

Regional Economic Cooperation in Trade and Investment for the Rehabilitation of Tsunami-Affected Countries: a Private Sector Approach

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ABSTRACT

The rehabilitation of tsunami-affected regions is a long-term project and usually does not command the same attention from donors in the international community as short-term relief operations. On the other hand, it has been observed that a new phenomenon or trend in international assistance or donation is emerging. The media have reported that more and more transnational corporations (TNCs) are providing their material support and expertise directly to the relief operations.

This paper proposes new mechanisms for trade and investment cooperation that allow the private sector to assist in the rehabilitation of the tsunami-affected regions. In this regard, four main proposals covering the following are examined: (a) special economic zones; (b) special temporary LDC status; (c) special investment regimes; and (d) special company status.

The paper also discusses other private sector initiatives and measures that could be explored, given the increasingly significant and direct role that the private and civil sectors have undertaken in the recent tsunami relief operations.

The paper addresses the need for regional cooperation in trade and investment for tsunami-affected countries and the critical role of UNESCAP in this regard, in particular with respect to coordination among the various agencies involved in providing technical assistance in trade and investment.

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1. INTRODUCTION

The Indian Ocean tsunami has caused immense destruction in South and South-East Asia and in some parts of Africa. The disaster has not only resulted in great loss of life and widespread destruction but also created immediate and long-term economic, social and psychological issues for the survivors. There are also many effects on the greater regional and global economy. The Asian Development Bank (ADB) has estimated that 1.5 million people will soon be put into the region's "new poor". It also estimated the costs of rebuilding the affected regions at a minimum of US\$ 7 billion.

It is clear that, currently, international relief operations and efforts are focused on the short-term humanitarian needs of the victims. Of concern is that much less work and attention is focused on the medium- to long-term rehabilitation of the millions of affected people and the areas in which they live. In particular, the rehabilitation and restructuring of local economies and the business sector is a priority concern that requires urgent attention.

The objectives of this paper are to provide some suggestions for regional cooperation in trade and investment to assist in the rehabilitation of the business sector, as the principal agents for trade and investment, in tsunami-affected regions. Section 2 will provide a brief overview of the implications of the tsunami disaster for the private sector. Section 3 outlines some suggestions for public sector action at the regional level that would help the private sector, while section 4 provides some suggestions for the private sector itself to assist in the rehabilitation efforts. Section 5 provides some recommendations for international and regional organizations, such as UNESCAP, while section 6 presents conclusions.

2. IMPLICATIONS OF THE TSUNAMI DISASTER FOR THE PRIVATE SECTOR

The economic recovery of disaster-affected regions and economies is a complicated and less understood area of disaster research. In particular, in the longer term, it is of paramount importance that trade and investment be promoted in tsunami-affected countries, as trade and investment would generate resources for sustainable recovery that might not be fully covered by aid. Returning the livelihood to the surviving victims is a much larger challenge and is more costly than short-term emergency humanitarian aid. It requires even stronger support from the international community than the short-term relief effort. Long-term economic recovery requires substantive support for the business sector as the principal agent of trade and investment.

In order to design efficient mechanisms for long-term technical assistance in trade and investment, one could consider the categorization of the groups most affected by the tsunami described below.

(a) Self-employed workers

A great number of the people affected are self-employed farmers and fishermen whose livelihoods have been destroyed or severely affected by the loss of land and boats. For example, cultivable land in Aceh, Indonesia, has been turned into a wasteland and mangrove swamps have been flooded and contaminated with salt water from the tsunami. In Sri Lanka, 80 per cent of the nation's fishing fleet was destroyed or damaged.

In the short term, these people would require financial assistance through grants or soft loans to recover or repair the tools of their livelihood, i.e., fishing boats and nets, and would need to be allocated cleaned up land for farming activities.

(b) Unskilled workers

The main difficulty, as with all economic dislocations, is remedying the plight of low-skilled or unskilled workers, many of whom lost their jobs as a result of the tsunami. For instance, in the tourism resort areas of Phuket, Thailand, and the Maldives, more than 200,000 workers are expected to be retrenched, as significant damage to infrastructure has been sustained by the hotels and properties where they worked. These workers range from sweepers and hotel cleaners to white collar managers whose workplaces were destroyed in a matter of minutes.

It is important at this point in time that social safety nets be put in place to ensure that this group of people is not overlooked or mistreated. The upgrading or acquisition of skills through basic vocational training, such as carpentry, gardening, cooking or sewing, while they are in temporary camps could be considered. Once they are trained, they can participate actively in gainful employment.

(c) Small and medium enterprises

The most effective way to help employees and companies to recover from the disaster is to provide them with the opportunity to regain economic viability. The issue of employment generation is closely intertwined with the rehabilitation of the labour-intensive small and medium enterprise (SME) sector, allowing it to emerge from the ashes of destruction that have swept the affected areas. It must be recognized that only with the successful rehabilitation of the SME sector can the employment of thousands of workers be successfully restored and expanded. The pressing task and challenge ahead would be to create an enabling business and investment environment for the affected companies and entrepreneurs to rebuild their businesses.

SMEs face formidable challenges in restarting their operations. Some of these enterprises probably have some limited form of insurance coverage against flood and fire. However, such insurance coverage is unlikely to be sufficient given the large

extent of damage suffered in the tsunami-affected areas. Nonetheless, the early disbursement of any insurance benefits that the SMEs are entitled to would be a significant contribution for them to take the first step in restarting their operations.

SMEs, while having access to funding, have very limited leverage regarding terms and conditions, such as interest rates, amount of loans and collateral required. To encourage them to restart their operations, it would be necessary for Governments, international organizations and financial institutions to declare a moratorium on loans/debt repayments for businesses operating in the tsunami-affected areas. In addition, there is a need to increase liquidity in the capital markets, such as stock and bond markets, to allow SMEs to access short-term loans and capital to restart their operations.

A special subgroup of SMEs consists of sole proprietorships. They are expected to be the worst-affected group within the business sector. Many stories have emerged of numerous sole proprietorships, such as tailors, taxi drivers, motel owners, spa operators and the like having their entire inventory and physical assets swept away by the tsunami. Unlike other SMEs, which as a last resort could simply wind up their operations and restart under a new entity, these sole proprietor businesses are personally liable for all outstanding debts.

In the case of sole proprietorships, the main task is to re-establish the viability of the business model they previously had to ensure that they would have the incentive to restart their businesses. As in the case of the self-employed, a simple restoration of the main tools to do business, e.g., a sewing machine for a tailor, a taxi for a driver, a bathtub for a spa operator, would be a crucial step in the right direction. If such goods can be imported without the usual customs duties and government taxes, the benefits to sole proprietorships would be enormous.

However, the tools of trade are only part of the equation. Governments and international organizations have recognized that the re-establishment of business linkages for all SMEs is equally important. For example, a tailor needs to have demand for his products, for example, from tourists near his location. He or she should also be given the opportunity to export his goods to customers elsewhere. The lifting of travel restrictions, such as visa requirements, coupled with inexpensive tour packages, would give a tremendous boost to the tourism sector and SMEs providing products and services in this sector.

For those SMEs involved in exports, in the longer term it is also important to improve market access, in particular for agricultural and fisheries products, which are usually subject to stringent non-tariff barriers in developed countries. If the international community could assist in obtaining a decent economic value, including profits, for these products for a few years, it would help the tsunami survivors to regain their footing more quickly.

3. PUBLIC SECTOR MECHANISMS FOR PROMOTING REGIONAL COOPERATION IN TRADE AND INVESTMENT

The strategy to resurrect the economic well-being of the affected areas should be based on the premise of economic efficiency. In response to the need for rehabilitation, Governments and international organizations could take the lead in the recovery and development of the tsunami-affected areas through regional cooperation with a focus on assisting the private sector.

According to the International Disaster Response Law Project, commissioned by the International Federation of Red Cross and Red Crescent Societies and published in March 2003, the import of relief goods and equipment was an issue of great concern for various international agencies. In most countries, the imposition of heavy taxes or cumbersome bureaucratic procedures on the import of goods necessary for relief efforts presented a source of constant frustration. This situation prevailed despite awareness by some personnel of the recommendation on the tax-free and expeditious import of relief supplies, reached by the States members of the World Customs Organization.¹

On the other hand, there were some positive experiences, in which Governments had temporarily waived import taxes and significantly hastened the processing of paperwork and other administrative processes relating to relief goods and equipment. In some cases, the countries are signatories to the Convention on Temporary Admission (Istanbul Convention) of 26 June 1990 allowing for the total conditional relief of duties and taxes for disaster relief goods.

In other cases, regional agreements had been put in place to facilitate the importation of certain goods between nearby countries, as well as manuals containing procedures and guidelines for implementing the agreements for use by the respective ministries of foreign affairs. These had made a very positive impact on humanitarian assistance and effectively resolved the operational challenges by enabling the fast and efficient importation of relief goods within the region.

It is clear that there is a crucial need for a regional framework for relief efforts within the tsunami-affected areas. There are many existing organizations that coordinate the management of disaster warning, natural risks, humanitarian aid and developmental assistance. Given the present level of telecommunications technology and the ease of transportation, there is clearly ample room for improvement and management of the allocation of tasks and resources. Networking seems to be the most efficient way to move forward because it minimizes the political conflicts and sensitivities between countries.

¹ Recommendation of the customs cooperation council to expedite the forwarding of relief consignments in the event of disasters, World Customs Organization document T2-423 (8 June 1970).

While various regional cooperation mechanisms exist for disaster relief and coordination, including the tsunami early warning network, the UNESCAP/WMO Panel on Tropical Cyclones, UNESCO Tsunami Warning System, the Asia Disaster Preparedness Center, the establishment of the ASEAN Regional Haze Task Force, the Asian Disaster Reduction Center and the East Asia Natural Hazards Mapping Projects, there are no major regional cooperation schemes in trade and investment. Any such regional cooperation mechanism would require adequate financial and human resources, technology, access to communication networks, political commitment and a proper institutional framework.

The tsunami disaster is expected to hasten discussions on how formalities could be addressed on an accelerated basis on such issues as the temporary admission of goods with total conditional relief of duties and the taxes and the facilitation of clearance of goods at points of importation. In addition, it would shed light on the need to maintain investment incentives to discriminate in favour of a less-developed or disaster-hit region, or alternatively, the need to undertake temporary protectionist measures to avoid exploitation in the region.

In addition, the catalytic effect could spill over into other financial areas, such as the development of ASEAN capital markets, for example, the ASEAN Bond Market, to raise/mobilize capital within ASEAN to support the development and reconstruction of disaster-hit areas.

With respect to regional cooperation in trade and investment, four main proposals are presented: (a) the establishment of special economic zones; (b) the granting of special temporary LDC status; (c) the establishment of special investment regimes, and (d) the granting of special company status.

(a) Establishment of special economic zones

One proposal is to create special economic zones within the tsunami-affected countries. The major benefits for companies operating in the special economic zones would be multi-pronged as follows:

- (a) Duty-free imports of capital equipment and raw materials for production within the zone;
- (b) Income tax holiday for eight years and other tax breaks;
- (c) Exports originating from this zone would be granted GSP status and concessions from developed nations;
- (d) Removal of land ownership and usage restrictions.

To facilitate the implementation and reap the benefits of this proposal, it is further recommended that trade within the same special economic zone or between zones (across borders) should be duty-free. In particular, companies registered within a

zone residing in two geographical territories should be governed by a common set of laws and regulations. A joint committee should be established to define the common set of rules and regulations for the companies and products to be imported and exported from the special economic zone.²

The special economic zones would create an incentive to consider manufacturing operations in the tsunami-affected regions through access to cheaper raw materials and capital equipment. The tax breaks would allow companies to retain their profits for the first few years either to compensate for their losses during the disaster or hopefully for reinvestment back into the special economic zones. The GSP qualifying status will further allow products manufactured in the tsunami-affected regions greater market access into the lucrative developed markets. The removal of land ownership and usage restrictions will allow companies to expand rapidly the necessary physical infrastructure, such as private shipping berths, railroad tracks, roads or even water treatment facilities to support the development of the special economic zones as and when required without having to wait for administrative licences.

The perimeter of the special economic zone could be determined by the boundaries of the affected area where disaster struck with visible damages. Companies to be registered in the zone could be requested to meet certain criteria, such as a commitment to the rehabilitation programme for the tsunami-affected regions. In addition, priority should be given to companies that had previously operated in the tsunami-affected regions.

The operating principles and mechanisms of the special economic zone could be embedded in one of the existing regional trade agreements. It is probable that there are at least two potential agreements to host the Special Economic Zone initiative; the first being the Bangkok Agreement and the second being the Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC)³. The Special Economic Zone could represent a fast track towards trade liberalization benefits⁴ from these economic agreements.

The obvious advantage of using the Bangkok Agreement under the UNESCAP umbrella is that it has the operative framework and procedures (e.g. tariff reduction, rules of origin, etc) already finalized and implemented. Two of the five most affected countries are Bangkok Agreement members (i.e., India and Sri Lanka). On the other

² This is similar to the concept of growth triangles, and regional cooperation mechanisms, such as BIMSTEC and JDA (Joint Development Area, set up by Malaysia and Thailand to jointly engage in the exploration and extraction of natural gas).

³ BIMSTEC consists of Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand.

⁴ In ASEAN, the ASEAN Industrial Cooperation Scheme (AICO) provides similar fast tracking of ASEAN Free Trade Area (AFTA) tariff benefits for companies operating under this Scheme.

hand, BIMSTEC has the advantage of having most countries in the affected area in its membership with the stated objective of creating a free trade area by 2017. However, it is noted that the Special Economic Zone does not have to involve only one regional trade agreement.

Regardless of which regional trade agreement is used as the implementation vehicle for the Special Economic Zone initiative, it would be necessary to ensure that the agreement is opened for accession by non-members. Once the membership is addressed, it would be necessary to notify WTO to seek preferential status for the Special Economic Zone, in particular, the need to seek GSP treatment from developed countries.

(b) Granting temporary LDC status

The Special Economic Zone may take some time to establish. Meanwhile, it would be helpful to start with some of its components. Tsunami-affected countries should temporarily, (i.e., until they have substantially recovered from the disaster) enjoy substantial GSP benefits at the level of LDCs, with a minimal number of restrictions from developed trading nations. For example, Sri Lanka would be able to enjoy preferential market access for its fisheries products and textile products once its fishing fleet is replenished and its textile factories are rebuilt.

(c) Establishing special investment regimes

Special investment regimes for the tsunami-affected areas are proposed, which could include exemptions from WTO trade-related investment measures (TRIMs) and other investment rules related to national treatment (as in services) and export performance criteria. To create a more favourable climate for substantial investment in tourism infrastructure, such as luxury hotels and golf courses, longer tax holidays and incentives could be negotiated on a case-by-case basis. It is therefore crucial that sufficient flexibility be allowed and applied in such instances without running afoul of WTO principles and rules. The establishment of special investment regimes could be carried over into the special economic zones.

(d) Granting special company status

The fourth proposal is to identify and create a new category of companies tasked with supporting the redevelopment efforts of the tsunami-affected areas. It is proposed that such companies could be registered as “charities” or something similar, and given the privilege of duty-free imports to support their efforts in the redevelopment exercise. These companies could initially focus their attention on short-term relief products, such as emergency food rations, medical supplies, tents and water, and at a later stage move to construction equipment for infrastructure development and industrial equipment, such as water purification plants.

4. NGO AND PRIVATE SECTOR INITIATIVES AND MEASURES FOR PROMOTING REGIONAL COOPERATION IN TRADE AND INVESTMENT

There are many issues that have hindered public sector support for medium-term economic recovery efforts. The greatest of these are efficiency, effectiveness, and the extremely complex political, economic and social side-effects associated with them. It has become increasingly clear that aid is not a panacea. Although externally driven, humanitarian aid has inevitably taken on roles within the conflicts and societies in which they are distributed.

Apart from political issues, there is the problem of the effectiveness and cost of delivering aid to the recipient. The concerns of international aid agencies and donors are that scarce resources are correctly channelled to the most appropriate disaster areas, that the right recipients receive the resources and that there is zero or minimal leakage during the delivery of assistance. Some sources suggest that the cost of delivery is about 40 per cent, i.e., for every dollar donated, only 60 cents goes to the intended recipient. It is therefore critical that an efficient accounting and auditing system be in place to address this pertinent issue from the onset.

An effective and timely relief operation has the capacity to save thousands of lives. However, it is also an expensive and difficult undertaking. Potential beneficiaries may be located within a zone of conflict or in areas with poor or damaged infrastructure, making it difficult or dangerous for humanitarian agencies to deliver assistance. As a result, help may reach only the most accessible areas, to the detriment of other beneficiaries who may be just as needy. Thus, the execution of each element should be decentralized into manageable tasks to be conducted by operational units in the tsunami-affected regions.

Thirdly, rehabilitation efforts are not glamorous and do not catch the attention of the general public and policy makers. Moreover, the politics of regional and economic cooperation are fraught with contentious issues. This is evidenced by the recent ministerial meeting in Phuket, Thailand, for the setting up of an Indian Ocean tsunami warning system.

These problems have led to an increase in the popularity of direct participation by private organizations, such as NGOs and TNCs, whereby they deliver the goods or services directly to the recipients.

(a) Non-governmental organizations (NGOs)

In order to provide affected populations with the resources needed to restore their livelihoods, international relief agencies have funded cash- and assets-for-work programmes as a key part of their relief assistance. Currently, NGOs are developing cash-for-work programmes in waste management, land rehabilitation, debris removal, shelter construction, daycare construction and livestock care. For example, the NGO Exnora's waste management programme will employ youths to clean up community areas and

recycle waste in temporary settlements and the general community, providing them with a source of income, while benefiting the general population. In addition, Food for the Hungry will restock small businesses through an assets-for-work programme.

NGOs are mostly exempt from red tape and are more flexible in their mobility. However, their constraint is determined by the scale of their operation. If their operations are getting bigger, bureaucratic requirements will start to interfere. The level of economy of scale of NGOs operations is thus important in determining the efficiency of their operations.

(b) Corporate sector

While official aid has been instrumental for immediate disaster relief, it has been observed that assistance from the private sector could be mobilized within hours of the disaster in providing emergency medical supplies and airlift capabilities to reach the victims in the shortest possible time. Coupled with NGOs, such as the Red Cross and the Order of St. John and St. John Ambulance, the private sector could help facilitate many of the government initiatives highlighted above.

In this context, it is worth pointing out that the private sector, in fact, has been extremely successful in some of their own global initiatives, such as setting standards against the exploitation of child labour or supporting the Green Movement in promoting recycling and the preservation of rainforests and wildlife. Most TNCs have firmly established corporate social responsibility (CSR) programmes ranging from environment conservation to action against child labour. During the tsunami disaster, many companies contributed significant resources in terms of services and products to enhance the emergency relief efforts. For example, pharmaceutical company Bristol-Meyers Squibb provided for the shipment of medical supplies to Sri Lanka and Indonesia via a dozen medical mission boxes, valued at over US\$ 20,000 each and hand carried by volunteer medical teams dispatched to the tsunami-disaster areas. Air cargo companies, Air Sri Lanka, Thai Air International, Garuda, Federal Express, UPS and others donated their services for relief efforts. Johnson & Johnson provided assistance directly from its facilities in India to support the distribution of emergency aid to the tsunami disaster regions.

Many of the TNCs are, in fact, willing and eager to do even more. What is needed is the framework to allow these companies to effectively participate in the relief and rehabilitation effort. Mainstreaming disaster risk management into development planning is a legitimate corporate exercise.⁵ However, it is more important to create an environment that allows the private companies, especially TNCs with strong international networks, to participate directly in these programmes.

⁵ "Governance: institutional and policy frameworks for risk reduction" by UNDP/BCPR, Prevention Consortium Secretariat, UN-HABITAT and UNV, Thematic Discussion Paper Cluster 1, World Conference on Disaster Reduction, 18-22 January 2005, Kobe, Hyogo, Japan.

The first and obvious choice is to attract and convince corporations to establish their production facilities in the tsunami-affected areas. The production facilities will generate employment for the people and will at the same time ease the problems related to existing facilities and, hopefully, attract new investors. As the business enterprise is not a charity organization, these production facilities have to be economically viable.

While the establishment of special economic zones and special investment regimes would be helpful in this regard, the corporate sector itself might wish to come up with its own special “tsunami rehabilitation programme” (TRP) to invest and trade within the tsunami-affected areas. The TRP could be deployed as a trademark for companies operating in these areas to give a distinct label to their products to boast consumer recognition and support for the products and services produced. Companies might wish to pledge a minimal sum towards the humanitarian aid and development assistance within the tsunami-affected areas for every TRP product sold on the international market.

Companies operating in the tsunami-affected areas could undertake further community programmes to support the rebuilding of the community infrastructure, assisting in the training of unskilled workers and providing temporary food and shelter for victims facing chronic difficulties.

The private sector could also assume some of the current functions of the relief efforts from Governments. At the moment, numerous government agencies are working in the tsunami-affected areas to provide rehabilitation services, such as health care and education. However, this is not necessarily the most efficient way to carry out relief or rehabilitation activities. Private enterprises, if tasked, could be more efficient than Governments in executing these activities. More thought could be given to the idea of engaging professional companies to carry out these activities at the local and regional levels in cooperation with national and local governments and international agencies retaining the role of coordinator.

Despite every good intention of the private sector with regard to the relief operations, there is always the fear of a publicity backlash for the companies involved. In particular, such corporate initiatives might be misinterpreted as a public relations exercise designed to take advantage of the tsunami disaster to increase the company’s profile. In this regard, national Governments might wish to consider and establish some frameworks to enable an orderly corporate engagement in relief efforts.

5. ROLE OF TRADE AND INVESTMENT COOPERATION IN DEVELOPMENT ASSISTANCE

The following five main players that can provide short-term emergency relief operations, humanitarian aid and long-term development assistance, *inter alia*, in trade and investment in the tsunami-affected areas can be identified:

(a) *International and regional organizations:* the most important actor in the provision of humanitarian aid and development assistance is the United Nations and its various agencies, funded by its Member States. The World Bank and the Asian Development Bank (ADB) directly fund development projects, inter alia, in trade and investment;

(b) *National development agencies:* in addition to multilateral assistance, many countries direct aid unilaterally through their own foreign-aid and development agencies. In the area of trade and investment for example, there are often various, if not always effective, schemes for assistance to SMEs;

(c) *Non-governmental organizations (NGOs):* NGOs increasingly play a key role in providing humanitarian aid and development assistance, both directly and as partners to United Nations agencies. They often have advantages over international organizations or foreign Governments. For example, they are less constrained by political factors and their diversity and independence allow them to work in very difficult places. However, in the area of trade and investment, their involvement is rather limited;

(d) *The military:* the military acts primarily to ensure a secure environment in which relief agencies can operate. In some circumstances, the military may also provide aid directly, usually when international organizations and NGOs find themselves overstretched or unable to deal with security problems. The military can be used to manage and coordinate the overall humanitarian response and to deal with technically and physically demanding needs, such as restoring communications and supply routes. These are fundamental requirements for restoring business activity and trade and investment. However, long-term military involvement in these areas is unlikely;

(e) *Private enterprises:* lastly, private enterprises, in particular TNCs, are playing an increasingly important role in providing social services, and thus contribute to the public organizations mentioned above. It is not difficult to predict that their role will increase in the near future, given their resources, capability and willingness.

Given the various kinds of agencies involved in immediate disaster relief and long-term development assistance, coordination and effective leadership in this regard are extremely important in order to minimize duplication and conflicting activities and to maximize the exchange and flow of intelligence in an often difficult and stressful working environment.

There is therefore a need for a regional agency that provides support for coordination among various international agencies, within the United Nations, and between United Nations agencies. Coordination between and among national Governments and with the various international agencies would also be vital. Until a new system is in place, there is a need for a neutral agency to assume this task. UNESCAP, as the largest United Nations entity in the Asian and Pacific region, may be well placed to perform this role, at least in the short to medium term.

The ever increasing number of agencies on the ground, the difficulty of obtaining accurate information and the unpredictability of humanitarian crises all conspire to make effective management and coordination extremely difficult. Solving this problem requires improved intelligence gathering and sharing, as well as tight management and coordination. While this is important for short-term emergency relief, coordination assumes an even more important role in long-term development assistance.

As far as trade and investment cooperation issues are concerned, UNESCAP has implemented various activities in the region on a regional cooperation basis. These activities include technical assistance to developing countries in helping them gain market access and to strengthen their supply-side capacities so that they can benefit from such market access. Its technical cooperation programme with WTO is well recognized. Given its regional coverage, UNESCAP could also assume the coordinating role for all the agencies involved in the area of trade and investment, at least until a more efficient institute is established or evolved. It could assume this task in close collaboration with the Asian Development Bank (ADB). The main coordination functions required at this stage are listed below.

(a) Establishment of the Special Economic Zone through trade and investment privileges

It would be useful for UNESCAP to conduct a feasibility study to ascertain the benefit and cost of this initiative. This study could be submitted to the affected countries and other member countries of ASEAN, the Bangkok Agreement and BIMSTEC through their respective secretariats. This could be followed up by such work as the drafting of the legal documents for the establishment of Special Economic Zones for consideration and adoption by the tsunami-affected countries. UNESCAP could also play a role in coordinating and consulting with WTO on granting special preferential treatment for LDC status and seeking GSP from developed nations.

(b) Establishing channels for private sector participation in development assistance

UNESCAP can act as a catalyst for eliciting recommendations and solutions from the private sector with regard to regional (cross-border) programmes that could assist in mitigating or alleviating the economic and social impact of the tsunami disaster. An example is the initiative to accord special status to companies operating in the disaster-affected regions so that they can be exempted from duties and taxes. UNESCAP could be the conduit for the implementation of such programmes within a new regional legal framework that it could help to establish.

(c) Establishing a monitoring system

UNESCAP should establish a system to monitor trade and investment issues in the tsunami-affected areas. Such a system would allow it to keep abreast of the progress of redevelopment within those areas and transmit such updates on a regular basis to other concerned agencies. UNESCAP should realize that, while there are numerous readily available data from international relief agencies operating in the tsunami-affected areas, such information will decline substantially once the short-term emergency relief operations are concluded and international interest has waned. It is recommended that as a first step, UNESCAP could initiate a benchmark exercise of surveying the current economic status of the affected regions. An update of the economic situation within the tsunami-affected areas could then be conducted on a biannual basis at least for the next five years.

(d) Establishing a convention for regional cooperation in disaster relief

Many developing Asian countries are prone to natural disasters. Apart from the tsunami, which is a rare event in the region, developing countries in Asia suffer from various kinds of natural disasters every year. UNESCAP could take the initiative to explore the establishment of a convention on regional cooperation in disaster relief, containing provisions for the granting of trade and investment privileges that would be automatically triggered in case of a disaster. Although an immediate decision to set up such a convention cannot be expected, the exercise of raising the suggestion may stimulate a more systematic discussion of a new framework that would facilitate the participation of public sector organizations and private sector enterprises and agencies in the longer-term rehabilitation efforts.

6. CONCLUSIONS

At this juncture in global development, where effective and timely humanitarian relief operations have the capacity to save thousands of lives despite the extreme difficulties involved, it is useful to ensure that the subsequent rehabilitation of the tsunami-affected countries is properly addressed. With new sophisticated tools and modern technology deployed in relief operations, it is perhaps appropriate that new mechanisms should be explored and deployed in the area of rehabilitation programmes on trade and investment. While it is recognized that there are pressing issues related to social and psychological needs, the need to provide for and ensure a long-term sustainable economic livelihood for tsunami survivors is paramount.

Priority areas for economic rehabilitation include the restoration of the business environment, both for the large number of self-employed farmers, fishermen and service operators and for the corporate sector. In the spirit of good governance, the role of

government should be focused on providing a conducive legal and administrative environment for the private sector. Government and public agencies should not be tempted with the task of implementation. To the extent possible, it should be delegated to professional private sector entities.

In the same spirit, with regard to trade and investment cooperation, it is proposed that special economic zones be formed within the tsunami-affected areas. Such zones would be free from import and export duties, and companies operating in the zones (in particular, existing companies or operations that were damaged or destroyed by the tsunami) would be given investment incentives, including income tax holidays. In addition, exports from these special economic zones would be given special GSP status by the developed countries.

It is envisaged that private companies, especially TNCs, will want to contribute their expertise to the rehabilitation efforts. For example, such new ideas as the "Tsunami Rehabilitation Programme" along the lines of "Action against Child Labour" could be explored. Governments might wish to give special recognition to these private companies by according them a special company status to operate within the tsunami-affected areas with duty and tax privileges.

To ensure the successful implementation of the various initiatives, it is recommended that UNESCAP, as the largest Asian and Pacific regional organization of the United Nations, be tasked with the launching of these initiatives and to monitor economic performance in the tsunami-affected areas for the next five years.

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