

‘An act of faith’?-Part 3

Ten years of the India-Sri Lanka Free Trade Agreement (ISLFTA): Study by Law and Society Trust

Contd. from yesterday
Lack of Stakeholder Participation

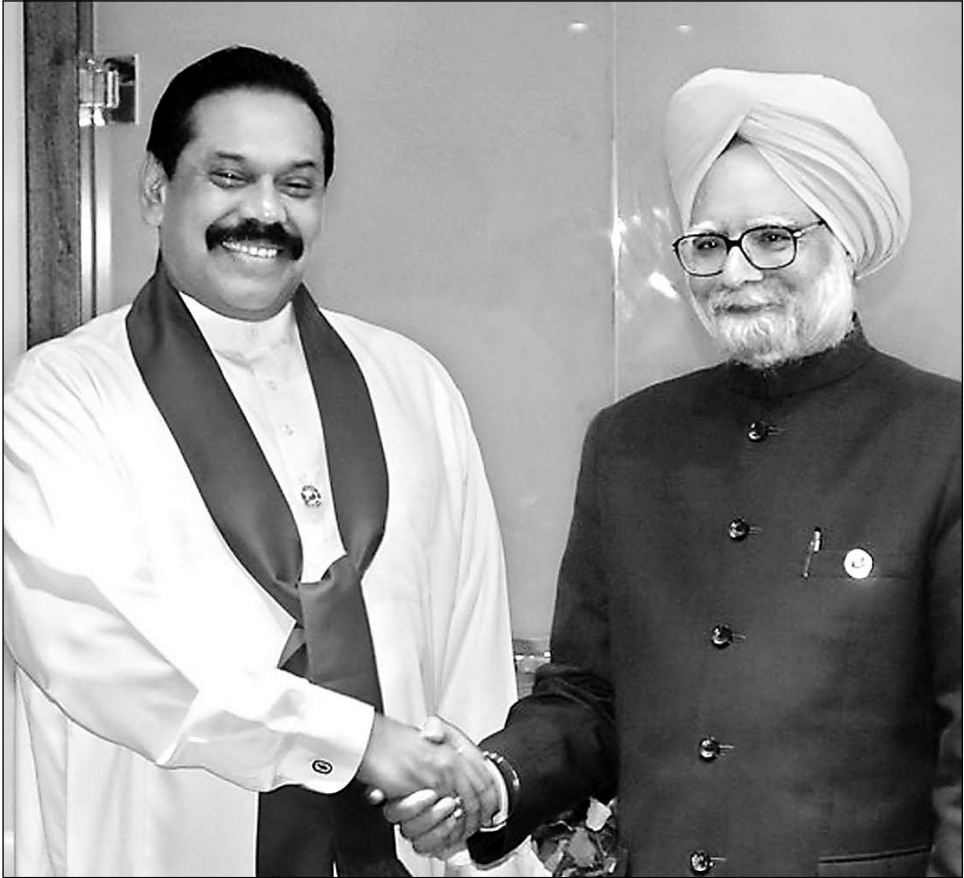
A broader issue is that consultations are within and decisions are made by a small network of trade policy specialists who share the same disciplinary tools and the same ideological convictions, and often the same disdain for the opinions of the citizenry. For instance, even representatives of the Central, Southern and Western provincial governments when contacted in the course of field research were reluctant to offer their opinions on the ISLFTA through lack of information on it. They also confirmed that no attempt had been made by central government to consult with them in the design and operation of the ISLFTA. A section of the local business and industrial community also complained of their exclusion from the ISLFTA (and now CEPA) negotiation process and in its monitoring. It transpired in the course of investigation that only a handful of central government officials from the Finance Ministry and Department of Commerce had been engaged in the finalisation of the bilateral agreement.

With the increasing awareness on the range of impacts of the strong regimes of trade liberalisation the list of stakeholders who should be consulted in the process of drafting trade and services agreements has lengthened. Any exercise to liberalise trade affects a range of stakeholders from large traders and state officials to representatives of the interests of thousands of small and medium scale traders and producers, representatives of the private sector, peoples' representatives at all governance levels, civil society groups, organisations representing various professional groups and trade unions. Sector-wise the ministries of policy-planning, environment, social services, small and medium scale industries, consumer affairs, constitutional affairs and justice are also vital stakeholders of free trade agreements (Witharana, Amarasuriya and Uvais 2007: 21-23). Currently, the consultations on CEPA are conducted behind closed doors and within a closed circle of institutions and individuals who promote the ideology of trade liberalisation.

Poor Design, Coordination and Monitoring of the ISLFTA

Though there is a powerful lobby to ideologically promote trade liberalisation, the ISLFTA is poorly coordinated, monitored and implemented. Consequently, there is no central institution that provides data, statistics and analysis of the ISLFTA at the moment. Even though the Department of Commerce (DoC) is mandated to play the above role, different functions are seen to be exercised by different institutions. In the absence of an information hub where all relevant information may be gathered, trade statistics have to be collected from a range of locations such as the DoC, the Export Development Board, the Customs Department, the Department of Census and Statistics, the Central Bank, the Board of Investment among others. The Department of Commerce, the Ceylon Chamber of Commerce, and the Institute of Policy Studies, it is observed, conduct analysis from a trade perspective on the bilateral India-Sri Lanka Agreement. However, analysis of the ISLFTA and CEPA from a human development and social justice perspective are few and far between. The absence of a central authority with the capacity to sufficiently engage with these diverse approaches and to convert such analysis into policy prescriptions can also be noted in this respect.

Several other gaps in the process of designing, coordinating and monitoring were highlighted in the course of investigations for this report. For example the actual benefit of some of the items that occupy the top positions of the list of exports to India in 2007 (e.g. insulated wire and cable – HS Code 8544) among vanaspati and copper were questioned by some of those interviewed. Others interviewed identified the lack of inves-



tigation on trade regulation and taxes (especially at state-level within India) as a lacuna. The unavailability of basic statistics of trade under the ISLFTA is further proof of this lack of coordination and monitoring. The uneven communication between State agencies and business groups was also noted in the course of the research. Some Ministries linked to agricultural and small and medium industrial sectors and Provincial Council administrations seem to be ignorant of the existence of the ISLFTA, and unaware of its consequences for their own sectoral policies and economic targets. The absence or at least inadequacy of monitoring mechanisms on the implementation of the ISLFTA, and the dissemination of information on the operation of the ISLFTA, is patently clear.

MISSING EVIDENCE

What stands out from this research study is the weak relationship between the findings of the literature and the policy conclusions derived. The literature on the ISLFTA is overwhelmingly supportive of the Free Trade Agreement and approving of its expansion but the predilection for trade liberalisation and integration with the Indian economy is skimpily supported by the evidence. Apart from the growth of trade between the two countries there is either hardly any detailed substantiation to make the case for the ISLFTA; and in fact the available evidence appears to contradict their conclusions. Nowhere is there a major Sri Lankan 'success story' of the significant benefits realised by local communities or in terms of national development as a consequence of the Free Trade Agreement. The case of vanaspati and copper that were the major new exports to India were actually examples of the manipulation of duty concessions offered under the ISLFTA, as discussed above, and provided minimal gains to Sri Lanka.

Between 2005 and 2007 vanaspati was the main single agricultural product responsible for the increase in Sri Lankan exports to India and often cited in accounts of the 'success' of the ISLFTA. However, vanaspati was neither a genuine Sri Lankan product with backward or forward linkages to the domestic agricultural sector, and nor did it provide large-scale skilled employment to Sri Lankan nationals. The vanaspati industry was an investment of a few Indian manufacturers to exploit the duty-free access of palm oil (one of its main ingredients) to Sri Lanka, and the duty-free access from Sri Lanka into the Indian market. Almost all the initial workforce was Indian. Most of the income generated by vanaspati therefore would have been repatriated to India. As a result of protests by manufacturers in India – alleging inadequate value addition and unfair competition – vanaspati exports were discontinued in 2008.

Until 2005 Sri Lankan industrial exports to India were dominated by copper and copper products. Even by 2007 copper, copper alloys, and insulated wire and cables, all of which are copper products were the main industrial export to India. The story of copper is very similar to that of vanaspati. The copper ingots were manufactured mainly by Indian companies established in Sri Lanka and operated entirely by Indian labour. It was said that Sri Lankans were not willing to work under the conditions of extreme heat in the factories. The Indian copper industry challenged these exports from Sri Lanka for not meeting the required level of value addition that should be maintained under the ISLFTA. The initial practice of some in the industry, as disclosed to the Law & Society Trust, was to import copper pieces from India, reduce the size in Sri Lanka, and re-export to India. The Sri Lankan Board of Investment finally introduced tougher regulations on value addition and refused to grant approval for new Indian investment in this industry. Out of the 14 companies that were in operation, 10 are now out of business.

The hope for a better future seems to dominate the current analysis on ISLFTA. It is common practice by many of the proponents of ISLFTA to propose CEPA which is not yet implemented as the solution for the shortcomings of ISLFTA. However, CEPA is not testable and justifying CEPA requires far more detailed analysis of the ISLFTA which is simply not available. Simulation tools¹⁰ are used sometimes to predict impacts of different trade scenarios. The results, however, are confined to a few indicators of trade and how these tools can be used to facilitate decision making from a development perspective is rather questionable. Likewise the critics of the ISLFTA reproduce the same methodological error as their opponents. Their arguments are based on a critique of the overall trade and economic relationship between India and Sri Lanka, as well as ideological hostility to trade liberalisation, with little detailed analysis of the Free Trade Agreement.

RECOMMENDATIONS

Following the discussion above, this report makes two modest recommendations:

1. Investigate the Impact of the entire Trade Liberalisation process

When it comes to imports the protection provided by the negative list is minimal mainly as a result of several reasons. Firstly, the maximum impossible duties were drastically reduced as a part of tariff reforms in several stages during the last three decades. By the time the ISLFTA was implemented, some of the agricultural and industrial products were already wiped out in the face of cheap imports (Indikadahena 2008). Those tariff reforms, hence, limit the protection provided by the negative list of the ISLFTA. Secondly, Sri Lanka has committed to further tariff reductions under multilateral trade mechanisms, in particular under the Agreement on Agriculture (AoA) and Non-Agricultural Market Access (NAMA) of the World Trade Organisation.

This further restricts the maximum impossible tariff, making the protection offered by ISLFTA extreme marginal. It would be more meaningful therefore – when investigating the impacts on communities of producers and consumers involved with agriculture and industries – to look at the entire trade liberalisation process including the multilateral commitments, rather than to study the ISLFTA in isolation.

2. Reorient the Role and Mandate of the Department of Commerce

The Department of Commerce (DoC) is

the focal point within the Government of Sri Lanka for all trade negotiations and is therefore mandated to collect data and information, generate statistics and conduct analysis of all trade mechanisms. Its mission statement is to “to develop and promote Sri Lanka's foreign trade relations at bilateral, regional and multi-lateral levels by the effective implementation of government trade policy, with a view to raising the standards of living and realising a higher quality of life through the increase of total production, income and employment levels, thereby actively contributing to the overall economic growth of Sri Lanka”. However, in practice the DoC appears to have interpreted its role to be the defender and promoter of trade liberalisation within the Government of Sri Lanka. Unless it is assumed without evidence that any and all free trade measures will automatically enhance the welfare and prosperity of society, the prime responsibility and obligation of the DOC is to evaluate all trade agreements including the ISLFTA against its own objectives in its mission statement, which is to what extent these agreements contribute to raising the standard of living and achieving a higher quality for life for Sri Lankans as measured by increase in total domestic production, rise in income levels, and increase in total employment.

CONCLUSION

This report concludes that an objective assessment of the overall impact of the India-Sri Lanka Free Trade Agreement on the developmental goals of Sri Lanka is not possible due to serious problems with the existing data. The macro-level trade statistics that are available do not even permit us to systematically analyse the ISLFTA as a result of issues concerning the accuracy of data; the inadequate attention to statistics on imports; and the narrow focus with which data is collected. These issues disallowed field investigation to document the experiences of communities directly affected by the implementation of the ISLFTA, in the absence of clear connections between macro-level trends and micro-level impacts on producers and consumers.

Given the paucity of information and confusion regarding available data, the strength of claims that are made by protagonists of the ISLFTA and now CEPA are questionable and appear to be founded on ideological supposition rather than scientific evidence. Indeed, similar concerns are in fact valid for any other trade liberalisation measure whether it is unilateral, bilateral, regional or multilateral. The findings of this study indicate that the basis on which decisions are made on the relevance and value of these agreements and measures to the developmental needs and goals of Sri Lanka are unclear at best, and unsound at worst. If trade liberalisation is to be promoted as a necessary instrument of economic development, then there is a need for more critical engagement on the basis of this argument. In order to do so, relevant data, information, statistics and analysis need to be gathered at least by the respective state institutions responsible for handling trade agreements, and shared transparently with the people of Sri Lanka.

How is it that these policy initiatives and agreements are being implemented without debate? Why is concrete evidence not being demanded when far-reaching decisions on trade are made? Several reasons can be advanced in this regard. The hegemonic position occupied by free market ideology for several decades at least since the election of Margaret Thatcher in the United Kingdom and Ronald Reagan in the United States of America in 1979 and 1980 respectively. The lack of awareness and understanding in civil society that the implications of the neo-liberal trade regime extend well beyond the traditional issues of trade policy, is another significant reason. Ignoring the adverse impacts of liberalisation of trade in a quid-pro-quo for foreign aid and balance of payments support; and securing international support for the war against the Liberation Tigers of Tamil Eelam (LTTE) can also be another reason.

However, the context described above has now changed. The global financial crisis, climate change crisis and the depletion of oil reserves have posed serious challenges to the hegemonic status occupied by free market ideology. The war that absorbed almost the entire attention of Sri Lankan civil society is over. 'Development' is being peddled as the cure-all to the underlying grievances that fuelled the conflict and to issues of poverty and unemployment in general. Therefore it has never been more opportune for civil and political society to critically engage with the instruments of trade liberalisation – such as the India-Sri Lanka Free Trade Agreement and the Comprehensive Economic Partnership Agreement – and its political and economic ideology, in contestations over the pathways of development in Sri Lanka.

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Social Media Onramp

By Angelo Fernando

Responding to social media naysayers

Replace the word 'brand' with 'social media' and you invite a whole new perspective.

The two questions you'll get asked the most, should you ever bring up the topic of social media at a senior staff meeting, are (a) "Aren't these things a total (insert rude word here) waste of time?" and (b) "What are the chances of someone saying something that will damage our brand image?"

Now, if you were fool enough to have been the one to broach the subject, my guess is that you would have already done some homework on the subject. If you have not, I hope this column, and the series I am kicking off called Social Media Onramp, will help you when you are in the social media strategy hot seat.

Tackling naysayers

The last time I talked to a group of senior managers on this topic of whether or not to engage in social media, there was a gentleman in the corner of the conference room snickering about Twitter, and another lady offering her 'expert comments' on why Facebook posts could be legal nightmares.

Indeed there is always someone like this in any organisation! Whether you're talking of a new logo or a new CRM measure, Mr. Naysayer will always raise his hand and launch his intellectual torpedoes that take the discussion nowhere. But in this case, rather than ignoring him or becoming confrontational, the best way to turn the discussion into something more productive is to relate social media to an activity everyone at the table loves, or loves to hate: Marketing. And no, this is not a diversionary tactic.

Marketing, you see, has a lot in common with social media. Let's just focus on the social side of things for a moment. Marketing happens to be the most social activity your organisation has embarked on, because it is all about building connections between a product or service, and a person with real needs, fears, hang-ups, friends, eating habits, limited attention span etc. As such, marketers face the daily challenge of empathising with an individual and respectfully communicating with her in a timely, relevant and non-intrusive way.

A good marketer, like a trusted friend, won't be so crass as to interrupt this person 26 times a day to coax her to subscribe to something, or to perform a 'bait-and-switch' manoeuvre – dangling one offer but really trying to sell something else. By embedding some basic social media elements into the marketing communications mix, it's possible to make those points of contacts timely, relevant and respectful. And rewarding.

Brand marketing communication tends to be repetitive (not timely), enticing (not often relevant) and inconsiderate of a prospect's time. Sure, not all brand communications is this way, but even when it isn't, it is piped through the channels that are primed to be all those things. Trusted friends don't behave this way. Social media has trust in its DNA. Wrap something in marketing speak and the prospect is reaching for the remote to mute it of zap it. Wrap it in social media and it starts a conversation.

Blend traditional and digital

So where do you start? Here's a tip: Don't kick off a social media program with only the traditional communicators on board. They tend to be want to control everything, and insert too much of brand talk into the conversation. Replace 'Brand' with 'Social Media' and you can map out a totally different approach to how your marcom works. Let me give you a for-instance to make it clearer.

Say you're an insurance company facing two common challenges: people's lack of knowledge about policies/benefits, and tight competition. You used celebrities, hold outdoor events, print nice glossy brochures, and run outdoor campaigns to make sure no one will confuse your brand promise with the other guy.

And still when you do some market research, you find that prospects associate your logo with another company's products. Sounds familiar? In a crowded market in which everyone is after the same slice of the pie-chart, prospective customers are inundated by guess what? Lots of brochures, billboards and celebrities. In effect they are tuning you out! By substituting brand marketing with social media marketing, you could flip the funnel, so to speak. Instead of pouring all your messages, images and incentives into the mouth of the funnel and aiming the narrow part at your market segment, you invite them to connect with you at the wide end.

Yes, you employ strong communication, but you lead with experience, not logos; conversations not taglines. Yes you use print and electronic media, but you make them on-demand rather than hit-and-run. A blend of traditional and social media lets you not only cut down on the irritation factor, but you could save on some wasteful media costs, and channel that money into more grass roots activity.

Mind-blowing potential

Grass roots and social media go hand in hand. The grass roots movement has been breathing the same oxygen of social networking and (with the exception of politics) is still in the early stages of being co-opted into social media marketing.

But its potential is mind blowing, if you consider this: The mobile device that is becoming the de facto pointing tool and remote control of consumer experience will help you flip the funnel. Your social media marketing strategy will give them more reasons to interact with you (and your brochure, and your billboard, and your celebrities). It will let you be more social, not salesy.

When this happens, the guy who's always sniping and snickering about new media will be silenced forever!

(Angelo has been writing about the intersection of marketing, journalism, PR and technology for the past 15 years. He writes a popular, award-winning column for Communication World (www.iabc.com/cw), an international business magazine. He is a podcaster and public speaker, and manages a variety of blogs on PR, employee communication and new media. Angelo has a bachelor's degree in English literature and a Masters in Communication from Leicester, UK. His blog, Hoipolloi Report can be found at http://hoipolloireport.com. Email: angelo@publicradius.com.)

Footnotes

¹⁰Such as Global Trade Analysis Project (GTAP) model used in Perera (2009).

ABBREVIATIONS AND ACRONYMS

AOA	Agreement on Agriculture of the World Trade Organisation
BOI	Board of Investment
CEPA	Comprehensive Economic Partnership Agreement (CEPA)
DOC	Department of Commerce
DVA	Domestic Value Addition
FAO	Food and Agriculture Organisation
FOB	Free on Board
GLOPES	Global Political and Economic Structures
HS	Harmonised Commodity Description and Coding System
ISLFTA	India-Sri Lanka Free Trade Agreement
LST	Law & Society Trust
LTTE	Liberation Tigers of Tamil Eelam
NAMA	Non-Agricultural Market Access Agreement of the World Trade Organisation
OUSL	Open University of Sri Lanka
ROO	Rules of Origin
SAARC	South Asia Association for Regional Cooperation
SAPTA	South Asia Preferential Trade Arrangement
WTO	World Trade Organisation