAFTA) which was implemented with effect from 1st January 2006 will supercede the SAARC Preferential Trading Arrangement (SAPTA). Measures will be

negotiated step-by step improved and extended in successive stages.

C. South Asia Free Trade Agreement-

The South Asian Free Trade Area (SAFTA) is an agreement reached on 6th January 2004 at the 12th SAARC summit in Islamabad, Pakistan. It created a free trade area of 1.6 billion people in Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. The seven foreign ministers of the region signed a framework agreement on SAFTA to reduce customs duties of all traded goods to zero by the year 2016. The agreement was ratified by seven South Asian Governments.

SAFTA requires the developing countries in South Asia (India, Pakistan and Sri Lanka) to bring their duties down periodically. The least developed nations in South Asia (Nepal, Bhutan, Bangladesh, Afghanistan and Maldives) have an additional time period to reduce tariffs to zero. The purpose of SAPTA is to encourage and elevate common contract among the countries such as medium and long term contracts. Contracts involving trade operated by states, supply and import assurance in respect of specific products etc. It involves agreement on tariff concession like national duties concession and non-tariff concession.

The objectives of the agreement are to promote and enhance mutual trade and economic cooperation among contracting states

1. Eliminating barriers to trade in and facilitating cross border movements of goods between the territories of the contracting states.
2. Promoting conditions of fair competition I the free trade area and ensuring equitable benefits to all contracting states, taking into account their respective levels and pattern of economic development.
3. Creating effective mechanism for the implementation and application of the agreement
4. Expanding a framework for further regional cooperation to expand and enhance the mutual benefits of the agreement.

Following are the instrument involved in SAFTA

- Trade Liberalization Programme
- Rules of Origin
- Institutional Arrangements
- Consultations and Dispute Settlement Procedures
- Safeguard Measures
- Any other instrument that may be agreed upon

The structure of economies in South Asian countries has changed since the 1970s, when agriculture was the predominant sector in South Asia in terms of share in

GDP. Since then, the services sector has grown rapidly and at present accounts for more than half the region's economy.

The manufacturing sector has remained rather weak and has been predominated by the textiles and clothing industry. South Asia's services sector is likely to become the harbinger of the region's growth paradigm SAFTA's potential in accelerating intraregional trade. Several quantitative and qualitative studies have been conducted on SAPTA/SAFTA's potential gains, but the findings have largely remained inconclusive.

The impressive economic performance of South Asian countries in recent years, may lead the countries of this sub region to further enhance their trade flows. Moreover, an additional regression with overall trade restrictiveness indices has suggested that scaling down tariff and nontariff barriers will positively affect intra-bloc trade among South Asian economies.

This calls for an effective implementation of SAFTA's trade liberalization program. South Asian economies, which typically maintain high trade restrictions, will benefit from improved sub regional and global integration by reducing trade barriers. The recently signed SAARC Agreement on Trade in Services entered into force in late 2012, but it is yet to be fully implemented. To reap the benefits of economic integration, the sub region needs to promote liberalization in the services sector, a promising area for a rising South Asia. Additionally, an intra-SAARC investment agreement is likely to create an enabling environment for cooperation beyond mere trade to include investment and finance, among others.

By maintaining the primacy of economic integration, countries of the sub region can expect effective cooperation and integration in South Asia.. The growth of the South Asian countries offers prospects and challenges for deeper integration with the global economy, and integration under SAFTA is the first step in that direction. Sri Lanka is a signatory for many bilateral & multilateral trade agreements, beneficial in enhancing commercial relationships and facilitation of trade & investment by reducing/eliminating tariffs, import quotas, export restrictions and other trade barriers. Trade agreements often include investment guarantees and can also help to minimize trade deficits. Sri Lanka signed Indo Sri Lanka Free trade Agreement, Tariff Concessions for Sri Lanka under Pakistan – Sri Lanka Free Trade Agreement, Indo Sri Lanka comprehensive economic partnership agreement (CEPA)

Also it can be pointed out that the pattern and trends in national economic security in Asia is affected by the differential experience in two mega countries .China and India both of which have experienced higher economic growth in the globalization period and a decline in economic instability .Other countries experience lower growth rates. The extent of labor market insecurity, lack of employment opportunities is underestimated South Asia. While women in South Asia more income insecurity than men, their relative position South Asia more disadvantaged .South Asia courtiers having underdeveloped policies to promote economic security having weak institutions to put such policies in to effect and having relatively poor outcomes.

South Asia governments take a traditional view on security and mostly focusing on securing national boundaries. But providing security to citizens is a primary duty of the state.. A state's security is not complete without incorporating the concerns of individuals. According to the United Nations Developemtn program there are seven basic compnenets of human security and Economic security is one copeent of it.But South Asia is very poor in economic secuti category. The govermemnt of South Asia must accept the value of huamn security and they need to give priority on govermemnt agend and strategic affairs to improve economic security .

Intellectual property is a power tool for economic developemnt and wealth creation that is not being used for optimal effect in South Asia countries.It is a practical guide to use those intangibe assests such as kowledge ,information, creativity and inventiveness. Generally knowledge and innovation have played an improtant role in recent ecomnoic growth. Therefore South Asia countries should have to focus more in Intellectual property and sterrtegic managmnet techniques to imptove there econmoic conditions.

II. CONCLUSIONS

The South Asia region has a significant opportunities to accelerate economic growth and reduce poverty through concrete actions to facilitate trade. The drive to implement South Asia free Trade area and initiatives of the South Asian Association for Regional Cooperation (SAARC) offer such opportunities. There are significant potential gains to trade for South Asia associated with collective efforts raise capacity in trade felicitation. These include specifically investments in upgrading ports and information technology infrastructure in the region.

There are also gains directly related to continued reform in customs clearance procedures and regulatory harmonization. Several steps have been taken to reduce

barriers to trade logistics in the region promise expanded trade opportunities with the rest of the world in this regard. Also South Asia will try to raise intraregional trade. Reducing barriers to foreign direct investment, lowering tariff rates of protection and eliminating other non-tariff barriers that slow productivity and block private sector growth are also important in regional trade. Also South Asia Free Trade Agreements play a major impact on South Asia trade activities. To improve economic security in the region governments should have to analyzed trade agreements and their benefits. Also new policies and regulatory frame work should be updated within the region with intellectual property and strategic management techniques.

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