

**Central Asia Regional Economic Cooperation (CAREC)
Central - South Asia Business Roundtable (BR)
Draft Concept Paper – 2 September 2004**

A. Introduction

1. At the Senior Officials Meeting (SOM) of the Central Asia Regional Economic Cooperation (CAREC) program held in Almaty last April, the country delegations endorsed: *“greater participation of the private sector in the CAREC Program, and recommended that as a first step the Sector Coordinating Committees should endeavor to include the private sector in their deliberations. Longer-term, consideration could be given to the establishment of a CAREC Business Forum.”*
2. In response to the CAREC members’ request, the Secretariat has drafted a concept paper for a regional business roundtable. The concept is not confined to CAREC member countries and includes the business communities of Afghanistan, India, Iran, Pakistan and Russia, given their critical role as neighbors and trade partners.

B. The Private Sector and Regional Cooperation

3. The private sector has played an instrumental role in fostering regional and sub-regional economic arrangements in recent years. General global economic dynamism has been demonstrably fostered by the private sector, so much so that it has become commonplace for governments to support the growth of the private sector rather than simply regulating it. Multilateral institutions, including the World Bank and Asian Development Bank as well as the United Nations, have placed great emphasis on private sector issues since 1990. However, when considering the role of the private sector in fostering business one must take into account that levels of development of private sector operations and the contributions of private sector to economic activity vary widely across countries.
4. A common theme since the 1980s has been the pursuit of market driven economic systems based on free trade and government open door policies. Overall, these liberal policies have resulted in high levels of economic success, especially in developing countries, due to the efficiency introduced by free markets and private enterprise. The private sector has become known as the “engine of economic growth”, even in nations where Government plays a major production role in the economy.
5. In recent years, as the economies of the world have become more interdependent, global and regional economic and trade groupings have taken center stage. Regional economic cooperation, in particular through the intensification of or formation of regional or subregional country groupings, has proliferated since the late 1980s. In almost all cases the relationships are built on a foundation of “equal partnership, shared responsibility, mutual respect, common interest and common benefit”. The actual role played by the private sector differs from group to group, ranging from formal structured inputs to informal ad-hoc consultations.¹ And while the private sector has played a supportive role in the development and success of regional economic groupings, it has generally been the Governments themselves that have put the cooperative frameworks in place.

¹ Refer to Appendix 1 on Private Sector Inputs into Selected Regional Groupings.

6. In a recent study of Regional Economic Development Areas (REDAs) in East Asia, the critical contribution of the business sector was identified as a key success factor for regional economic cooperation.² The report states: "While Governments generally set up subregional growth areas, the lead role in implementing them falls into the hands of the business sector. The successful growth triangles in Asia are characterized by minimal or no government involvement in the productive activities of the growth area and a thriving business sector. The Government is primarily confined to starting the REDA, providing infrastructure, and devising a set of regulatory and legal frameworks to promote the business sector." The report continues: "However, in many parts of Asia the business sector has emerged only recently and does not have the capacity to play the lead role in a REDA. The case of the GMS illustrates this the best. The GMS has languished in the discussion and planning stages despite being around since 1992. A multitude of factors account for the lack of progress in the GMS, but certainly the underdeveloped business sectors are a major cause. Multinational companies and Governments cannot make up for these weaknesses on their own; the domestic business sectors must be strengthened so that they can play the lead role in economic growth and development. The Government can assist in the development of the business sector by improving and expanding the educational system at primary, secondary, and higher education levels, devoting greater resources to R&D, and promoting skills training centers."

1. Regional Economic Cooperation: Some Basic Principles³

7. A number of basic principles can be identified that, when followed, tend to result in successful efforts to involve the business community in public-private partnerships such as the establishment of mechanisms to involve the business community in regional economic cooperation initiatives. While rather simple, they are highly relevant for preparation of the BR:

- Business people need to see quick and demonstrable results from their participation in any activities outside the purview of their own firms. In the context of BR, this could result from enhanced levels of business between CAREC member states or through enhancing links between CAREC business people and foreign investors.
- The process of identifying programs and sectors proposed by CAREC should involve and be validated as much as possible by the key private sector players in each respective area.
- The activities carried out under CAREC to promote trade and investment must complement, and not duplicate, the activities or resources of other regional groupings. In this regard, the programs should take the maximum advantage of existing institutional structures and minimize the extent to which new structures are created.
- As a critical first step in the BR public-private partnership process, both public and business sectors must agree on a set of operating procedures and rules. Clear, realistic, and measurable objectives and goals need to be agreed upon. Mechanisms need to be agreed up front as to who will take responsibility for implementing each action and each party must be assigned clear responsibilities for monitoring progress.
- Care must be taken to ensure that the participation of business people is structured in such a way as to make it efficient and productive. This could mean shorter meetings as

² See Brimble, Peter and David Oldfield (1999). *Regional Economic Development Areas in Asia: Trade, FDI, and a New Framework for Analysis*. Background Paper Prepared for the Foreign Investment Advisory Service of the World Bank Group for presentation to the TREDAs Advocacy Workshop 2000: Stimulating Trade, Investment and Growth In and Around the Tumen Region, 8-10 March 2000, Beijing, China.

³ Refer to Appendix 2 for Lessons Learned from the GMS Business Forum.

a result of careful preparation beforehand or multi-faceted programs that offer scope for achieving multiple objectives at the same event.

- The identification of the “right” private sector partners: real entrepreneurs with an interest in collective action and corporate social responsibility, and also having the vision and leadership ability to mobilize portions of the business sector.
- The need to involve a wide range of business associations and groupings that can effectively present a coherent position to public sector policy makers, and often to strengthen the capacity of businesses and business associations in least developed parts of the region to serve as effective partners.
- Recognizing that partnerships and linkages are sensitive to economic conditions, politics, culture, ecology, and authority.

C. The Rationale and Objectives for a Business Roundtable

8. The evidence is persuasive that, in order for the CAREC initiatives in particular and the CAR economies in general to succeed, a mechanism within CAREC and South Asia to involve the private sector actively at various levels must be developed. Also, public sector activity should, where possible, be refocused to explicitly take account of private sector perspectives.

1. Benefits of a Business Roundtable

9. The proposed BR can provide numerous benefits to the growth and development of private sectors and the overall economies in the CAR and the selected neighbor countries. In general, benefits arise from greater economies of scale and more closely integrated and competitive business sectors among the members. Specific benefits include new sources of supplies, expanded markets for products and services, increased investment opportunities, new employment, technology transfer, and skills development. These benefits derive from the increased flow of goods, people, and capital, and opportunities for combining these in transnational production.

10. The BR will also assist the private sector in the following areas:

- Having a focal point to serve as an intermediary between the public and private sectors in the CAREC Program;
- Greater coordination and networking amongst the chambers of commerce and the general business sectors in the Central and South Asian countries;
- Creating greater awareness of the common challenges and obstacles of doing business in the CAR and undertaking concerted action, particularly in cross-border facilitation issues, both within the CAR and with neighbors;
- Achieving “economies of scale” in investment opportunities, training, and leverage of donor inputs and business-related activities, etc.;
- Privileged links with major international organizations supporting CAREC; and
- Creation of another point of access for BR members to public agencies at the national, regional, and international levels.

2. Objectives for a Business Roundtable

11. Building on experiences elsewhere and the initial conditions in the CAR, the following major objectives for the establishment of a BR are proposed for consideration:

- (i) **Enhancing Business Inputs into CAREC.** To enhance business sector involvement in the CAREC initiatives by providing direct and regular channels for the private sector to communicate with the participating governments in the CAREC Program on broad issues related to sub-regional cooperation, as well as specific projects and initiatives. In particular to represent the business communities of member countries in CAREC priority Sector Coordinating Committees
- (ii) **Facilitating Regional Trade and Investment.** To support the development of the hard and soft infrastructure required to foster greater trade and investment activities both within CAREC and with neighboring countries. The BR could also strongly push for the needed reforms in the cross-border trade regulatory frameworks and for investment in the required infrastructure networks. This objective could also include regional programs to develop the capacities of the business communities to undertake regional business, through training on importing/exporting, dissemination of information on trade and investment opportunities, and organization of seminars, exhibitions and trade fairs.
- (iii) **Building Private Sector Networks.** To assist in developing networks of private sector institutions (both domestic and foreign) in CAREC in order to encourage trade and investment cooperation in sub-regional projects and initiatives and related activities, and to strengthen linkages between the CAREC domestic private sector and external business communities within the CAR and outside. Building stronger public-private sector partnerships across CAREC will play a critical role in this process, both at the national and regional levels.

3. Strengthening the CAR Business Community: A Practical Agenda

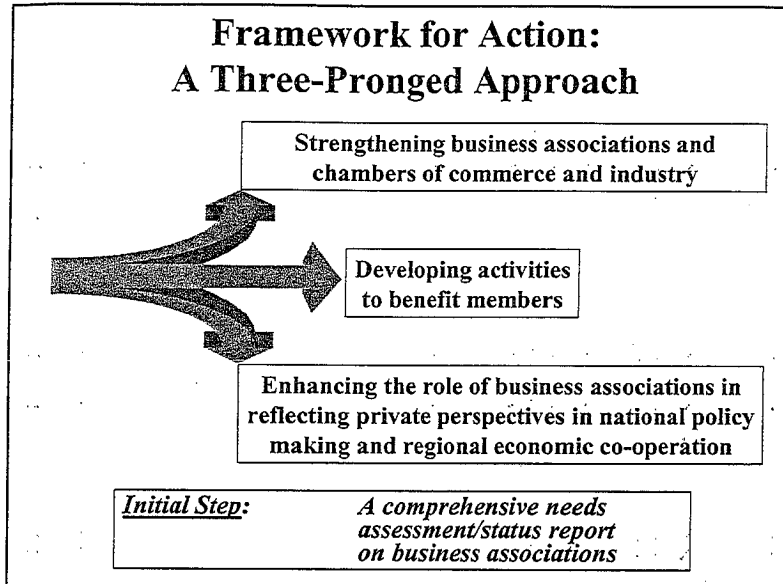
12. It is evident that a core objective of the BR must be to strengthen the business sector in the CAR and its capacity to play a strong role as a partner in regional development, something that requires a comprehensive approach. Narrow efforts, although well intentioned, are susceptible to failure or unlikely to achieve their maximum potential. Benefits emanating from improvements in one aspect of the business sector cannot be fully attained unless the other interrelated factors are also upgraded.

13. The present concept paper suggests a three-pronged approach to strengthen the CAR private sector, largely through enhancing the role of business associations and chambers of commerce in the CAR. The first component entails strengthening the chambers of commerce and industry themselves. This element of the proposed approach is intended to inject resources and training into the CAR business associations to enable them to offer a higher level of services to their members and to society at large.

14. The second element focuses on developing a much greater range of activities to benefit members and other related parties. The development of a wide range of services and activities will play a critical role in demonstrating to prospective and existing members that membership is a valuable asset for their future development.

15. The third element calls for enhancing the role of the chambers in reflecting business perspectives in national policy making and in regional economic co-operation. Business associations can play a major civil society role through working more closely with domestic policy makers by ensuring that the "market-oriented" reforms to support business continue as smoothly as possible, and by participating actively in regional and sub-regional activities. They will need to develop the communication channels to feed relevant information to their members on a regular basis. Through strengthening the public-private sector interface, business associations will develop greater credibility, both with their members and with policy makers.

This will give them greater ability to substantively influence developments that affect business. A particularly important dimension of this interface involves strengthening the participation of the business sector in CAREC initiatives, possibly through proactively implementing the statement from the April CAREC SOM calling for private sector representation at all CAREC Sector Coordinating Committees.



D. Next Steps for Preparation of a Business Roundtable

16. Following the preparation of this concept paper and the deliberations of the CAREC SOM in September 2004, the following major steps are recommended to be undertaken:

1. Consultations with CAREC and South Asian Countries (September – January 2004)

17. Building on the guidance and on the overall direction for the preparation process of the BR provided by the SOM, the following activities will be undertaken through an intensive series of first-hand consultative meetings:

- Fill in any gaps in the understanding of the status and roles of the business communities and business institutions in the CAR;
- Assess first-hand the status and capacities of the main business groupings or associations in the CAR countries;
- Obtain the views of key business persons and institutions in the CAR and selected additional countries on the role of the business community in contributing to policymaking and other forms of public-private sector cooperation;
- Assess in more detail the current status of regional cooperation and networking among the business sectors of CAREC;
- Obtain the feedback of business on any suggestions for the BR made at the SOM and agree on next steps; and
- Prepare a "Status Report" in late-January 2005 on the work carried out to date on the preparation of the BR.

2. Organizing a Preparatory Meeting (February – March 2005)

18. Building on the consultations with governments and private sector, the following activities will be undertaken:

- Identifying and contacting participants for the preparatory meeting of the BR;
- Developing an annotated agenda to support the discussion in the meeting;
- Consulting with the governments, business community and other partner institutions on the preparation of the preparatory meeting of the BR;
- Preparing a "Background Paper" to guide discussion at the BR;
- Preparing a draft "Strategic Action Plan" to indicate possible future developments of the BR; and
- Facilitating all aspects of organizing the preparatory meeting of the BR, including logistics and on-the-ground preparation at the location.

3. Following Up the Preparatory Meeting (April-May 2005)

- Revising the draft "Strategic Action Plan" in light of the discussions in the BR preparatory meeting, placing emphasis on the concrete roadmap elements of the Plan and taking careful consideration of the deliberations with the business participants.
- Developing background papers on selected topics that would be critical to the future development of the BR, such as: (a) detailed descriptions and work programs for specific action plan items; (b) guidelines and options on the structuring of a secretariat; and (c) guidelines on the preparation of a comprehensive business plan for the BR.

Private Sector Inputs into Selected Regional Groupings

Name of Grouping	Member Economies	Formal Inputs/Mechanisms	Informal Inputs/Mechanisms
Asia-Pacific Economic Cooperation (APEC)	USA, Canada, Brunei Darussalam, Chile, People's Republic of China, Indonesia, Hong Kong, Japan Australia, Korea, Mexico, Malaysia, New Zealand, Papua New Guinea, Philippines, Singapore, Chinese Taipei, Thailand	The APEC Business Advisory Council (succeeded the Pacific Business Forum in 1995, and also built on the work of the APEC Eminent Persons Group)	Private sector input solicited through participation in numerous working groups and other international forums
Association of Southeast Asian Nations (ASEAN)	Cambodia, Indonesia, Myanmar, Vietnam, Lao PDR, Thailand, Malaysia, Brunei, Philippines, Singapore	ASEAN Chambers of Commerce & Industry (coordinates with member countries CCI's as the formal channel for private sector inputs)	ASEAN Business Forum and other ASEAN private sector meetings informally contribute inputs at various levels
North American Free Trade Area (NAFTA)	Canada, USA, Mexico	No formal mechanism identified	Coalition of business organizations provides informal inputs: US Chamber of Commerce, Council of the Americas, Association of American Chambers of Commerce in Latin America
MERCOSUR	Argentina, Brazil, Paraguay, Uruguay	No formal mechanism identified	Private sector forms loose confederation with government organs for input
European Union (EU)	UK, Germany, France, Italy, Austria, Belgium, Luxembourg, Denmark, Finland, Greece, Ireland, Netherlands, Portugal, Spain, Sweden	European Union Chambers of Commerce and Industry (coordinates with member country CCI's)	Private sector forms loose confederation with government organs for input
South Asian Association for Regional Cooperation (SAARC)	Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka	SAARC Chamber of Commerce & Industry (coordinates with member country CCI's)	Private sector informally contributes input; SCCI "officially" recognized by SAARC
Asia Europe Meeting (ASEM)	ASEAN, EU, Japan, Korea, China	ASEM Business Forum (meeting roughly annually); ASEM Government and Private Sector Working Group (now inactive)	Little informal input to date

Name of Grouping	Member Economies	Formal Inputs/Mechanisms	Informal Inputs/Mechanisms
Indonesia, Malaysia, Thailand Growth Triangle (IMT- GT)	Indonesia, Malaysia, Thailand	IMT-GT Joint Business Council (IMT-GT-JBC)	Informal private sector input into IMT-GT through the various governments
Brunei Darussalam, Indonesia, Malaysia, Philippines East ASEAN Growth AREA (BIMP-EAGA)	Brunei Darussalam, Indonesia, Malaysia, Philippines	Brunei Darussalam, Indonesia, Malaysia Philippines East Asian Business Council (BIMP-EABC)	Informal private sector input into BIMP-EAGA through the various governments
Greater Mekong Subregion	Thailand, Yunnan Province of China, Vietnam, Cambodia, Lao PDR, Myanmar	Greater Mekong Subregion Business Forum, with a permanent secretariat based in Vientiane, Lao PDR, and a rotating chairmanship.	Many private sector meetings providing informal input and facilitated by ADB and other multi-lateral/bi-lateral cooperation initiatives
South Pacific Forum	Micronesia, Marshall Islands, Papua New Guinea, Australia, New Zealand, Vanuatu, Fiji, Tonga, Western Samoa, Cook Islands, Kiribati, Niue, Solomon Islands, Tuvalu, Vanuatu	No formal mechanism for private sector involvement	Informal inputs from state enterprises and private sector solicited periodically
<i>Note: Compiled from many sources</i>			

Lessons Learned from the GMS Business Forum

The Greater Mekong Subregion Business Forum (GMS-BF) may provide the closest parallel with the proposed BR, which makes it useful to examine its experience to date.

Recognizing the need to engage the private sector in the implementation of subregional initiatives and in associated investment, the original Terms of Reference for the GMS-BF were approved by the Seventh GMS Ministerial Conference in 1997 under the Asian Development Bank (ADB)-supported GMS Economic Cooperation Program. The GMS-BF itself was established in October 2000 within the framework of the GMS Program with financial and technical assistance from the ADB and the UN Economic and Social Commission for Asia and the Pacific (UNESCAP).

The GMS-BF today is an independent, non-profit association that is comprised of the national chambers of commerce and industry or their equivalent from the six GMS countries as core members, along with other associate and corporate members. In general, the GMS-BF assists in the implementation of the GMS Program by helping to mobilize private sector support for Program implementation and private sector investment to take advantage of related projects. Beyond the GMS Program, the GMS-BF was also intended to help strengthen the private sector's role in supporting the GMS development process. Initially, the Secretariat and Chair of the GMS-BF were situated in Vientiane, Lao PDR, and were intended to rotate around the GMS economies; this was subsequently amended and the Secretariat was permanently fixed in Vientiane, with the Chair of the GMS-BF rotating around the GMS economies.

From a practical point of view, a number of useful lessons for the BR can be derived from the experience to date with the GMS-BF:

- The establishment and initial management of the GMS-BF were implemented without a commercially-oriented business plan to guide implementation. The preparation of such a plan should be seen as a crucial first step in any such initiative to make sure that the institution takes a business-oriented direction from the beginning;
- The establishment of the GMS-BF Secretariat in Vientiane, Lao PDR, was perhaps made without enough attention being paid to the commercial viability of the location;
- The initial management team of the GMS-BF Secretariat was dominated by civil service people, who predictably took a rather bureaucratic approach to running the GMS-BF Secretariat;
- While it is clearly necessary for the medium-term objective of an institution like the GMS-BF to be financially self-sustainable, this may not be practical in the short-run. Therefore, a significant injection of concessionary resources is likely to be necessary at the beginning to get the initiative on the right footing. This did not occur in the case of the GMS-BF, which has therefore been required to devote significant efforts to retain development partner support and undergo frequent reorientations to adjust to the ad hoc support provided;
- The core membership of the GMS-BF comprises the six chambers of commerce and industry of the GMS economies, and most of the activity to date has focused on these bodies. Not enough attention has been paid to involving and harnessing other entrepreneurial resources both among the local and foreign investors in the GMS.

The Roles of Business Associations in Enhancing the Business Environment

A. Market Enhancing Activities of Business Associations

Market enhancing activities indirectly support the functioning of the market. These include a range of activities, from lobbying for improved property rights and regulatory frameworks, to pressuring the public sector to address critical infrastructure shortages. Another element concerns the "civil society: the role that business associations can play in bringing concerted pressure on governments to strive for higher levels of transparency and accountability in the entire range of government interventions/regulations governing the private sector development environment".

B. Market Complementing Functions of Business Associations

Market complementing activities cover the wide range of activities that business associations can undertake to strengthen the capacities of their members and to overcome various types of market failures. The table below provides a comprehensive typology of these activities; activities which work to harness the critical mass of a business association (i.e. the power of collective action) to provide a range of services and standards that no individual firm would be able or willing to carry out on its own.

Functions	Illustrative Examples
1. Macroeconomic Stabilization and Reform	<ul style="list-style-type: none"> • Business participation in agreements to limit wage and price increases in Mexico to support efforts to bring down inflation • Large-scale business support/participation in Chile with regard to responses to the macroeconomic crisis in the 1980s
2. Horizontal Coordination (Quota allocation, capacity reduction)	<ul style="list-style-type: none"> • The involvement of the Turkish Clothing Manufacturers Association in making the allocation of textile quotas more fair and linked to performance • The Taiwan Footwear Manufacturers Association working to upgrade industry efficiency through improved quota allocations • The Korean Federation of Textile Industries activities to combine influence over capacity with a modernization program for the industry
3. Vertical Coordination (upstream – downstream linkages)	<ul style="list-style-type: none"> • The Thai Sugar Associations' role in brokering an agreement on prices for raw sugar which prevented disruption of sugar exports • The Taiwan Footwear Manufacturers' Association agreement with upstream plastic material producers to allow them to pass on price and quality concerns in order to ensure a satisfactory and continuous supply of raw materials • Numerous examples of industry groups in Brazil, Korea, Taiwan, Mexico, etc. that supported efforts to put in place rational tariff structures conducive to the development of the overall industry value-chain
4. Information Provision	<ul style="list-style-type: none"> • The Chinese Chamber of Commerce in Penang's provision of information to multinational semiconductor firms on SME suppliers • Korean Associations' efforts to "socialize costs of information about export markets" which greatly assisted the Korean export drive • The Thai Textile Manufacturers' Association's program to provide information to its members about European markets and related promotional activities during the textile market downturn in the mid-1970s
5. Standards	<ul style="list-style-type: none"> • Thailand Board of Trade's efforts to ensure that its members adhered to international rice product standards in the 1950s • The Aruaru Association of Furniture Makers initiative to set product standards and guarantee the warranties of exporting member companies • The Taiwanese Electrical Appliance Manufacturers' Association's development of a quality control agreement among their members to "protect their reputation in the international market"
6. Skills and Technology	<ul style="list-style-type: none"> • The Malaysian Auto Parts Manufacturers' Association program to disseminate information on best practices in management and specific technologies • The very recent involvement of business associations in Thailand in meetings with government officials to explicitly address technology and skill problems • The establishment of technical training institutions and a technology center by local producers and suppliers in Brazil's Sinos Valley, initiatives that enhanced the industry's ability to respond to export opportunities in the 1970s