

# SAARC

Towards Meaningful Cooperation



Konrad  
Adenauer  
Stiftung

50 YEARS OF WORLDWIDE COOPERATION

CO-EDITORS

Tomislav Delinic  
Nishchal N. Pandey



# SAARC: Towards Meaningful Cooperation

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Tomislav Delinic

Nishchal N. Pandey

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Published by

**Centre for South Asian Studies (CSAS)** [www.csas.org.np](http://www.csas.org.np)

**Konrad Adenauer Stiftung (KAS)** [www.kas.org/saarc](http://www.kas.org/saarc)

First Published, June 2012

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ISBN : 978-9937-2-4950-8

Printed at:

**Modern Printing Press**

Kathmandu, Nepal.

Tel: 4253195, 4246452

Email: [modprint@mail.com.np](mailto:modprint@mail.com.np)

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## Preface

This publication is a by-product of a very successful regional conference organized by the Centre for South Asian Studies (CSAS) in cooperation with the Regional Program-SAARC of the Konrad Adenauer Stiftung (KAS) on March 12-13, 2012 in Kathmandu. The CSAS with the support from the KAS has been undertaking several programs in Kathmandu, a city which also hosts the SAARC Secretariat to promote regional cooperation and the concept of South Asianness - so essential for a robust and forward looking South Asia.

SAARC is the only regional organization at the governmental level for the 8 member countries to chalk out their differences and promote welfare of the people, to improve quality of their life and accelerate economic growth. In the last 27 years, SAARC has made significant strides to strengthen economic cooperation and maximize the region's vast potential for trade and development. South Asian consciousness has been growing not only among the people of the region but also in the South Asian Diaspora. South Asian culture, art, language and history are taught in world renowned universities, increasingly Institutes of South Asian Studies are coming up the world over, South Asian food and film festivals, trade fairs are taking place at a regular fashion. The concept of South Asia is today having a global appeal. Hundreds of foreign companies are keen to tap the vibrancy of our region on the move. It has been said that the destiny has already been proclaimed for Asia and South Asia will be the fulcrum for its growth in the coming decades.

Some analysts predict that South Asia's regional growth will continue to occur at 6-8 percent until 2030 and considering this growth in the context of the broader picture of the global economy, it maybe observed that South Asia is currently the second fastest growing region in the world. By 2020, South Asia could also have the youngest population with a different outlook from their parents. And by 2025, this region will have a

middle class of 1 billion people - this explosion of the middle class will force the region into being a dynamic, educated, positive and a prosperous region.

Last year has been the most momentous year for several countries coming out of tyranny in the Middle East and North Africa. The world has shrunk; mobile phones, text messaging, social networking, instant bank transfers, satellite information - each new technological development has enhanced the reality of profound transformation taking place in the international arena. The international system is in the midst of a tectonic change. However, we in the region have not been able to apprehend the speed of change sweeping the international system because our member states run the gamut from high level of economic growth like India to conditions of economic stagnation like Nepal and to political volatility like The Maldives and Pakistan to a conflict situation like in Afghanistan. Even within a single state, a precise balance sheet maybe complex and difficult to draw with certainty. Still in many of our countries, widespread poverty, underdeveloped infrastructure, poor connectivity, visa woes, preoccupation with security anxieties and political instability continues to impede on our path to a customs union, common currency eventually leading to a South Asian Union as envisaged by repeatedly underscored by the leaders of the SAARC member states.

In all respects, all of us would like to see SAARC move forward on the path of larger, deeper and faster integration. In the light of our historical background and the immense potential of the people, we must draw a sense of realistic urgency from the necessity, in today's world, of dealing with more and more of our problems and reaching for more our aspirations together; as a cohesive region, rather than as a mere collection of states. Therefore, SAARC as an organization has a major role to play. It has to its credit notable achievements but we must be candid among ourselves that the space between its promise and achievements remains wide. Our efforts to restructure, revitalize and re-energize SAARC should begin with our vision for the future, and the function it can play as a common stage of hopes and aspirations of the people of South Asia as a symbol of an emerging, economically vibrant, politically important and strategically

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crucial region. This will require extraordinary leadership and a political courage to match. Important also is for our bureaucratic machinery to recognize the urgency of implementing past decisions and agreements in a steadfast manner without misconception and delay.

In this connection, it will be good to take some positive elements of the European integration process. In January 1963 Konrad Adenauer, the first Chancellor of Germany and his friend Charles De Gaulle signed the Franco-German treaty of amity. It contemplated close cooperation between the two states in foreign, educational, and youth policies. The treaty put an end to a century of "blood feud". Youth was to play an important role in this reconciliation. Today, we feel, the region can take lessons from how the centuries of animosity has turned entire Europe into a cooperative zone of peace and development.

The KAS is a political foundation, closely associated with the Christian Democratic Union of Germany (CDU). As co-founder of the CDU and the first Chancellor of the Federal Republic of Germany, Konrad Adenauer's name is synonymous with the democratic reconstruction of Germany, and the vision of a unified Europe. By opening the Regional Program-SAARC office, the KAS has not only sought to assist South Asian countries for a united and cooperative region just like Europe but also lent a helping hand to think-tanks of the region to come together for meaningful cooperation through the aegis of SAARC.

This book comprises of papers presented during the conference from learned and experienced diplomats, academics, strategic analysts and think-tank representatives from Afghanistan, Bangladesh, India, Nepal, and Sri Lanka. We are indebted to each of the paper presenters and the audience comprising of some of the leading policy makers, senior government officials, diplomats and journalists from Nepal who took part in the two-days of deliberations. We are especially indebted to Rt. Hon'ble Vice-President of Nepal Parmananda Jha who took time out from his busy schedule to inaugurate the conference. We are also grateful to Ambassador Alexander Spachis, Head of the European Union Delegation to Nepal for his address.

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We are hopeful that this book will be useful to politicians, practitioners, researchers, students and all those interested in understanding the promises and problems of regional cooperation efforts in South Asia.

**Tomislav Delinic**  
**Nishchal N. Pandey**





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## Keynote Address

*Maj. Gen. Dipankar Banerjee (Retd)\**

At addu in November last year our eight nations agreed on a strong declaration listing out 20 points for early action. All are agreed common goals designed to build bridges in the region and strengthen mutual cooperation. This is a very ambitious agenda that call for resolute action.

It is in this backdrop that we meet today in Kathmandu well ahead of the 18<sup>th</sup> summit to be held next year in this beautiful city. Our aim must be to look ahead and work towards the implementation of these objectives.

The SAARC as an organization has indeed achieved a great deal. I am not one of those who criticize its lack of achievement though many are understandably disappointed. The very fact that we are assembled here looking forward to a new era of cooperation is reason enough to take pride in what we have achieved. It is equally true that in the last 27 years of its existence it could indeed have achieved much more. But, looking back will not help us achieve our goals. We need to look ahead focus our attention on how we can move forward.

May I highlight three key points for action that I consider will facilitate implementation of our common agenda. These three are about modalities and processes and not about objectives, which are clear and have been well defined.

First, is revisiting the vision for SAARC. Second, it to engage the people and particularly the younger generation in the region in fostering a sense of community. Third and finally, is to restructure the SAARC organization and particularly the secretariat in order to strengthen implementation and implement the agenda.

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\* Mentor, Institute of Peace and Conflict Studies, New Delhi, India.

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The Addu communiqué has called for a new vision document of course one was actually set out in 1998 again after the Malé summit by a group of eminent persons of Asian states by 2020. This time the group will be more official with each country having identified the members for the South Asia Forum that will undertake this task. A vision statement that must realize the dreams expressed officially by all of the current SAARC leaders, to build bridges that interconnects in one seamless manner and in all its dimensions all countries of SAARC. Not only this but bridges need to be built with our neighbours to the East and West of the region and to the South in the Indian Ocean. This will be the new southern silk route of prosperity and peace where goods and people will flow freely across borders. Where economic growth will go hand in hand with a secure and sustainable environment. Where bridges will link us to the observer countries who in turn will contribute to stability and development sharing their knowledge and expertise.

Second, is generating greater civil society engagement and participation. This must involve the young people more than ever before. About 60 percent of the people in all SAARC countries and indeed well above the majority are under the age of 25. They have aspirations for the future that can be member countries. In all fairness they must indeed be the new stakeholders in this project and we need to create space for them and obtain their participation. The regional centre for strategic studies at Colombo, A South Asian entity is one example how this is being done and many more should be developed. At my institute, the institute of peace and conflict studies, New Delhi, we have taken the initiative to build a consortium of South Asian Think Tanks, the COSATT. Every Year we take up a collaborative study addressing a major issue confronting the region and make positive recommendations for addressing it. This annual project relies on young scholars across south Asia. Indeed Nishchal N. Pandey is an honorary fellow of the IPCS and his institution the CSAS is a leading member of COSATT. We are proud to collaborate with him in these projects. Many more such cooperative institutions need to be built preferably through volunteer groups, professional bodies and specialists in respective vocations.

I would like to stress here that building a South Asian community is not primarily the responsibility of respective governments. It will not succeed till civil society and especially the younger generations are involved in the process meaningfully. Governments can and must act as facilitators.

Finally, is the question of restructuring SAARC. The time has now come when from a consensus building conceptual framework of SAARC as an organization has to adopt a more dynamic implementational role. SAARC presently has a three tiered structure. At its apex is the council and the standing committee under respective foreign ministries and below are a number of committees. Then there is the SAARC secretariat and separately the SAARC institutions.

In recommending structural changes, I make three specific recommendations;

One, that each country appoint a senior minister responsible entirely for SAARC matters as his/her sole responsibility. Foreign ministers in today's world are very busy who are required to constantly travel this inter connected world. We need full time hands on minister dealing exclusively with SAARC matters.

Two, about SAARC institutions, three are today a total of ten SAARC institutions set-up and supported by respective countries and located there. A critical assessment needs to be made to assess whether they are providing an useful service? If so, these may be strengthened, else may perhaps be discontinued. The point is that many are not making an useful contribution because of which it leads to criticism and detracts from SAARC effectiveness.

Third and most important is to restructure the SAARC secretariat. Its present weaknesses are many and are well recorded and there is no need for repetition. The secretariat today needs to be manned by a larger number of committed professionals in addition to government representatives. For the sake of brevity I would highlight three most urgent needs.

First, is the office of the secretary general, he/she should have the rank of a senior minister and must be selected from the entire region based purely on merit. He/she should then be provided an adequate tenure.

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Second, the secretariat must be enlarged with clear functional responsibilities to departmental heads. The ASEAN secretariat today has strength of about 200 with two deputy secretary generals and several functional departments. Many other institutions and organizations in the region provide it close support. This may be a model that may be studied.

Third and finally, the SAARC secretariat must be able to incorporate and accommodate non-governmental organizations. In South Asia today we have a large number of excellent world class institutions. We will find that if they are accommodated within the overall structure, the process of implementation of agreements and furthering cooperation will be simplified. We should also be able to build on fresh ideas and develop new ways of working together. I understand that this is a major challenge but I am sure we can find a way to make it work.

We are indeed at a historic moment. Conditions for fulfilling the aims of the founding fathers are more propitious today than ever before. The Addu declaration provides us a major agenda for action. With Maldives now and Nepal next, we can look forward to a leadership which will no doubt be able to take this process rapidly forward.

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## The 17<sup>th</sup> SAARC Summit in Addu City, Maldives

*Nihal Rodrigo\**

This Conference takes place four months after the 17<sup>th</sup> SAARC Summit in Addu City, Maldives, and is an opportunity to review results of the Summit and follow-up action required. The internal changes in Maldives, including resignation of the SAARC Secretary General, should not affect continuity in the SAARC process. At time of writing, the SAARC Secretariat functions with its most senior Director (the Sri Lanka Director, Damayanthi Rajapaksa) acting as Officer-in-Charge, pending consensual approval for Ahmed Saleem, nominated by his Government, to serve as Secretary General for the remainder of Maldives's three-year term of the office. Saleem, a highly versatile officer has served in Maldivian Missions at the United Nations and in Sri Lanka, and as SAARC Director in addition to Public Service posts at home.

The Summit Declaration adopted on 12 November is the shortest, most concise of Summit Declarations adopted, a healthy precedent for SAARC documentation which tends sometimes to be long-winded. Brevity was facilitated by three preceding South Asian close encounters of the productive kind, in New Delhi, Malé and Kathmandu, which provided opportunities for wide-ranging non-governmental representative groups to also interact effectively with official delegations for beneficial exchanges.

The first encounter was the South Asian Forum (SAF) in New Delhi (September 2011). The Thimpu Declaration (2010) assessed the “scope and substance (of SAARC) cooperation” as “expanding to diverse fields”, but conceded that “a number of these had not translated into meaningful

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\* Former SG/SAARC, Foreign Secretary of Sri Lanka; Ambassador to China

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tangible benefits for the People”. The Summit resolved therefore that SAARC’s Silver Jubilee Year be commemorated by making the Association “truly action-oriented by fulfilling commitments, implementing Declarations and decisions and operationalising its instruments”. Towards this end, the South Asian Forum engaged “eminent persons of diverse backgrounds” to function on “public-private partnership lines charting the future course of SAARC”. The Forum, co-sponsored by the Indian Government, the Federation of Indian Chambers of Commerce and Industry and the SAARC Secretariat, was chaired by Ambassador Lalit Man Singh, eminent former Indian Foreign Secretary. Delegations, all led at Ministerial level, included the working classes of SAARC Foreign Ministries, senior members of corporate sectors, think-tanks, economic research institutes, members of civil society including women’s groups and the media. I was privileged to participate as a recycled ex-SG/SAARC. Dr. Montek Singh Ahluwalia, Vice Chairman, India’s Planning Commission made the keynote address covering development options open to the region.

The Forum, in effect now, has been officially institutionalized as a virtual operative working arm of SAARC. Its deliberations and decisions can play a direct role in SAARC rather than merely presenting parallel views without impact on Governmental policy making/implementing processes.

The second preparatory SAARC encounter for the Addu City Summit was in Malé (October 2010). Apart from delegates of SAARC governments and other representative organizations, five former SAARC Secretary Generals with matured memories of their experiences were present. Dr. Rodolfo Severino, former Secretary General of the Association of South East Asian Nations (ASEAN), Dr. Thomas Roe of the European Union (EU) and ADB representatives also participated, making presentations on their respective organizations, working methods and outreach. The inaugural session was addressed by the then Maldives President, Mohamed Nasheed.

Dr. Saman Kelegama, Executive Director of the Institute of Policy Studies (IPS) and I, respectively chaired two Summing-up Sessions of this Consultative Meeting on Strengthening SAARC’s Institutional Mechanisms. He dealt with proposals to accelerate progress towards the SAARC Economic

Union. I dealt with SAARC's myriad, not all very effective, institutional organs, mechanisms, procedures and decision-making processes. Consensual recommendations emerging were reported, in summary form, for consideration of the Government of Maldives, which as host of the Summit, was preparing the initial draft Declaration for discussion, amendment and eventual consensual adoption in Addu City.

The third Conference was in Kathmandu (October 2011), developing upon the two preceding encounters and was organized by the Centre for South Asian Studies (CSAS) in cooperation with the Global Partnership for Prevention of Armed Conflict (GPPAC) and the Regional Centre for Strategic Studies (RCSS). Its theme, appropriate for the Addu Summit was "Building Bridges and Promoting People to People Interaction in South Asia". I need not go into detail on the Kathmandu conclusions as most participants here today are briefed of them.

The 17th Summit benefitted from the three preludes in New Delhi, Malé and Kathmandu, where "multiple players of the region" had already made known their varied concerns and proposals on SAARC's future. The Addu City Declaration concisely covered many consensual approaches towards economic integration and the eventual goal of the South Asian Economic Union, as well as on promoting vital people to people interaction in South Asia. Following are comments relating to the main decisions in the Addu City Declaration and prospects for their eventual implementation.

The first relates to complex bilateral issues still affecting cooperation among member states. SAARC was established as late as 1985, compared to other regional organizations such as the European Union (established in 1957); the African Union (1963); and the Association of South East Asian Nations (1967). I recall an aspect of a conversation in the 1960s between then Indian Prime Minister Indira Gandhi and a United Nations official who enquired why India had reservations about the establishment of a South Asian Union/Association. She had responded that any South Asian association may give opportunities for India's neighbours "to gang up against India". The official censored his personal view that he detected regional concerns that India also may "bang down against her neighbours".



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The SAARC Charter, eventually adopted, thus precludes “bilateral and contentious issues” being taken up at its meetings and ensures that all decisions be reached by consensus. At Addu, adequate time and opportunities were provided for private quiet consultations on sensitive bilateral issues between countries concerned, ensuring a calmer, more conducive atmosphere at other Summit meetings for consensual, region-centric agreements on the Declaration. Bilateral complexities include lingering legacies from the region’s colonial past; border disputes; religious and ethnic differences erupting across borders; cross-border terrorism and blame-games attributing responsibility for prevailing economic disparities.

Second, progress towards the eventual goal of a South Asian Economic Union by 2020 continues to be slow despite signing of the South Asian Preferential Trading Agreement (SAFTA) and South Asian Free Trade Agreement (SAFTA). The Addu Declaration directs the SAFTA Ministerial Council to “intensify efforts to fully and effectively implement SAFTA and the work on reduction in Sensitive Lists as well as early resolution of non-tariff barriers”. The Declaration directs the South Asian Forum, (given its working status now, representing a wide range of interests and actors in the field of economic cooperation), to “work towards development of a Vision Statement for the region”, including “on the goal and elements of a South Asian Economic Union”. Beyond declaratory assertions, much more requires to be done, through serious practical action, to deal realistically with many obstacles including bloated “sensitive lists”; extensive non-tariff barriers; corporate and other road blocks and detours; trust-deficiencies and restricted economic passage across politically volatile borders, all of which hamper functional economic connectivity. At the Summit, Indian Prime Minister Dr. Man Mohan Singh formally declared that “complete normalization of trade relations will create huge opportunities for mutually beneficial trade within South Asia” conceding that “India has a special responsibility that flows from the geography of our region and the size of (India’s) economy and market.” He announced that India had issued a Notification reducing the number of items on its own Sensitive List for the Least Developed Countries under SAFTA from 480 tariff lines to 25, with zero basic customs duty access for items taken off the Sensitive List.

Pakistan, at the end of February, approved “switch-over” to a negative list regime for India, moving to granting Most Favoured Nation status to its neighbor by year-end. In consequence, India would be able to export around 6,800 items to Pakistan, as against 1,950 at present. Indian External Affairs Minister Krishna welcomed the decisions as “bringing economic content into the political relationship”.

Third, effective practical connectivity in the services sector and resource management needs to be developed. The Declaration directs SAARC Finance Ministers “to chart a proposal that would allow for greater flow of financial capital” for long term regional investment. In the transport sector, the Declaration calls for conclusion of the Regional Railways Agreement and for an early “demonstration run” of a container train linking Bangladesh, India and Nepal. An India-Sri Lanka Ferry Service, temporarily halted, will be resumed. The SAARC Secretary General has been directed to complete preparatory work for a more extensive Indian Ocean Cargo and Passenger Ferry Service. Tourism is developing well, linked to aviation services. Sri Lankan Airlines, for example, has more landing rights in India than any other airline. The SAARC Travel and Tourism Fair will be held in Kuldhuffushi, Maldives together with the 12<sup>th</sup> SAARC Trade Fair this year with plans to promote the entire region, globally, as “Destination South Asia”.

Fourth, the Declaration urges action on the Framework Agreement for Regional Energy Cooperation, including electricity and the SAARC Market for Electricity. Hydro-powered electricity is already a major export of Bhutan. At the Summit, Pakistan Prime Minister Syed Yusuf Gilani indicated the importance of developing “a region-wide approach on water issues, including water-shed management and glacier melting”. Bangladesh Prime Minister Sheikh Hasina proposed “institutional cooperation of coriparians of the Ganges and Brahmaputra river basins to facilitate integrated development and management of water resource which would nourish agriculture and consequently benefit a billion people in the region” including their access to safe drinking water. Beyond declarations of intent, all these need to be followed up in practical action.

Fifth, the Addu Declaration dwells on “the plurality of cultures and diversities within the region”, emphasizing the “need to promote inter-cultural harmony through greater contact and interaction between peoples”. At intellectual levels, bilateral agreements do exist for student exchanges and mutual recognition of academic and university degrees. The Leaders at Addu urged expediting action to extend such exchanges across the region, to harmonize academic standards and to establish “long term linkages” among regional universities, research institutes and think tanks to enhance understanding, particularly among the youth. Maldives hosted the Summit in Addu Atoll, located in the Southern Hemisphere, not only to signify the geographic diversity and extent of the region, but more so its socio-cultural and religious diversity-spread, described in some of its promotional material, as reaching “across 100 languages, across 10 major religions, across one-fifth of world population, across the lowest lying islands (Addu Atoll) to the highest mountains.”

Sixth, the Thimphu Declaration welcomed all member-states evolving into “multi-party democracies”, complete with challenges thus faced for “ensuring effective, efficient, transparent, accountable governments”. The 2009 SAARC Conference of Ministers of Parliamentary Affairs had called for further measures ensuring greater devolution of power, at grass roots level, to ensure active participation of the people in decision-making and implementation. Where this fails, public protests, mass demonstrations, sometimes of a violent, disruptive, destructive nature could erupt. Sri Lankan President, Mahinda Rajapaksa at Addu stated that evident now is “a mood of urgency, even impatience because a large and influential part of our societies consist of young people, inspired by new ideas, looking forward with enthusiasm to a promising future. They cannot wait long. Patience is not infinite”. Nepali Prime Minister Dr. Baburam Bhattarai at the Summit said, “the increasing gap between rich and poor has given way to enormous stress on social harmony peace and security in the region. The challenge demands that poverty alleviation strategies be comprehensive, and socio-economic processes more people-centred and justice-based”.

Seventh, the draft Declaration initially presented at Addu had extensive references to human rights. However, given misuse of “Human Rights” to

justify interventions in internal situations by some non-regional states for their own strategic and economic advantage, the Declaration eventually confined itself to re-affirming a generic reference to “peace, confidence building, liberty, human dignity, democracy, mutual respect, good governance and human rights”. Nevertheless, it did correctly focus on “fundamental rights of women and girls” as “an inalienable part of universal human rights”, directing an Inter-governmental Expert Group to discuss practical mechanisms ensuring women’s empowerment and gender equality. It also directs decisive work on finalizing a Regional Convention against Trafficking of Women and Children for Prostitution for adoption at the next Summit in Nepal.

Eighth, SAARC needs to develop wider global perspectives. India is co-partner with the world’s second largest economy, China, in what is now described as “The Asian Century”. “A Shared Vision for the 21<sup>st</sup> Century”, bilaterally declared in 2008, now guides their action. All nations in the current uncertain global context, are in varying degrees, coping with extreme exigencies impacting, respectively, on their Economies, enervated Environments, Energy shortages, Emigration and Extremism leading to non-traditional security threats. A SAARC Agreement on Rapid Response to Natural Disasters was signed. Much of the exigencies have been caused by human greed, environmental abuse, excessive “liberalization” and corporate laxity. In the capitalistic free world, corporate czars like Mr. Madoff, made-off with millions. Bhutan’s Prime Minister, Jigmi Thinley spoke at the Summit of the planet “employing our genius and technology to extract more, and faster; sell, and consume more; waste, and pollute more; in our singular aim for material gain and mistaken symbols of success”. These have aggravated socio-political disparities, fuelling mass resistance even in Wall Street. These border on revolt even revolution. Opportunities arise for outsiders to even “facilitate”, if not engineer, regime change in some countries. Such intrusions sometimes aggravate situations, tragically leading to systemic socio-economic collapse affecting millions of entrapped civilians.

Ninth, economic connectivity needs to extend beyond South Asia as well. ASEAN’s economic success was facilitated by its planned association

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with China, Japan, and Republic of Korea called “The +3” arrangement. “The 3” have Observer status in SAARC. So do Australia, Iran, Mauritius, Myanmar, European Union and United States of America. China, Japan, ASEAN and European Union have already had seminar interactions/dialogues with SAARC for mutually beneficial cooperation. China has also contributed to the SAARC Development Fund. The Addu Declaration calls for the long overdue “comprehensive review of all matters relating to SAARC’s engagement with Observers” before the Council of Ministers next meets.

Tenth, coordinated international action against globalized corporate criminal activities posing extensive non-traditional security threats in the Indian Ocean Region (IOR) should be a major priority. Sri Lankan ports, geographically in the virtual centre of the IOR, provide strategic economic connectivity between East Asia, South-East Asia and the West. Terrorism across the IOR collaborates with globalised criminal cartels specializing in people-smuggling, illegal arms-transfers, drug-trafficking, “kappan” collections, passport/visa/credit-card fraud and cyber crime. Some residual rumps of the terrorist Liberation Tigers of Tamil Eelam (LTTE) have re-branded/sanitized themselves as assorted “global” movements to conceal collaboration with criminal cartels. The LTTE had provided intelligence to Somali pirates to intercept /attack maritime traffic traversing the IOR. Somali pirates pose security and livelihood threats to Indian, Maldivian and Sri Lankan fishing communities. The Addu Declaration has urged initiation of work towards combating maritime piracy in the IOR and calls for early conclusion of the Comprehensive Convention on International Terrorism in the concerned UN Committee headed by Dr. Rohan Perera of Sri Lanka.

Finally, focusing inwards on the efficacy of SAARC’s institutions, working methods, staffing and financing, the Addu Declaration called for strengthening SAARC structures, including the Secretariat in Kathmandu, and the many Regional Centres, “through an inter-governmental process”. Welfare of permanent staff members in the Secretariat and “an objective system” to encourage and reward “outstanding performance” now under consideration also requires attention.

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# SAARC Towards Meaningful Cooperation: Remedial Roadmap

*Shamshad Ahmad\**

## **I. Conceptual Re-orientation**

Besides political commitment and deeper engagement on the part of its member-states, SAARC needs a new result-oriented conceptual framework and operational culture consistent with the regional ground realities. It must adapt itself to the new realities even if it means re-writing of its basic Charter.

All institutions are susceptible to change and improvement. A serious review of the Charter is needed in the light of experiences of the past twenty-seven years to overcome its shortcomings and outdated elements, especially the provisions on “principles of cooperation, inter-governmental structure, financial arrangements and general provisions concerning decision-making.”

The objectives of SAARC as set forth in its Charter represent a “common vision” which should continue to guide regional cooperation in a holistic manner, while striking balance between ambition and the region’s peculiar environment and operational capacity.

Regional cooperation strategy must be formulated and pursued with political will and commitment of the member states and while pursuing economic cooperation, proper synergic coordination between the regional and national plans and programmes of action should be developed through a ministerial level common mechanism, e.g. Regional Planning Council.

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\* Ambassador (retd.) and former Foreign Secretary of Pakistan.

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The foremost priority must be to ensure that we have our regional perspective clearly drawn, our goals and priorities pragmatically defined and our wherewithal appropriately geared towards the realization of our declared regional objectives.

### **II. Attitudinal Change**

No other region in the world is today in greater need to redirect its energies and resources to eradicate poverty and to improve the quality of life of its people. We don't have to establish or run after foreign-funded "funds" or "aid mechanisms" that always tend to cripple nations' initiative and drive and retard their urge for self-reliance.

SAARC must find ways to work together towards the agreed common vision. This would require an attitudinal change both at the national and regional levels to move from "declaratory stance" to an "implementation mode" equipped with necessary means and resources.

SAARC's regional approach must move from the realm of ideas to goal-based actionable plans with focus more on implementation of the pledges already made rather than proliferating new pledges and non-implementable commitments. Synergies must be built between regional plans and national endeavors by accepting 'country ownership' for implementation of all regional action plans, and their over-all coordination and follow-up.

SAARC's capacity to deliver on its ambitious agenda has been seriously conditioned by its systemic limitations and operational handicaps. It must be re-oriented both structurally and operationally in order to enhance its effectiveness as a dynamic vehicle of regional cooperation. Business as usual approach will not do.

The focus must shift from meetings-oriented approach to result-based pragmatic cooperation. It is time SAARC reviewed its practice of having unproductive meetings and inflating its archives with voluminous documents. Instead of being keen on signing too many agreements, a more focused attention is needed for serious result-based follow-up and implementation on the decisions already made.

### **III. Enabling Environment**

Conflict is the last thing the region needs. Given the unique political history of South Asia and the particular social and cultural proclivities of its inhabitants, this region needs stable peace, not confrontation. It needs a co-operative approach towards the resolution of contentious issues through dialogue, not the perpetuation of hegemonic ambitions, which generate disputes. This approach requires responsibility, restraint and statesmanship on the part of all regional and extra-regional stakeholders.

For an enabling environment, South Asia must free itself of tensions, conflicts and confrontations and escalating military budgets. For peace and tranquility in the region efforts will have to be made to promote mutual trust, confidence-building and conflict resolution. SAARC could be an appropriate forum to generate mutuality of interest and common benefit in regional approach.

Like ASEAN, this Association should also establish a regional political forum, called “South Asia Regional Forum” to reinforce intra-regional process of “confidence-building, preventive diplomacy and peaceful settlement of disputes” and also to institute inter-regional cooperative linkages with its relevant counterparts in other regions as common factor of global peace and security.

### **IV. Operational Readjustment**

As a matter of general principle, all regional programmes and activities should be based on a realistic evaluation of the socio-economic situation of the region supported by latest economic data and information. Pre-feasibility and feasibility studies shall be undertaken prior to approval of all projects.

Greater attention and allocation of GDP ratio to education at national levels as a means of steering the member-states to development and modernity. Health, including basic health facilities, population welfare and community development must also remain priority areas.



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Special efforts towards regional cooperation should be concentrated for the next ten years in three priority areas of Trade, Energy, and Services Sector.

In other fields of cooperation, the already agreed activities, depending on their feasibility and mutuality, may continue to be implemented. These activities should however be consolidated and streamlined. Meanwhile, at this stage, no new programmes and projects in areas other than the above-mentioned three priority areas should be undertaken.

Sustainable development and poverty eradication must remain the over-arching goals of SAARC with Millennium Development Goals (MDGs) integrated into time-bound national development plans and growth strategies. It must reconcile its priorities with basic socio-economic needs of the people, especially in the social sector.

Trade must be viewed as a means of development and not an end itself. While efforts need to be made for the elimination of restrictive barriers to mutual trade and the opening of markets in the region on the basis of “fairness and equity,” we must also ensure that the process of SAFTA’s operationalization remains linked with the region’s development strategies.

The trend of reaching bilateral agreements in SAARC has completely stalled the progress of agreements conducted under SAARC initiative. Political differences among members and India’s favorable trade offerings outside SAARC are undermining the regional process. No wonder, despite the fanfare generated by SAPTA and SAFTA, intra regional trade remains at a dismal 3% level.

The success of SAFTA will depend on the fairness and equity with which this process is carried forward. Trade liberalization that does not ensure equitable benefits to all countries of the region with special deferential treatment for the small and LDC member-states might be difficult to sustain.

Special effort with concrete practical steps, especially on the part of the region’s sole predominant economy would be needed to prevent any

negative fall-out of the free trade arrangement on the relatively smaller and less-protected economies of the region.

To enhance Intra-SAARC business and trade, adequate infrastructure is needed for transportation of goods. Regional banking facilities and mutual certification measures and standards might help expedite intra-regional business transactions.

Non-Tariff Barriers are restrictive to trade and not only add to costs but also increase time for delivery. Subject to “enabling environment” a review of this situation would be desirable.

In order to augment SAARC’s capacity to serve as a catalyst in the economic and social development of the region, we might consider the possibility of establishing a South Asia Trade and Development Bank which could also facilitate SAFTA’s operationalization.

In order to attain the overall objective of the Association to expand intra-regional and inter-regional trade, the following measures may be considered:

- i) Progressive removal of trade barriers within the region keeping in view the experiences of other regions, global economic trends and international commitments undertaken by the member states.
- ii) Joint efforts to gain freer access to markets outside the SAARC region for the raw materials and finished products of the Association’s member-states.
- iii) Creation of a mechanism for managing intra-regional trade relations consistent with WTO rules and disciplines and common approach where the region’s interest are at stake.

In the energy sector, transit facilitation measures for oil and gas pipelines and other energy resources including access to international markets should be pursued in keeping with the region’s interests without succumbing to outside pressures for vested interests.

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SAARC member-states should also explore the feasibility of inter-linkages of their power-grids to be able to enter into mutually acceptable arrangements for sharing their power surpluses and shortages.

### **V. Non-Governmental Role**

Increased engagement of non-governmental stakeholders, including NGOs, civil society and the private sector in realization of SAARC goals and objectives will not only help bridge the mental divide, created by governmental policies and propaganda, between the peoples of the region but will also give an added impetus to the process of regional cooperation.

SAARC should promote good governance, democracy, “political socialization” and rule of law as the preferred norms for the region.

Private sector participation should be encouraged in the regional cooperation projects and measures be taken to promote mutually beneficial joint ventures in the region.

Freedom of movement should be allowed for more people to people contacts across the SAARC borders and the visa regime in South Asia must be more open.

Besides simplifying and facilitating travel within the region, we must also promote people-to-people contacts, business and cultural exchanges, and cooperative linkages among educational institutions in the region.

An effort could also be made to build on our common civilizational assets and experiences, cultural affluence and mutuality of values and interests.

### **VI. Functional Methodology**

Decisions in SAARC are contingent upon unanimity. Combined with existing political rivalries, the rigid insistence on unanimity on all decisions makes negotiations a cumbersome exercise often leading to a barely palatable compromise. This aspect needs to be rationalized by restricting the principle of unanimity to vital issues, whereas decisions on other matters should be taken on the basis of simple majority of the total membership

provided that the remaining members choose to abstain and/or are not against the decision.

### **VII. Structural Reinforcement**

SAARC's "structural reinforcement" needs coherent modalities and effective mechanism for follow-up and implementation. Some of the proposed measures are:

- a) Hierarchically, the highest authority must remain with the heads of state and government who should meet biennially or as and when necessary to provide political impetus to the regional process.
- b) SAARC's organizational structure should have fewer but more decisive organs, comprising:
  - i) A high-level standing body, 'SAARC Troika' comprising the outgoing, the current and the next Chairmen of SAARC as its members at the level of heads of state and government should be institutionalized as political mechanism to evaluate and facilitate the implementation of major regional projects and decisions.
  - ii) The Council of Ministers (COM) comprising the foreign ministers of member states should continue as at present, meeting twice a year with the responsibility the formulation of Association's policies; reviewing progress; and deciding on new areas of cooperation.
  - iii) A new ministerial body, 'Regional Planning Council' comprising Finance or Planning Ministers of the member-states should be constituted to prepare and coordinate regional plans, and to review progress in their implementation.
  - iv) The Standing Committee with foreign secretaries as its members should continue to operate with the same mandate.

- v) A Council of Permanent Representatives (CPR) should be constituted in Kathmandu with SAARC ambassadors to Nepal or any other resident or non-resident official accredited to SAARC Secretariat on behalf of the member states to function as permanent coordinating body for overseeing implementation of SAARC decisions and action plans.
- vi) The present Technical Committees and any other Committees or ad hoc groups should be abolished. Instead, the CPR should have three Functional Committees (Economic, Social and Cultural) at expert-working level to meet on regular basis at the Secretariat in Kathmandu.
- vii) The SAARC Secretariat should be reinforced as a dynamic and action-oriented organization, like any other international organization, equipped with adequate professional, financial and technological resources as well as requisite operational tools to enable it to “respond effectively and professionally to its increasing responsibilities” in promoting regional cooperation in South Asia.
- viii) As a matter of policy and normal practice, all SAARC meetings at functional level, except the Summit and Council of Ministers meetings, should be held at the SAARC Secretariat in Kathmandu unless a member-state specifically offers to host a particular meeting.

#### **VIII. Inter-regional Cooperation**

SAARC must seek closer linkages with other Asian regional organizations, namely, ECO, ASEAN, and Shanghai Cooperation Organization (SCO), to explore areas of common interests and build complementarities for mutual beneficial inter-regional cooperation, especially trade, energy and transport and communications.

Efforts should be made to enhance collaboration with all relevant organizations of the UN system including trade and finance institutions for capacity-building of SAARC in its regional endeavors.

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## SAARC: Towards Meaningful Cooperation

*Meera Shankar\**

South Asia, home to more than 1.5 billion people, has struggled to develop the connective tissues of substantive cooperation in the region. There were a number of factors which held us back in the past. Today, we need to look ahead, with an eye in the future, not dwell in the past. In the 27 years that the South Asian Association of Regional Cooperation has been in existence there has indeed been some positive movement in terms of norm setting, consensus that economic and social development must lie at the heart of SAARC's efforts and the conclusion of specific agreements such as SAFTA giving flesh to this consensus. Yet, as we look at this quarter century, it would be fair to say that the promise and potential of regional cooperation is still to be fulfilled.

The imperative for strengthening regional cooperation has never been stronger. In the globalized world of today, countries seek to enhance collective strength and advantage through strengthening regional linkages and cooperation. The prevailing uncertainties in the global economy further underscore the need to nurture regional synergies and complementarities. The circumstances today are more conducive to regional cooperation as all SAARC member countries move down the sometimes meandering path of democratic reform and institution building. While there are states in uncertain transitions, the *zeitgeist* or spirit of the times is towards greater democracy and openness. There is also a greater convergence of economic policies with a more market oriented approach which sometimes recognizes

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\* Former Indian Ambassador to Germany and the U.S. and former Joint Secretary (SAARC), Ministry of External Affairs of India.

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the importance of state intervention for fostering development and promoting inclusive growth.

Economic cooperation lies at the core of SAARC's mandate, recognizing the positive developmental impact of trade expansion and the role that it can play in building stakes in mutual prosperity across borders. Given this, economic cooperation must continue to be a priority and SAARC's efforts could meaningfully focus on how to impart greater substance to the agreements already signed, such as SAFTA, concretize new agreements on the anvil in the area of investment and services expanding cooperation to new areas with potential particularly energy and some specific projects for development of the requisite physical infrastructure to catalyze regional and sub-regional cooperation. The active participation of the business community in this process needs to be encouraged as does the involvement of civil society to provide the impetus for sustaining and expanding regional ties.

SAFTA, which came into force in January 2006, provides a framework for trade liberalization and phased tariff reductions by SAARC member states with the objective of bringing down tariffs from 0 to 5 percent by 2016 with the least developed countries having the flexibility of longer time-frames. While total trade under SAFTA has increased from 4.5 percent in 1995 to around 5.5 percent today, the pace of expansion has been slow and relatively modest. One of the key tasks before SAARC must, therefore, be to see how SAFTA can be energized and made a more effective vehicle for trade expansion in the region and to pursue further measures required towards forging broader economic cooperation. There are several steps which would have a positive impact.

Firstly, the maintenance of extensive sensitive lists, which are outside the scope of SAFTA tariff reductions, has acted as a real constraint to the trade generating impact of SAFTA. While member countries have recently revised and brought down their sensitive lists, they still encompass almost 20 percent of trade and a very large number of products, continue to be excluded. Pruning the sensitive lists further must be a priority. Pakistan's recent decision, in principle, on MFN trade with India and adoption of a

negative list approach is a positive step and one, which should, hopefully, impart fresh momentum to the SAFTA process. India, on its part, has committed in the recent SAARC Summit last October to reduce its sensitive list to only 25 for all SAARC LDCs. Non-tariff and para-tariff barriers would also need to be addressed, along with a reduction in the sensitive lists.

Two, trade cannot flourish in the absence of regional connectivity and adequate transport linkages which are the vital arteries through which commerce flows. South Asia must develop and build the roads, rail lines, and inland waterways and shipping links which would allow the movement of goods and people smoothly across frontiers. Strategic transport corridors have been identified and could be implemented, with priority being given to missing links. For instance, the Addu Declaration calls for an early demonstration run of a container train linking India, Bangladesh and Nepal. Conclusion of SAARC regional transport agreements to facilitate movement of trains and vehicles across borders would provide the complementary software to operationalize these corridors.

Third, while various measures for trade facilitation have been in discussion under SAFTA, the agenda is somewhat overloaded, leading to tardy progress. SAARC would do well to pragmatically focus on implementing those trade facilitation measures, on a priority basis that would provide momentum to trade expansion in the region. Among these would be the harmonization of customs procedures and documentation, improved infrastructure for test and certification and simplification of visa procedures for business travel.

Fourth, promotion of investment of investment flows within the region would be a vital element of regional economic development and integration. The protracted negotiations on a SAARC Investment Protection and Promotion Agreement need to be expedited and brought to conclusion. Alongside, intensified promotional efforts with the business community would help concretize investment opportunities. Indian businesses are increasingly looking outward and South Asia would be a natural place for attracting greater investment given political confidence and a facilitative investment environment.



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Fifth, the services sector holds great promise. While the framework South Asian Trade in Services Agreement has been concluded to gradually open up trade in services, its operationalization has been slow with member countries reluctant to go beyond their WTO commitments. Negotiations could pragmatically focus on deeper opening of selected sectors with greatest potential to benefit SAARC member states, such as tourism and education.

Sixth, the Energy sector has been identified as one with considerable potential for common benefit. Opportunities for energy trade and investment across borders need to be harnessed through appropriate policy frameworks and the development of the necessary physical infrastructure, such as points for electricity exchange.

Seventh, the SAARC Development Fund, whose utilization has been slow, could be effectively used to catalyze one or two projects for infrastructure development to intensify economic cooperation at a regional or sub-regional level, for instance development of some of the missing transport links for regional connectivity. This would provide a tangible manifestation of the benefits that SAARC can provide.

In view of the geography of the region and in view of the size of its economy, India recognizes that it has a special responsibility in fostering trade and investment cooperation in the region. This was affirmed at the highest level by Prime Minister Man Mohan Singh at the recent SAARC Summit in Addu City and this approach informs India's policy. India's rapid economic growth can be a motor propelling the regional economy. At the same time, SAARC Member States must develop the habit of cooperation and adopt a pragmatic approach to forge more meaningful cooperation.

In the security field, terrorism poses a significant challenge to all SAARC member states. The SAARC Convention of Terrorism and the Agreement on Mutual Legal Assistance on Criminal Matters, provide a legal framework for countries in the region to cooperate more closely in meeting this challenge. However, efforts at cooperation have languished in the absence of the requisite political will. Giving effect to these two SAARC Conventions through domestic legislation should be a priority but, equally,

efforts must focus on forging effective practical cooperation, through better exchange of information, sharing of best practices and cooperation in bringing perpetrators of terrorism to justice.

A major criticism of SAARC has been the absence of civil society involvement which would sustain and propel cooperation forward by building grass-roots support. The initiation of the South Asian Forum addresses this gap, to some extent and as former SAARC Secretary General Nihal Rodrigo has pointed out, contributed significantly to the preparations for the Addu Summit. There is popular enthusiasm to forge regional links as the burgeoning regional organizations of professionals in various fields- from literature to medicine- would indicate. This is a process which needs to be encouraged as do track-II processes to enhance understanding and build mutual confidence.

In conclusion, let me say, that there is greater optimism today that South Asia will be able to build a better future, characterized by the potential of cooperation rather than the constraints of mutual suspicions. The task before leaders, policy planners and opinion makers is to sustain and accelerate this process.

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## Driving SAFTA: A Myth or Reality ?

*Purushottam Ojha\**

### **1. Background**

The first concrete proposal to establish a model for regional cooperation emerged in May 1980 with the encouragement of Bangladesh's former President, Zia ur Rahman. His idea was realized five years later as the South Asian Association for Regional Cooperation (SAARC) was established on December 1985 following the signing of its charter by the head of the states or governments of seven member countries in Dhaka. The main objectives of this regional block were; to promote the welfare of people of South Asia and improve the quality of their life, accelerate economic growth and social progress and cultural development, and promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields, among others. Afghanistan joined this regional group as its eighth member in 2007.

Economic cooperation lies in the core activities of SAARC. Several institutional mechanisms were set up under the regional cooperation arrangement in order to enhance the economic linkages among the member countries. The initiatives to trade integration saw a debut with the signing of South Asian Preferential Trade Agreement (SAPTA) in 1993. This agreement mainly focused on liberalization of trade in goods through a positive list approach and in a phased manner which initially started with the negotiations on product by product basis. Three rounds of negotiations were held between 1995 and 2000 whereby around 5200 products at six digits customs classifications were brought under the ambit of tariff

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\* Secretary, Office of the Prime Minister and Council of Ministers. Government of Nepal.

reduction. But, these could not make any breakthrough in increasing intra-regional trade in South Asia. These were mainly attributed to shallow tariff cut, concessions confined to non-tradable items, lack in across the board tariff reduction and on a sector wide scale. Besides, the provision of special and differential treatment in favor of least developed countries, technical support for capacity building of least developed countries and removal of para-tariff and non-tariff barriers largely remain unimplemented pursuant to the provisions of the agreement.

South Asian Preferential Trade Agreement could not be an effective instrument for realizing the dreams of regional integration, primarily in absence of related trade facilitation measures in the form of customs cooperation, transport connectivity, harmonization of standards, transit facilitation and most importantly the stringent rules of origin criteria. As a result, the level of intra-regional trade was around 4.5 percent in 2000 even with the exchange of concessions among member countries. Nepal and Bhutan as least developed member countries largely remained out of the SAPTA framework as the bilateral concessions extended by India to these countries outpaced the concessions available under the regional trade agreement. Market entry barriers in other member countries were too high.

## **2. Emergence of South Asian Free Trade Area (SAFTA)**

The persistence of protectionist approach among member countries, lack of substantial tariff reduction measures, outright exclusion of large sectors of trade from tariff reduction, domestic crises, and tense relations between India and Pakistan, caused SAPTA to fall short at its very inception. Hence the Tenth Summit held at Colombo in 1998 directed the officials of the member countries to initiate the negotiation for establishing a free trade area in the region as the successor of SAPTA. In pursuant to this, a Committee of Experts (COE) took up the task of drafting the text of the agreement in a series of meeting organized by the Secretariat and the final draft was ready in the Seventh round of negotiations held at Islamabad in 2004. Following the negotiations, the SAFTA agreement was signed by the foreign ministers of the member countries during the Twelfth Summit in Islamabad.

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The objective of the SAFTA agreement is to promote good competition in the free trade regimes and provide equitable benefits to all countries as party to the agreement. It aims to benefit the people of the member countries by bringing transparency and integrity among the nations. It also aims at increasing the level of trade and economic cooperation among the SAARC community by reducing the tariff and non-tariff barriers and at the same time providing special preference to the Least Developed Member Countries (LDCs). In order to realize these objectives, the agreement envisaged the instruments of; trade liberalization schemes, rules of origin, bi-cameral institutions of Committee of Experts and SAARC Ministerial Council, consultation and dispute settlement mechanism, and safeguard measures. Besides, the long sensitive list, trade related technical assistance and revenue compensation to least developed countries also formed a part of the SAFTA agreement.

The trade liberalization program forms the core element of SAFTA agreement. The member countries are required to follow the tariff reduction schedule. There should have been a fall to 20% tariff from the existing tariff by the Non Least Developing Countries and 30% reduction from the existing tariff by the Least Developing Countries by 2008 during the first phase of implementation. The second phase would require bringing down tariff 0-5 percent level by 2016 with the flexibility of slow reduction and longer time frame to the least developed countries. But trade liberalization scheme will not be applied for the sensitive list because this list is to be negotiated among the contracting countries and then to be traded. Sensitive list will also involve common agreement among the contracting countries favoring the least developed contracting countries. The Committee of Experts is mandated to review the sensitive list with a view to reducing the number of items in the basket.

Every country has maintained sensitive lists that preclude tariff concession. The member countries recently revised the sensitive lists and brought it down by 20 percent. As of January 1, 2012, Bangladesh has 987 products on the sensitive list for the Least Developing countries and 993 for the non-Least developing countries. India has 25 items on the sensitive list for the LDCs and 695 for the non-LDCs. The Prime Minister of India

announced during the Seventeenth SAARC Summit in Malé on October 2011 that India will reduce the Sensitive List and maintain only 25 items in the six digits of customs classification for all LDCs of SAARC. Bhutan has 150 items for both the LDCs and non-LDCs and has no plan of shortening its list. Nepal has 998 for the LDCs and 1036 for the non-LDCs which was reduced from the previous list of 1295. Pakistan now maintains 936 in its sensitive list but Sri Lanka has 845 products in the sensitive list for the LDCs and 906 for the non-LDCs. Afghanistan list contains 850 items on the sensitive list for both LDCs and non-LDCs.

The SAFTA agreement confers the origin status either to the wholly produced items in the territory of the member states and/or to the manufactured items on two principles; value added and changes in customs tariff heading (CTH) at four digits or Sub-heading (CTSH) of six digits level of customs classifications. The first rules specify the requirement of domestic value addition of 40 percent in general and 30 percent for the least developed countries. The second rule requires substantial transformation with a change in customs tariff heading at 4-digit level and 6 digits level and third rule requires the products to remain out of the ambit of insufficient working or processing. Tariff preferences will not be available to the products under the sensitive list.

Dispute settlement mechanism with two tiers of institutions, namely Committee of Experts and SAFTA Ministerial Council (SMC) is constituted to look into the trade disputes, in case amicable settlement could not be found between the contracting parties through the process of mutual consultation. Besides, technical assistances and revenue compensation to the least developed member countries are the built in arrangements of SAFTA. Both of these measures aim at supporting the vulnerable economies by providing specified percentage of revenue loss caused due to reduction of normal tariff and also at the same time enhancing trade related and strengthening supply side capacity in order to give them a level playing field in regional trade.

The agreement also outlines a number of facilitation measures to enhance intra-regional trade and complement SAFTA process for mutual

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benefits. These among others, include; harmonization of standards, reciprocal recognition of test and certifications, simplification and harmonization of customs documents and procedures, import financing, development of transport infrastructures and communications, transit facilities, removal of impediments to investments and simplification of business visa. Regional mechanism to address the trade facilitation issues are being instituted particularly through the instruments of group on customs cooperation, SAARC Standard Coordination Body, SAARCSTAT, SAARC Finance, working group on transportation and regional multi-modal transport study. Moreover, the negotiation on regional investment protection and promotion agreement is almost complete and likely to be signed in the forthcoming SAARC summit to be held in Kathmandu.

Establishment of SAARC Chamber of Commerce and Industry (SCCI) in 1992 is another important initiatives to promote business to business collaboration and advise SAARC bodies on matters of economic interest to the member countries. Its membership includes almost all major national chambers of the South Asian countries. SCCI brings together business leaders, academia, government representatives to exchange ideas and discuss the trade and economic issues like trade facilitation, market access, non-tariff barriers, investment promotion, tourism and empowerment of women etc. They have constituted ten different sector specific councils under the SCCI. These are in textiles, SMEs, agriculture, construction, water, energy and climate change, food security, information and communication technology, shipping, tourism and hospitality and women and youth entrepreneurship.

Despite of the fact that SAFTA came into force in January 2006 as the successor of South Asian Preferential Trade Agreement (SAFTA), the complete assimilation of SAFTA into SAFTA would take a ten year period. The concessions available under SAFTA will be available until the completion of the trade liberalization program in 2016.

It is widely accepted that SAFTA process has moved forward in a slow pace in comparison to similar regional trading arrangements. The total trade under SAFTA reached around 5.5 percent from 4.5 percent over a

period of 15 years from 1995. The following table shows the exports under SAFTA since the launching of trade liberalization program.

Table-1  
**Exports under SAFTA**

(Value in million USD)

Country/Year	2006	2007	2008	2009	2010	2011
Bangladesh	0.0	15.4	99.3	199.8	236.7	NA
India	0.0	3.8	9.0	315.2	369.6	NA
Maldives	0.01	0.0	0.0	0.0	0.0	0.0
Pakistan	0.05	0.57	31.8	43.5	56.1	NA
Sri Lanka	0.0	0.02	0.04	0.6	0.45	0.10
Total	0.06	19.79	140.14	369.1	662.85	NA

- Note: 1. The figures for 2011 are not available.  
 2. Source: Report of the Seventh Meeting of the SAFTA Committee of Experts, Islamabad, 14-15 February 2012, SAARC Secretariat, Kathmandu.  
 3. Nepal and Bhutan are not exporting under SAFTA.

The above figure reveals that India, Bangladesh and Pakistan are emerging as the big players under SAFTA trade as their export has gone up during the later years of trade liberalization or duty reduction. Afghanistan is the late comer as its trade liberalization under the regional trade agreement has started only in August 2011. It is obvious that the trade of Nepal, Bhutan and Sri Lanka is insignificant or do not exist as these countries trade bilaterally with the biggest player India under the bilateral free trade area agreements.

### 3. Nepal and SAFTA

Nepal has actively participated in the rule making of the regional trading arrangements from the very beginning. The tariff reduction schedule was followed by Nepal starting in August 2006, as part of the annual budget announcement of the government. However, Nepal has not yet started exports under SAFTA as the provisions under the bilateral trade agreement with India were favorable in comparison to the provisions contained in the regional trade agreement. There is no trade creation effect for Nepal with the rest of the member countries mainly due to inclusion of the tradable



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items in the sensitive list, lack of transport connectivity, non-tariff barriers, *inter alia*, lack of mutual recognition of test and certifications and customs harmonization.

Trade support mechanism under SAARC is moving forward albeit in slow progress and Nepal is participating in these endeavors. The group on customs cooperation is working toward harmonization of customs procedure and customs classifications, South Asian Regional Standard Organization (SARSO) has been established and a coordination body of standards has also been created by the member countries. This coordination body is working towards creating SAARC standards of various tradable goods and the national standard organizations are upgrading their facilities to meet the test and certification required by the regional standards. In Nepal, capacity enhancement of the laboratories of Nepalese Bureau of Standards and Metrology (NBSM) and Department of Food Technology and Quality Control (DFTQC) is being taken up with the technical assistance of European Union and PTB Germany.

The transport working group under the economic cooperation of SAARC is also dealing with the issues of transit and transport connectivity. The SAARC Regional Multi-modal Transport Study (SRMTS) was completed in 2007. This study identified 10 different road corridors, five rail corridors, sixteen aviation gateways, ten maritime gateways and two inland waterways transport for increasing connectivity within the region. The second meeting of transport ministers identified projects to link Afghanistan, Pakistan, India and Nepal on a pilot basis. Besides, it has recommended concluding a regional transport agreement in order to facilitate the cross border movement of transport vehicles.

Non-tariff barriers are becoming burdensome towards increasing free, fair and fast trade in the region. South Asian countries are maintaining various measures according to their national trade policy objectives that often restrict the flow of trade. These among others, include; sanitary and phyto-sanitary Measures (SPS), technical regulations (TBT), import licensing, export price restraints, safeguards, anti-dumping and counter-vailing actions, minimum import price, market labeling practice, port

restrictions, quantitative/ marketing restrictions, packaging requirement and so on. The SAFTA agreement requires the Contracting States to notify the SAARC Secretariat all non-tariff and para-tariff measures to their trade on an annual basis which is reviewed by the Committee of experts in its regular meetings. Nepalese trade has been non-starter under SAFTA partly due to presence of these non-tariff and para-tariff barriers.

India is the single largest trading partner of Nepal in South Asia. Of the total Nepalese exports to SAARC countries, India occupies around 88 percent, Bangladesh ranks second position with 9 percent and Bhutan ranks third with around 2 percent. The rest 1 percent export is to other remaining South Asian countries. Similarly, of the Nepalese imports from South Asian countries, India's share is more than 99 percent; Bangladesh 0.4 percent and imports from the rest of South Asian countries are negligible. (TEPC: 2011).

Nepal has the bilateral preferential trade agreement with India. Two other agreements, namely treaty of transit and the agreement of cooperation to control unauthorized trade are important legal instruments to conduct the overall international trade of Nepal. Treaty of transit is vital in order to ensure the transit right and enable third countries trade to and from Nepal. The treaty allows Nepal to use the ports of Kolkata and Haldia for Nepalese transit traffic. Meanwhile the agreement of cooperation to control unauthorized trade, envisages border control and policy measures to check smuggling and informal trade across the international border between Nepal and India.

Nepalese export to India increased seven fold between 1996 and 2002 as major changes were introduced in the bilateral trade treaty in 1996 with a view to facilitate Nepalese exports. However, restrictions in the form of stringent rules of origin criteria, tariff rate quota in four products, and safeguard measures were imposed during the revision of treaty in 2002. Nepalese exports demonstrated some growth during the period 2002-07, however, it has stagnated thereafter basically due to further liberalization of Indian trade under the bilateral FTA or unilateral preferences accorded to least developed countries. The announcement of duty free tariff preferences

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(DFTP) scheme by Government of India allows all LDCs around the world to get zero tariff preferences while exporting their goods to Indian markets. Let alone this arrangement is sufficient to roll back the export performances of Nepal due to preference erosion on one hand and non competitiveness of Nepalese products at the other.

Nepal has signed bilateral trade agreements with Bangladesh, Pakistan and Sri Lanka during 70s and 80s on a most favored nation basis. However, the provisions of these agreements have become obsolete in context of being a part of WTO. A separate transit treaty signed between Nepal and Bangladesh in 1976 provides transit routes through four land border crossings and two seaports, namely Mongla and Chittagong for use of Nepalese transit traffic. However, these ports largely remain unused by Nepal due to procedural hassles and infrastructural deficiencies.

Advancing the pace of regional integration would certainly help to increase welfare at wider scale thereby casting shadow on the bilateral arrangement. In the case of Nepal, preferences available under the bilateral agreements are either eroded or have become obsolete in the context of changing dynamism of international or regional trade. Hence, the contemporary trading regime demands for making an introspection and realistic assessment on the merits and demerits of participations at bilateral, regional or multilateral process and adjust the national trade policies accordingly.

### **4. Issues related with regional integration**

SAFTA agreement was supposed to accelerate the economic growth, deepen cross-border trade and investment and enhance welfare gains to the economies in South Asia. However, trade is still languishing around five percent as contrary to the higher level of integration in other trading blocs like ASEAN, NAFTA, Mercosur and EU. A study done by USAID in 2005 argues that the combination of politics and protectionism are the factors behind low level of growth of trade in South Asia. The bitter disputes between two big economies of South Asia, India and Pakistan over the territorial issues cross border terrorism and water distribution cast a

shadow on economic issues. Besides, all countries in the region pursued economic development by adopting import substitution rather than export promotion strategies, and the hangover of the protectionist approach is still rampant among the policymakers in our countries.

India has a central role in advancing the trade agenda and economic integration in South Asia. Recent figure shows that Nepal, Bangladesh and Sri Lanka, respectively received 55%, 20% and 15% of their total imports from India, while their import volumes covered a small share of Indian exports. As a share of total exports, Indian trade flows to neighboring sub-regional economies did see a small increase in the 1990s, from 3% in 1990 to 5% in 2002. These improvements were not universal. However, unilateral non-discriminatory tariff liberalization was carried out on a most-favored-nation basis. This evidence suggests that a cohesive and profitable free trade agreement in South Asia is possible in the short-term.

There have been some positive developments in increasing economic collaboration between India and Pakistan in recent months. Pakistan recently scrapped a system of allowing imports of fewer than 2,000 items from India. It moved instead to a “negative list,” which bans around 600 items from India but allows trade in all other goods. However, it is said that trimming the negative list will be contingent on India's reducing nontariff barriers to trade, such as complicated labeling requirements that effectively restrict imports from Pakistan. Anyway this is a step-by-step approach to normalize the trade relations between the two countries. This is expected to have positive implications to regional trade.

The issues of poor performances of intra-regional trade in South Asia is attributed to a number of factors like large sensitive list, para-tariff and non-tariff measures, inadequate transport connectivity and trade facilitation, cumbersome visa rules and regulations, inadequate technical support to LDCs, and non-operational revenue compensation mechanism, among others.

The flow of cross border investment is impeded due to policy constraints and lack of adequate incentives. Nepal is mired in political transition pending the completion of peace process and drafting of a new

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constitution in accordance with the spirit of second people's movement of 2006. The investment climate in the country had deteriorated due to decade long armed conflict waged by Nepal Communist Party (Maoist). Improvement in the law and order situation, resolution of labor related problems and power shortages and policy stability are key determinants in improving the investment climate in the country.

The regional agreement on protection and promotion of investment has been negotiated since several years but not yet finalized. This agreement could serve as an effective instrument to facilitate the intra-regional flow of investment which in turn would promote production and exports thereby increasing complementarities on trade.

Trade in services is another important area where the South Asian countries can benefit from the liberalization process. A thriving services sector is vital for all countries. High rates of investment and economic growth associated with services can contribute to poverty alleviation and human development when the right policies are in place to overcome the supply side constraints and ensure economy-wide development gains from services and services trade. South Asia possesses immense potentials in services trade, particularly in the areas of energy, tourism, education, health, information and communication technologies, financial services and professional services. SAARC countries have made commitments to liberalize trade in services, though lately, by signing the South Asian Trade in Services (SATIS) agreement in 2010. However, the negotiations that kicked off recently places request and offer principles as game card of negotiations. Since this is a positive list approach of liberalization, the negotiators need to be very prudent and careful to protect the interest of domestic services providers. Protection has remained the prime agenda rather than taking account of increasing welfare gains, impact on revenue, employment and income to the people at large.

Protection of intellectual property right (IPR) is often a neglected part in the south-south trade agreements as these countries normally lack creativity and new innovation through research and development. However, it is argued that inclusion of IPR in the trade agreements

encourages invention of new technology and upgrading of the existing technologies and promotes investment in research and development. Moreover, it also harbingers the increased flow of capital, technology and skills in participating countries. Despite of the fact that six SAARC countries are parties to TRIPS agreement of WTO by default, the enforcement of IP right at regional level is still not considered by the member states.

### **5. The Way Forward**

It is normally accepted that the expansion of trade could act as a powerful stimulus to the development of national economies, by expanding investment and production, providing greater opportunities of employment and help securing higher living standards for their population. There are some potential sectors that can largely benefit the South Asian countries in terms of increasing overall efficiency and enhancing regional trade. The study done by USAID suggested four areas namely, agriculture, energy, textile/apparel and tourism where the region has the greatest potentials of contributing to the overall economic development of the region. Highly protective trade policy in agriculture, particularly in India, Pakistan and Bangladesh is a deterrent in unleashing the potentials of agricultural growth in the region. Hence, tariff on agriculture should be rationalized. There should be a common approach and strategy in supporting the farmers and producers in the region and inter-dependency should be promoted in order to ensure the supply of food and agricultural goods in a predictable and equitable manner.

Nepal and Bhutan possess immense potential for developing hydro-power which can be traded across the border for meeting the growing demand of energy in the region. Similarly, the untapped gas reserve of Bangladesh and Pakistan can supplement the supply of energy if right choice of policies could be pursued by the member countries. This requires a broader policy framework for opening up long-term regional energy trade and investment opportunities.

The trade in textile and apparels has remained volatile to the South Asian countries, particularly after the phase out of Multi-fiber Arrangement (MFA) in 2005, triggering tough competition in the European and

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American markets. In the post MFA setting, India, Bangladesh and Sri Lanka were the net gainers while Nepal lost its 80 percent market share due to non-competitiveness of Nepalese garments. As such, South Asia itself is a big market for consumption of apparel and textile and also the big export houses to supply the products elsewhere around the world. India and Pakistan are also the big producers of cotton, textile yarn and fabrics. Reduction of duties and taxes, promotion of intra-industry trade, upgrading of technology and size of investment and incentive schemes for textile and apparel industries are some strategic measures that need to be pursued at the regional level to harness the benefit of existing potentials.

South Asia possesses immense potentials in tourism development as the trade in services. The age old culture, historic monuments and sites, natural beauty and diversified ecological setting, and the corresponding flora and fauna makes the region a vantage point for tourism. Besides, South Asia is also regarded as the melting pot of various religions, languages and culture. With the liberalization of tourism sector and joint effort to promote potential sites of tourism, collective marketing, and facilitating cross border movement of people will bring a qualitative change in the tourism industry in the region. This will ultimately benefit both the developing and the least developed countries of South Asia.

Leaders of South Asia started SAFTA process emulating the vision of making South Asia a common market by 2020, escalating through the ladder of customs union and economic union. However, the process of regional integration has been too slow to achieve this ambitious target. Hitherto, the experience demonstrates that hurdles in the path towards an active and functional free trade agreement are essentially political in nature and is contingent upon political relations among the partnering countries. However, the positive signals that are coming due to recent development in the economic sphere between India and Pakistan shows light at the end of the tunnel. Making SAFTA a meaningful regional trading bloc will require a pragmatic vision and political commitment of the leaders of South Asia. Here are some suggestions to drive the regional integration process to the right direction and achieve free, fair and faster trade.

*Get deeper integration by cutting down the number of products in the sensitive list.* Even after the implementation of SAFTA, the numbers of sensitive list of some countries are hovering around 20 percent of the total products range of customs tariff classifications which is deterrent to regional integration. Every country has resorted to include most of the agricultural products in the sensitive lists. The numbers should be brought down substantially, with an approach of facilitating agricultural trade and SME products. This will help to increase agricultural trade and realizing the efficiency gain of the member countries. Along with this, there should be an effective mechanism of ensuring uninterrupted food supply to the people in all member countries that in turn will allay the fear of food insecurity, hunger, starvation and malnutrition.

*Bring down all non-tariff and para-tariff barriers to low levels.* A reflection of countries' economic policy is expressed in terms of NTB and PTB measures. However, these are largely trade restrictive. Hence, the member countries should consider in removing those barriers in a less trade restrictive manner. Harmonization of standards, upgrading of test and certification facilities, and mutual cooperation for enhancing the best production practices are some of the strategic measures to be pursued to remove all kinds of barriers to trade. The member countries should consider prohibiting the NTMs and PTMs that are not notified in WTO.

*Implement the provisions of revenue compensation mechanism and trade related technical assistance.* These two components are integral part of SAFTA agreement but largely remain unimplemented. The developing countries India, Pakistan and Sri Lanka have the onus to implement these provisions and support the least developed countries of SAARC. The Committee of Experts (COE) has not even discussed these issues seriously. The agreement provides for direct compensation to the least developed countries for loss of revenue due to tariff reduction for some years of trade liberalization process, while there seems to be unwillingness on part of non-LDC to provide such compensation. The implementation of technical assistances for enhancement of the trade related capacity of LDCs remains poor. This will erode the confidence of the least developed countries in the whole process of trade and economic integration.



*Enhance the negotiation under SATIS and demonstrate tangible results in opening trade in services.* South Asian Trade in Services (SATIS) is an offshoot agreement of SAFTA and the member countries are in a bid to open service sector in a gradual manner with a positive list approach. The negotiation process is slow and the member countries are not willing to go beyond WTO commitments. The services sector in the regional trade agreement should go beyond WTO if the objective of integration is to make the region an industrial hub of the globe. Pragmatism would be in focusing some potential sectors of services and carry on intense negotiations to harness common benefit rather than dispersing the areas of coverage. Such common agenda could be tourism, health, education, scientific research and information and communication technologies.

*Finalize and implement the regional agreements on protection and promotion of investment.* Facilitation of investment is of utmost importance for increasing production and manufacturing. SAARC Investment Protection and Promotion Agreements (SIPPA) are in the offing and the Committee of Experts has carried out several rounds of negotiations to come to a consensus. Still, the agreement is not finalized. It is very much relevant that this agreement need to be finalized and brought to implementation for facilitation of intra-regional investment. SAARC Multilateral Agreement on Avoidance of Double Taxation signed in 2005 and SIPPA should go hand in hand for promotion of intra-regional investment that complements and promotes intra-SAARC trade and economic cooperation.

*Focus on trade facilitation agenda.* The SAFTA agreement has identified several trade facilitation agenda which among others, include; harmonization of standards, mutual recognition of test and certifications, accreditation of laboratories, simplification of customs clearances and procedures, customs cooperation, harmonization of import licensing, import financing, development of transport and communication infrastructures, transit facilities, especially for the land-locked countries and simplification of business visa and so on. However, there is little progress in facilitating trade with the implementation of these provisions, albeit some works are being done at the technical level. In view of the long list of trade facilitation agenda, the member countries should focus on some critical issues on a

priority basis that can provide impetus to intra-regional trade. Those areas would be;

- Harmonization of customs procedures and documentation and use of electronic data interchange (EDI) system.
- Introduction of paperless trade and single window (SW).
- Upgrading of quality infrastructures for test and certifications.
- Simplifications of business visa through expansion of SAARC Visa Exemption Scheme.

*Increase transport connectivity by developing physical infrastructure and concluding the regional transport agreement.* SRMTS has identified the strategic transport network covering the various mode of transport namely, road, railways, maritime and aviation gateways and inland waterways transport. In the initial phase, the member countries should work together to increase connectivity through development of road and railways corridor, with a priority to connect the landlocked countries and then move to other destinations. First, the missing links in the form of bridges and the road and railway lines need to be developed and secondly, there should be application of multi-modal transport system and conclusion of regional transport agreement for facilitation of cross-border movement of transport vehicles and their crew in order to bring those corridors to operation.

*Consider switching over to SAFTA from the bilateral trade agreements:* South Asian countries have entered into bilateral preferential trade agreements in order to facilitate the flow of trade between those countries. Such agreements exist between India-Sri Lanka, Pakistan-Sri Lanka, India-Bhutan, Bangladesh-Bhutan and India-Nepal. Now India is a member to various regional trade agreements and bilateral preferential trade agreements. It has also announced duty free tariff preferences scheme for all LDCs around the world as those countries will get duty free access in the Indian markets by 2013. For a landlocked LDC like Nepal, the impact is a double whammy. First, there is gradual erosion of preferences due to reduction on MFN tariff in India and secondly, competition has increased as competitors of similar goods have entered into Indian markets. With the announcement of a very short sensitive list (retaining only 25 items) by

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India, the provision of SAFTA now seems to be more conducive in comparison to Nepal-India bilateral treaty of trade. Similarly, bilateral agreements concluded by other South Asian LDCs with India also lost its relevance in the context of liberalization of trade by India under SAFTA. Now, time has come to consider switching over to regional trade agreement and make the regional effort meaningful as bilateral agreements seem on the path of gradual phase-out.

### 6. Conclusion

Countries of South Asia must strive to emulate the achievements of Southeast Asian economies, European Union and Mercosur that have succeeded in achieving economic integration by opening their economies to trade, especially with their neighboring countries. The pursuit of mutual economic interest must be prioritized over political harmony. Economic integration can lay the ground for bringing peace to the conflict-ridden region. Improvement in the trading relations between the two major players of South Asia in recent months has given a hope for SAARC to proceed in the right direction. This political momentum for regional integration needs to be maintained. South Asian policy makers must realize that if regional welfare gains are to be achieved, animosity must be put aside. Thus viewed, a reasonable case exists for the creation and gradual strengthening of SAFTA. As these economies grow and economic complementarities begin to develop, the countries of South Asia will find that SAFTA can offer a potentially significant contribution to their progress.

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## SAFTA: Today and Tomorrow

*Faiz Sobhan\**

### **Introduction**

On January 6th, 2004 the South Asian Free Trade Area agreement became a reality at the 12th SAARC summit in Pakistan. At the time it was hoped that the birth of a free trade zone in South Asia would be a great success. The SAFTA group consisting of India, Bangladesh, Pakistan, Sri Lanka, Nepal, Bhutan, Maldives and Afghanistan (which joined SAFTA effective from 7 August 2011) comprises an area which has a great deal of potential and has generated much attention due to its relatively rapid economic growth.

The 25-article SAFTA agreement replaced the original SAARC Preferential Trading Agreement (SAFTA) of 1993. The SAFTA agreement was implemented only after confirmation of compliance by the governments of its original seven member countries.

However, although the region represents 22 percent of the world's population, it contributes to only about one percent of world trade, two percent of the world's GNP (Gross National Product) and accounts for about 40 percent of the world's poor.<sup>1</sup> This is due mainly to the various regional differences amongst the countries in the region. The SAFTA agreement was originally intended to come into force by 1<sup>st</sup> January 2006 and into full effect by 31<sup>st</sup> December 2015. However, before doing so, it would have to complete four formalities:

- 1) promulgation of sensitive lists
- 2) negotiation on rules of origin
- 3) finalization of revenue loss compensation mechanism and,
- 4) ratification of Agreement by all member states.

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\* Research Director, Bangladesh Enterprise Institute, Dhaka.

With the exception of item four, these issues are still being negotiated.<sup>2</sup> The member countries also committed to co-operate on trade, finance and investment to establish an integrated South Asian economy eventually leading to a South Asian Economic Union.

Since the launch of the Trade Liberalisation Programme in July 2006, there has been some progress. Exports under SAFTA have seen significant growth.<sup>3</sup> Under the Programme, the non-LDCs Sri Lanka, Pakistan and India agreed to reduce their tariffs to 0-5 percent by 2013 and LDCs of SAARC would reduce their tariffs to 0-5 percent by 2016.<sup>4</sup> However, the trade liberalisation programme does not apply to the sensitive list because this list is supposed to be negotiated among the contracting countries and then traded.

The explicit understanding under the terms of the SAFTA agreement was that it would produce tangible economic benefits in terms of trade and investment amongst all the SAARC member countries. However, due to political tensions between India and Pakistan and protectionist measures such as the use of non-tariff barriers, SAFTA has unfortunately failed to materialize into the great success it was envisioned to be. It is estimated that a staggering 55 percent of the total potential for intra-regional trade in South Asia has not been fully exploited.<sup>5</sup>

### **South Asia as a Trading Bloc**

According to the World Bank, the cost of trading within South Asia is one of the highest in the world. Furthermore, anti-trade policies that were put in place a few decades ago still continue to this day. Intra-regional trade among SAARC countries accounts for only 5 percent of its trade with the rest of the world. By contrast, intra-regional trade among ASEAN member states accounts for 25 percent, among Mercosur member states in the Latin American trade bloc accounts for 16 percent and among European Union member states accounts for 65 percent of their respective trades with the rest of the world.<sup>67</sup>

For SAARC's smaller economies, such as Bhutan or landlocked Nepal and Afghanistan, intra-regional trade can help achieve economies of scale

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and increase economic growth. Geographical proximity, shared values and cultural heritage among member states can also contribute to enhance intra-regional trade, reduce political tensions and bring closer cooperation. Intra-regional trade can also aid in low carbon emissions and reduce transport costs compared with trade between, for instance, SAARC member states and Europe. However, the key to increasing trade is to have the right environment and supporting infrastructural facilities. These can help to multiply trade between several of the member states, including India-Pakistan, India-Bangladesh and Afghanistan-Pakistan.

On a positive note, Pakistan for the first time allowed import tariff concessions to Afghanistan under SAFTA on imports of around 4,809 items starting from February 1, 2012. There are now five countries designated as LDCs under SAFTA after the inclusion of Afghanistan. Afghanistan would therefore be allowed to export goods to Pakistan at 5 percent customs duty, and duty in excess of 5 percent would be exempt on any imported goods.<sup>8</sup>

Although over the years there have been several attempts to increase intra-regional trade through bilateral and regional trade agreements, India's exports to other SAARC members have remained sluggish over the last decade. Its import share has also declined. SAFTA has also failed to deal with other trade barriers affecting growth of intra-regional trade flows.<sup>9</sup>

A number of structural problems have also contributed to low intra-SAARC trade. Furthermore, transaction costs have increased due to restriction on transit movement of goods. If such problems are tackled successfully, there can be an exponential growth in intra-SAARC trade such as allowing goods and services to move seamlessly across the region. For instance, Indian goods are not allowed into Afghanistan via Pakistan. Similarly, Pakistani goods are not allowed to go to Bangladesh or Nepal via India. For trading with Bangladesh, only Nepal and Bhutan have received transit rights from India.<sup>10</sup>

### **Recent Positive Developments with SAFTA**

In January of this year, the Indian Foreign Secretary Ranjan Mathai told a summit of SAARC business leaders that SAFTA trade had touched \$1.4

billion, constituting some 10 percent of intra-regional trade in the past six years.<sup>11</sup>

At the same summit, Prime Minister Manmohan Singh announced that India would reduce its sensitive list to 25 tariff lines (from 480) LDCs in the region. The Foreign Secretary stated that almost all goods from the five SAARC LDCs would get zero basic duty. He asked for greater access for Indian goods into neighbouring countries and also sounded a cautionary note on non-tariff barriers.<sup>12</sup>

For SAARC leaders, it is evident how much importance they are giving to SAFTA. In its 20-point Declaration statement at the last SAARC summit at Addu in Maldives, the first point was on SAFTA which stated,

*“To direct the Safta Ministerial Council to intensify efforts to fully and effectively implement Safta and the work on reduction in Sensitive Lists as well as early resolution of non-tariff barriers and expediting the process of harmonising standards and customs procedures.”<sup>13</sup>*

The Indian Prime Minister said at the Summit that non-tariff barriers were an area of concern and promised India’s commitment to removing them.<sup>14</sup>

Today the majority of trade between India and Pakistan, SAARC’s two largest economies, is conducted through Dubai, but if trade restrictions are removed, trade between the two countries can increase from \$2.7 billion (in 2010-11)<sup>15</sup> to US\$9 billion<sup>16</sup>.

In December 2011, the Pakistan government approved the starting of negotiations on a mutual recognition agreement and preferential trade agreement (PTA) under SAFTA. During their sixth round of trade talks in New Delhi, the Commerce Secretaries of Pakistan and India agreed that both sides agreed to move towards enhancing the PTAs under the SAFTA process.<sup>17</sup> Under SAFTA, Pakistan agreed to reduce its sensitive list by 20 percent and would allow tariff concessions on a further 233 items in February 2012. Pakistan had agreed with India over finalising and notifying



its negative list initially by the end of February 2012 but had to postpone it.<sup>18</sup>

Pakistan also announced this February that it had finalised 1,297 items to be put on the negative list. Currently, 1,936 items can be imported from India while an additional 3,575 lines will be opened for imports at MFN Plus (SAFTA Tariffs).<sup>19</sup> India, on the other hand, has said that it was likely to allow more items at a lower duty rate, liberalise the visa regime and start the process of drafting a preferential trade agreement to return Pakistan's favour of granting MFN status to India. There are reports that the government was considering allowing more textiles and garments, agricultural products and cement from Islamabad at lower duties to increase trade between the two countries. While India granted Pakistan the MFN status in 1996, Pakistan did not reciprocate as it feared that its markets would be inundated by Indian goods. The MFN status will benefit the export of a number of items from India, including textiles, cotton, vegetables, coffee, tea and spices. In return, Pakistan expects India to remove non-tariff barriers such as inspection, quarantine, testing and certification for products and perishable items.<sup>20</sup>

All SAARC members have agreed to reduce their sensitive lists by at least 20 percent and were supposed to have begun tariff liberalization on these products on 1 January 2012. Although developing country members of the SAFTA have reduced their tariffs to 0-5 percent for the products of LDCs since early 2009, SAARC's share in its global trade remains far below its potential. The large size of SAFTA sensitive lists has been one of the impediments in enhancing intra-SAARC trade under SAFTA. However, in the case of Bangladesh, in FY 2009-10, less than 50 percent of exports in non-sensitive items were conducted under SAFTA. In the case of imports, a similar situation exists.<sup>21</sup>

Another major obstacle in boosting intra-regional trade has been non-tariff measures. Accordingly, in the first meeting of the SAFTA Ministerial Council a sub-group on NTMs was established. It is expected that the SAFTA committee of experts will take the appropriate steps allowing for the removal of a number of bottlenecks caused by NTMs. Furthermore, the

South Asian Regional Standard Organization will address issues relating to standards and once it begins its activities in earnest, all impediments in trade associated with standards are expected to be removed.<sup>22</sup>

### **The Way Forward**

At the time of the launching of SAFTA, SAARC leaders discussed the idea of a South Asian Customs Union in 2015 and a South Asian Economic Union in 2020. However, setting such an ambitious agenda has meant little in reality when SAFTA itself has failed to become the success it was envisioned to be.

In the past two decades, however, intra-SAARC trade has made slow but gradual progress. In 1990, intra-SAARC trade was US\$1.59 billion and increased to US\$6.53 billion<sup>23</sup> in 2001. After another decade, in 2010-11, it had increased to \$14.35 billion.<sup>24</sup> However, according to a 2008 study jointly undertaken by the Asian Development Study (ADB) and United Nations Conference on Trade and Development (UNCTAD), trade under SAFTA could be increased to US\$85 billion.<sup>25</sup>

Proponents of regional trade under SAFTA argue that SAARC countries share similarities in their economic structures, export portfolios and demographic profiles. Under regional cooperation, these congruencies can give rise to economies of scale and access to larger markets. A region which experiences robust economic growth should in theory, move towards trade liberalisation and integration. Unfortunately, economic integration by SAARC member countries has been hampered by a number of factors including inefficient customs and borders procedures, weak infrastructure, high transport-tation costs and political differences.

One of the first steps member countries can undertake is to focus on reducing the very high level of protectionist measures within the region, which is greater than with the rest of the world. In addition, measures need to be undertaken to reduce the time taken to export from and into South Asia. On average, it can take more than 33 days to export from South Asia compared to 12 days from OECD countries. While importing into South Asia can take more than 46 days compared to 14 days for OECD

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members.<sup>26</sup> There also needs to be greater diversity in terms of products and markets of exports of SAARC countries.

India is the largest member of SAARC both in economic and geographic terms and has emerged as not only a regional but a global power. For the smaller countries in South Asia, including Bangladesh, Nepal, Bhutan and Sri Lanka, India is their largest trading partner, particularly in the case of imports in goods as well as services, such as medical care and education. Despite this, India's trade with its neighbours in SAARC has been disappointing and has accounted for approximately 2.6 percent of its total trade.<sup>27</sup> Even though trade volumes have increased in recent years, there are much greater opportunities for trade to prosper under SAFTA. Being the largest and most vibrant economy, India's role to invigorate regional trade would give a much needed boost to SAFTA.

SAARC member countries have begun to realize the importance of reducing the negative or sensitive list of items in SAFTA to revitalize flagging intra-regional trade. At a meeting of the Working Group on Reduction of the Sensitive List under the SAFTA in September 2011, Bangladesh declared that it would reduce the sensitive list by 246 items for LDCs and 248 items for non-LDCs. India meanwhile announced that it would shorten the sensitive list by 46 textile items, which are of particular importance to Bangladesh as was declared by Prime Minister Singh in Dhaka in September 2011. Experts have opined that small countries like Bangladesh will benefit enormously from the elimination of sensitive lists. Although recent efforts to reduce the sensitive list by Bangladesh and India are encouraging, the fact remains that the sensitive list of SAFTA comprises 53 per cent of the total trade among the SAFTA member states<sup>28</sup> and thus efforts must continue towards total tariff liberalisation within SAFTA.

SAFTA has the ability to grow but it needs to be allowed to do so by its member countries. For too long, some SAARC members have been slow in liberalizing their economies, too protectionist and mired in political conflict. The fact that there is now a process of normalization of trade between India and Pakistan is just the beginning of a series of long steps in allowing SAFTA to flourish. The vision outlined by the SAARC leaders

during the 12th SAARC summit of forming a South Asian Economic Union is quite possible and its goals of a Free Trade Area, open borders, and a common currency for the region achievable. However, for this to take place rests with member countries realizing the benefits involved in greater regional cooperation. Until now, this realization has fallen short but there have been positive developments, including on intra-regional trade, and the potential for greater trade appears promising. If we were to look at the neighbouring region of Southeast Asia there is evidence that ASEAN has worked well due to cooperation in trade and economic relations.

The fact that SAARC has survived for 27 years is a testament to its resilience as an organization. Its members believe it can work despite its legacy of conflicts and mistrust. Trust and political will can go a long way to help resolve their many differences. SAARC's member states first and foremost must consider the welfare of their citizens of a billion and half people and usher in an era of peace, prosperity and stability.

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## Afghanistan: A Potential Hub for Prosperity or Insecurity ?

*Mariam Safi\**

“We believe a stable and prosperous Afghanistan can only be envisioned in a stable and prosperous region,” a hallmark statement of the second Bonn Conference on Afghanistan, and one that should resonate through the South Asian Association of Regional Countries (SAARC). This statement correctly asserts that stability in Afghanistan and stability in the region are two reinforcing pillars; remove one and both could steadily become counter-productive. Afghanistan can play a very critical and productive role in SAARC with initiatives such as the ‘New Silk Road,’ and in the extraction of its 3 trillion dollars worth of mineral deposits. SAARC too can effectively assist Afghanistan by creating a political and economic environment that facilitates political cooperation and security stability between SAARC borders. An unstable Afghanistan will continue to have adverse effects in the region preventing it from contributing constructively to the region, while hindering connectivity in the region. The 16<sup>th</sup> SAARC summit had declared the next decade as a ‘Decade of intra-regional connectivity,’ however continued destabilization in Afghanistan would have serious implications for achieving this.

The depth of Afghanistan’s contribution to SAARC will largely depend the stability of its economy, government and security. The ground reality in Afghanistan shows a strong insurgency, a security transition process riddled with doubt and an ambiguous peace process coupled with growing

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\* Political Analyst on Afghanistan and South Asian affairs & former Deputy Director of the Centre for Conflict and Peace Studies, Kabul.

international and regional dichotomies on a resolution to mitigate the Afghan conflict.

Afghanistan is currently in the midst of a security transition process, which will see security shift from NATO-ISAF to Afghan National Security Forces by end of 2014. Facilitating the transition process is the peace and reconciliation initiative, which aims to reintegrate foot soldiers while reconciling the top-strata of the insurgency to reach a peace settlement. The primary objective of these two processes is to create the groundwork for a stable and secure transition in the years after 2014. Both processes presented Afghanistan with a final opportunity to create the necessary conditions to transform international support so as to reinforce a viable democratic state. However, presently both are endowed with challenges that could prove successful in the short-term but could also render them ineffective in the long run. In order to understand these challenges, we can begin by first examining the opportunities set forth to assist Afghanistan in the post-2014 era in the what was the all important 2<sup>nd</sup> Bonn Conference; which was the follow up to the 2002 conference that set the stage for the democratization of Afghanistan. By assessing the opportunities of success as Afghanistan attempts to meet its obligations under Bonn II, while taking note of the implications of its failure to do so, will help highlight to a degree the potential scope and limits of Afghanistan's contribution to SAARC in the next decade.

Held on 5 December 2011, the 'International Afghanistan Conference' in Bonn, Germany (popularly known as the Bonn II) marked ten years of nation building in Afghanistan. Ending with several key conclusions and promises, the Bonn conference set the framework for Afghanistan's path to self-reliance. Moreover, the conference can prove extremely relevant for determining the kind of role Afghanistan could assume within SAARC if the promises made are upheld by Afghanistan and its international and regional allies. The fundamental importance of Bonn II lies in the support Afghanistan garnered from 100 delegates representing 90 nations, all of whom affirmed their commitment to Afghanistan for another decade. The international communities commitment to Afghanistan beyond 2014,

represents renewed support shifting from the decade of transition to a decade of “Transformation” in Afghanistan {2015-2024}.<sup>1</sup>

The promises made in Bonn II by the Afghan government and its international allies concerned governance, security, economic development and regional cooperation. With regards to governance, Afghanistan promised to improve the functionality of its service and security institutions to reflect a political system upholding its pluralistic society and safeguarding human rights and the rule of law. In relations to security, continued support in the shape of training, equipping and financing of Afghanistan’s security forces beyond 2014 was requested by the Afghan government and affirmed by the international community. Furthermore, the delegates regarded terrorism as continuing to pose the main threat to Afghanistan and regional stability and thus urged for a “result-oriented”<sup>2</sup> regional cooperation to mitigate it. In terms of the peace process, the region was once again highlighted as having an important role to “respect and support the peace process and its outcome”<sup>3</sup> if the process is to be successful.

Additionally, with regards to economic and social development, the Afghan government introduced the ‘Self-Sustaining Afghanistan’ strategy, which was welcomed and sought as a means to shift Afghanistan’s dependence on aid to self-reliability. In this process, the international community asserted that it would continue to support Afghanistan in areas such as rule of law, public administration, education, health, agriculture, energy, infrastructure development and job creation.<sup>4</sup> Moreover, referencing regional cooperation, Bonn declared that Afghanistan’s bilateral and multilateral relationships should be lodged on mutual respect, non-interference and sovereignty with a long-term focus on developing Afghanistan into a well-connected and economically integrated region; where Afghanistan can assume the role of a land bridge connecting South Asia, Central Asia, Eurasia and the Middle east.

The Afghan government left Bonn victorious as it achieved its objective of securing the international community’s long-term commitment towards Afghanistan. Analysts concurred with the Afghan government, suggesting that a sound strategy was developed from Bonn II and that this would put to



rest local security concerns directed at the withdrawal of NATO-ISAF and the prospects of declining international aid if donors shift their focus away from Afghanistan and towards their own declining economies after 2014. However, before sounding too optimistic about the achievements and opportunities presented in Bonn II, one must caution that Afghanistan rests on a pendulum that can swing either way; stability or instability. On the one hand, if the principles articulated at Bonn are upheld, then Afghanistan has an opportunity to build the infrastructure required to expand its own economy and sustain a greater role as a connector and hub for trade and transit in South Asia. On the other hand, if the promises in Bonn II are not met then Afghanistan will spiral towards fragmentation and instability for decades to come. This scenario will see the progress made in the last decade roll back with dire consequences for the region as well.

#### **Examining Possibilities: Afghanistan's contribution to SAARC**

##### **The New Silk Road initiative**

The Silk Road, as articulated in the “Afghanistan & the Silk Road,” a publication produced by the Afghan Ministry of Information, Culture and Tourism, is an ancient highway that connected the eastern with the western world through<sup>5</sup> Afghanistan, because of its geographical position, was positioned in the middle of the Silk Road where goods came from Beijing to Bactria (current day Balkh province in Afghanistan) and then headed towards Turkey and the commercial ports of Europe. Balkh was considered the “cross center and convergence of all branches and courses”<sup>6</sup> of the 11000 km ancient highway. The Silk Road was more than a trade and transit route for tradesmen, it was also a symbol of “collective security and global peace in the ancient centuries” as it connected three empires- Han in China, Kushanid Empire in Afghanistan and Roman Empire in the western hemisphere.<sup>7</sup>

The revival of the Silk Road has been discussed for decades by those on the Silk Road and others such as the United Nations and most recently the U.S.. But it came to official formation, when U.S. Secretary of State Hillary Clinton introduced the ‘New Silk Route’ initiative with her counterpart Afghan Foreign Minister Zalmay Rassoulat the sidelines of the UN General

Assembly in September 2011. The New Silk Road would once again create trade routes between Asia and the West, while establishing modern highways, rail links and energy pipelines to facilitate it.<sup>8</sup> The initiative is part of the wider transition program envisioned by the U.S., which has already shifted its focus from stabilization projects to investment in Afghanistan. This process is intended on facilitating the withdrawal of the U.S. from Afghanistan by creating a viable environment that will give way to “spurring growth and integrating Afghanistan into the economy of South and Central Asia.”<sup>9</sup> The New Silk Road also attempts to build upon existing infrastructures already underway to reduce trade and transit barriers and ensure that commodities from Afghanistan or Central Asia transit to Pakistan, India and beyond. Existing projects such as the Afghanistan-Pakistan Transit Trade Agreement (October 2010), the Turkmenistan, Afghanistan, Pakistan, India pipeline project (December 2010), and first railway project in Afghanistan that commenced on December 2011 (running from the border town of Hairatan near Uzbekistan to the city of Mazar-i-Sharif) are areas the New initiative as taken into consideration.

SAARC can play an imperative role in revitalizing the ancient Silk Road starting from Afghanistan. With regard to SAFTA and the principle of Integration of the Least Development Countries (LDCs), the recommendations to the 16<sup>th</sup> SAARC Summit (April 2010) underscore the relevant need for such an initiative. SAARC has been highlighting the need to develop the economies of LDC’s before integrating them with the rest of the region by granting preferential measures to LDCs, however as per the recommendations there have only been ‘disappointing’ results to this effect. Therefore, the Silk Road initiative could potentially assist SAARC in addressing the problems associated with implementing preferential measures for LDCs, especially for landlocked countries, such as Afghanistan. SAARC can contribute to the New Silk Road initiative by providing guidance, advice and connecting the railways, roads and even the existing Northern Distribution Networks (NDN) in Afghanistan to the rest of the region. NDN’s, in particular can prove beneficial as well. NDN’s are transit corridors that the U.S. had established to deliver non-lethal goods to its forces in Afghanistan; these corridors will become obsolete upon NATO-ISAF’s withdrawal in

2014. Hence, authors Kuchin, Sanderson and Gordon argue that NDN's could lay the foundation for a 'modern Silk Road,' which could help stabilize Afghanistan by "linking Afghanistan with Europe, the Caucasus, and Central Asia through commercial carriers, existing infra-structure, and multiple routes."<sup>10</sup> NDN's could provide Afghanistan and potentially the region with multiple transit corridors for goods coming from South Asia to Central Asia and beyond while also ensuring security of corridors.<sup>11</sup> Though, it would prove much more costly to use these corridors for transit of goods by countries such as India and Pakistan and other countries with access to water ports, but it could still provide a cost effective alternative for granting access to the natural resources of Central Asia through Afghanistan using these existing infrastructures.

#### **Afghanistan's Natural Resources**

Based on the premise of the New Silk Road there is also the growing mineral extractive industry in Afghanistan that has the potential to help wean off Afghanistan from aid dependency. Furthermore, its mineral wealth can also help integrate the Afghan economy with that of other strong economies in South Asia. Thus, the extractive industry in Afghanistan, with an estimated \$3 trillion worth of mineral wealth, could help build a strong private sector, which will undoubtedly be required to plug the gap that the decline of international aid will create. Surveys conducted by the U.S. Geological Survey in 2009-2011 showed that Afghanistan had extensive deposits of copper, iron ore, gold, lithium, rare earths and mineral fuel resources such as coal, oil, gas and even perhaps uranium.<sup>12</sup> The extraction of these resources could create employment, economic opportunities in the private and manufacturing sector attract foreign investments and provide South Asian countries access to these much needed resources. This will in fact not only strengthen Afghanistan as it facilitates economic growth but will also give the Silk Road initiative a much need boost and strengthen connectivity among SAARC as a whole.

There have been improvements to this effect already. Afghanistan and Pakistan who signed a trade agreement last year have agreed to 'harmonize customs arrangements, institute international standards at crossing points,

work to reduce smuggling and increase government revenues.”<sup>13</sup> Another milestone that took place, and which can greatly help facilitate the Silk Road initiative was the meeting between India and Pakistan commerce ministers in September 2011 where they “pledged to normalize their countries bilateral trade relationship.”<sup>14</sup> Furthermore, the Afghanistan Ministry of Mines has also begun inking contracts with Indian and Chinese’s mining companies to begin extraction on its iron ore and copper deposits. The Indian consortium of mining companies has been given the Hajigak Deposit to develop, which carries one of the largest undeveloped iron ore deposits in the world. Projections show that Hajigak has the potential to produce steel for the next 40 years.<sup>15</sup> The Chinese, on the other hand, received the rights to the Aynak copper deposit in 2008 and recently J.P. Morgan has been given the Qara Zaghan, which has gold deposits.

The benefits of Afghanistan’s extractive industry will come if there is a downward trickle affect where local livelihood improve, government services reach all peoples, the Afghan National Security Forces are sustained, and a growing GDP is ensured. Furthermore, SAARC countries can also assist Afghanistan in this regard by providing expertise and helping the country create and connect infrastructures needed to extract and transit these resources.

#### **Examining Challenges : Afghanistan’s contribution to SAARC**

Both the New Silk Road initiative and the extraction of Afghanistan natural resources are not devoid of challenges. Most significant of all is the political and security future of the country. The new Silk Road initiative requires a fully integrated region, which is also a mandate of SAARC. However, similar to the challenges faced by SAARC, this initiative too remains hostage to political and strategic dissonance in the region. One of the impeding challenges to the Silk Road initiative, despite the obvious lack of infrastructure, is India and Pakistan’s continued rivalry. This historical rivalry continues to place obstacles impeding easy transit of commodities from Afghanistan to India and vice versa, amongst other hindrances. Moreover, Afghanistan’s on-again and off-again relationship with Pakistan too creates

an atmosphere of unpredictability and hostility, which has in the past caused for border closures and other impediments on trade and transit.

It would be misleading to assume that the extractive industry in Afghanistan has produced tangible results thus far. In fact, it is suggested that it would take years before Afghanistan could reap the benefits of its mineral wealth deposits. Experts argue that the estimated \$3 trillion are “almost entirely based on resources, not reserves.”<sup>16</sup> Reserve estimates tend to calculate the profits by incorporating the “economic, legal, social, governmental and environmental risks”<sup>17</sup> while also looking at foreign investment and job creation. However, resources estimates are “optimistic press releases”<sup>18</sup> at the most. Additionally, more daunting is the resource curse theories that have emerged with the discovery of Afghanistan’s mineral wealth where many analysts predict that revenues drawn from the resources will be dispersed on existing patron-client relations with little trickle down effect to the grassroots level. With widespread corruption in Afghanistan, it is no wonder that investors and the local population fear that extraction of these resources could act to exacerbate the conflict instead of stabilizing it.

### **Conclusion**

If post-2014 Afghanistan is not one that is secure and politically stable, then the country will not be in a position to develop its economy and will fall back into conflict. SAARC must seriously assess whether Afghanistan is able to provide security for itself beyond 2014 and determine how it can help Afghanistan in this area. Afghanistan’s security forces are quantitatively impressive but qualitatively frugal, there is little hope that they can secure the country and in particular south and south eastern regions where the country shares a 1500-mile-long border with Pakistan. In the post-2014 period, Afghanistan will require the assistance of SAARC increasingly more than in the last six years. SAARC can assist Afghanistan by building local capacities, providing expertise and using its political and economic leverages amongst its members to ensure cooperation on security and economic matters. Regional cooperation rather than international involvement will prove to be the beacon of success in Afghanistan and this must be

assessed, analyzed and further developed on by SAARC if it is to achieve greater connectivity in the decade to come.

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## Towards New Regionalism: Challenges and Stimulus for SAARC

*Dr. Sushil R. Pandey\**

### **Approaching SAARC**

The discussion intended here, though of strategic concern, will refer to the people and their ways wherever possible, particularly amongst eight member nations of SAARC (Afghanistan, Bangladesh, Bhutan India, Maldives, Nepal, Pakistan, and Sri-Lanka) which is looked upon as a forward step towards “new regionalism” beyond the formulation of simple regional framework. South Asia today is found to embrace a wide range of factors which influence people’s interactions across national/ international boundaries. Given the mid-stage of growth of the regional body, it is time to take stock of the situation. It is because of wide complexity of issues facing the region that institutional approach alone may not suffice to expedite associational programs. There are limits in such an exercise. To supplement analysis with facts, references to cultural past are drawn; and where required, the institutional approach is partly adopted in specific cases to highlight some recent trends. The approach here is not that of politicians or for that matter, that of practitioners of foreign policy. State-centric mindsets (Track I) do pose problems and people based activities (Track II) can only complement the efforts to see the regional body to grow and assume a supra-status in world affairs. Simply in the capacity of a lay observer are reflections put here. For the convenience of analysis, the study includes with defused focus both subjective and objective elements with less defined rigors of scientific methodology.

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\* Professor of Political Science and Ex-Chairman of Central Department of Political Science, Tri-bhuvan University, Kathmandu, Nepal.

## **I Regionalism**

### **1.1 The Subcontinent**

Unlike other regions of the world, the subcontinent is a distinct geo-strategic and geo-cultural concept with specific ethnic-cultural-political processes, history, and traditions – complex but not confusing. As a matter of fact, these factors are predominantly evident which make the subcontinent something of a peculiar and original contributor in world civilization. It is found to be a volatile part in the *Weltpolitik* sense; i.e. in ideologies, nationalism, and other traits of modern nation-state phenomena. To the optimists I believe we need to look at important variables that describe the regional effort of member states, particularly from the standpoint of two broad categories – “challenges” and “stimulus” – in the evolving new regionalism of SAARC; and the necessity to internalize the SAARC spirit in the national democratic culture.

### **1.2 Elements of Cooperation**

After century's long changes and upheavals, caused by both the internal and external factors, the Indian sub-continent has come to the present state: some old reigns consolidated, some new nations created, many principalities and regimes abolished and merged into a greater federal structure. The relationship amongst all these political entities is extremely complex and variable. It is now a vast land which is divided in several distinct systems, ideologies and nation hoods. Some of the typical features of the region are dispersion of resources, mismanagement, high sounding rhetoric devoid of substance, sluggish economy, precarious political stability, glamorous but ineffective leadership, lack of internal democracy in political parties, excessive party-politicization of civil society, etc. that is abundantly found.

### **1.3 Regional Cooperation in Contemporary World**

Through collective effort the conception of SAARC came into existence in order to pursue economic, political and strategic goals. All governments in the Indian sub-continent support the organization though its impact on the general public has been minimal and public support is very low. We see



SAARC has specific objectives and it is increasingly getting complex in its activities, given the rising compulsion to pull together common strategic goals. It is more disposed to grow in the larger Asian region and become a singularly unique and well-shaped body on its own sub-continental DNA base. It would be premature, therefore, and somewhat cynic, to say that SAARC will never transform into a really well-functioning body given the high tensions prevailing in most SAARC countries. Or, the focus of SAARC is indistinct as multiple activities on wide ranging issues are conceived lacking implementation. No country is free from the threat of instability whether caused by terrorism, economic downturn, corruption in governance, democracy deficit, and regional secessionist movement. The positive aspect of the Association is that every state has realized much more today the urgency to work together for common cause than when it was first conceived. Beyond the photo-up sessions, or side meetings of SAARC Heads of States and periodic quiet diplomacy at luxurious resorts in various SAARC capitals, the SAARC institution has played a significant role in advancing and committing to put together common agenda for the larger interest of the region. The meetings of Foreign Ministers and Secretaries have been regular to expedite SAARC's activities.

## **II Basis of SAARC**

With this brief account of SAARC let me move on to discuss the fundamental factors which underscore the unity and cooperation of the region and, in reverse, the negative factors imply the disunity and non-cooperation of the region. Two questions arise instantly before discussing the positive or negative factors: what is the existing political and cultural environment that influences the SAARC process and what can be said about the broader dimensions of regional security and peace which determine the success of SAARC movement?

The answer to these questions can be sought through a holistic approach which implies a comprehensive knowledge without isolating one concept or fact from the rest of the whole. Given the wide ranging activities so far undertaken by SAARC the formulations put here are hypothetical but the problems the Association faces are real and concrete which call for

rethinking of the asset at SAARC disposal and the need to restructure the regional grouping for more effective plan and programs. A close understanding of the basis of SAARC becomes essential towards a more concerted effort in corrective measures in order to realize the goals of the Association.

### **2.1 Fundamental Factors Underlying SAARC**

In order to find answers about the existing political, cultural and strategic factors underlying the SAARC structure and processes (both negative and positive) several points can be systematically covered. These points provide a support line for reflection on the prospects and challenges to SAARC. The geo-political and strategic location of SAARC territory is of great importance. The whole region and the waters surrounding it is an arena of big power games and movements which has in the last six decades, after British withdrawal, witnessed a shift towards “globalism.” Besides, the Pacific region, East Africa and a huge part of the Middle East have been influenced through increasing movements in the Indian Ocean. Also, the countries of the sub-continent, each with its own quality of relationship with the superpowers outside the region, influence deeply the SAARC process; while the internal relationship on every possible development sector of member nations determines the very structure of SAARC as a forum for regional cooperation. The increasing number of external powers as observers is indicative of this new trend.

### **2.2 Common Territoriality**

As history teaches us the natural frontiers of a territory play an important role in the interaction of peoples, evolution of cultures and multi-dimensional relations amongst human groups and organizations. The countries of this vast region have been sharing common territoriality and common climatic factors. The development of transportation and communication has shortened the distances though political processes have been slow to bridge the psychological gap. At any rate, any corner of the region is quite easily accessible from any other parts. Maldives may be somewhat an exception but the development in transport technology makes it even easier by air and water. The vicinity and possibility of regular visits of South Asian people to

different areas within the region is another important point for the better comprehension and relations. The flux of information and direct experience of people is another element potentially capable of bringing societies closer to an enlarged community.

### 2.3 Common Civilization Assets

The region is one of the most important cradles of human civilization. No history of arts, culture, sciences, religions, philosophies, literatures, etc. is complete without taking into account the contributions made by the people and cultures of our region in the past. In spite of many differences in present-day official attitudes, religions, social systems, and political setups, the people of the region carry some common imprints of the great civilizations which flourished in this part of the world. The Muslims of Pakistan or Bangladesh, the Hindus of India or Nepal, the Buddhists of Sri-Lanka or Bhutan -- all are equally proud of their old and glorious past. And, their past is closely knit with that of the others within the region. The Maldives and Afghanistan have similar background.

All ancient and major religions of humanity are to be found with this region. Many of them have their origin here; i.e. *Vedic Sanatan Dharma* (or called "Hinduism" by some), Buddhism, Jainism, Sikhism; and they are practiced in a wide variety of forms (sometimes also distorted and fanatically presented by some groups). Some of the world religions, which originated in other parts of the earth but which came to be practiced by the people of the region, entered the sub-continent much before than in many other parts. When St. Thomas (the Apostle) arrived at the coast of Kerala and Christian communities were settled in Malabar, the majority of the Scandinavians, Slavs, and other North Europeans were centuries away before their Christianization. Around 9<sup>th</sup> century A.D., Islam entered the sub-continent. Except for some political and military conflicts (mistakenly interpreted by some historians with the "Islamic invasion") we do not hear of the inter-religious conflicts between Islam and the Indian religions in the past. Most of the communal and inter-religious conflicts that we have seen are ugly reminders of the period of British colonization that still persist and

a lot of political advantages are taken from them by many political groups and ideologies.

If we try hard to differentiate the political and military adventures of individuals and groups from the religions professed by the early adventurers then it is not difficult to get rid of the distorted historical vision about Hindu/ Buddhist *via-a-vis* Muslims. History as it has been taught since British days is a distorted version, and needs correction so that the passion of communalism (and this factor affects Indo-Pakistan relations that has been festering in the Indian sub-continent only in the last hundred years) can be removed. The medieval conflicts in India were not religious wars but battles for power; and, messing with them by colonial historical interpretations, emotional ethno-centrism and fundamentalism can only lead to more confusion and distortion.

In each country within the region different religious groups and sects co-exist. In each country religious minorities may be the majority group in some other country. The Indian sub-continent has been a great land where races, religions and systems have not only met but also cooperated to form a unique civilization which is known to the whole world as the Indian civilization.

#### **2.4 Common Spiritual and Moral Values**

The cultures and social systems of peoples in the sub-continent are different in many respects but fundamental spiritual values and ethical norms which are refracted from their life-styles, myths and legends, literary traditions, arts, and philosophies are common. Traveling through the countries of the region as simple visitors, going through the literary master pieces or musical themes or analyzing the philosophical schools in this region, one realizes the common spiritual values and moral precepts.

The diverse religions and cultural origins have not created any real separation in the ethical norms and spiritual values of the people. Each religion or culture has contributed much to the making of South Asian mosaic. New elements have added new dimension to the sub-continental civilization. The spiritual and ethical treasury of the Indian sub-continent is

formed by the tribal cultures of the past and present, by the Indus Valley culture, Vedic and Bramanic tradition, by Buddhism and Jainism, by Islam and Christianity, and by various mystical and philosophical currents which surfaced as the result of blending diverse religions and cultures.

### **2.5 No Linguistic Barrier**

The Indian sub-continent displays an incredible number of languages and dialects. They also include various scriptures. There is a not a single language understood commonly throughout the region. But due to various historical and cultural reasons some languages are more widely understood than the others. And, the common civilization asset has made a small number of languages virtually the part of the cultural heritage of many. Sanskrit and Pali are two classical languages (not used today) which are part of the cultural heritage of the Hindus, Buddhists and Jains. Tibetan is a quasi-classical language for the Buddhists in the Himalayas; i.e. Kashmir, Ladakh, Nepal, Bhutan, and other parts in the North-West and North-East. The same can be said about Tamil, Kannada and Malayalam which are interrelated among themselves and have links with Sanskrit though they are not distinctly of the Sanskrit origin; they have a strong role in the literary and philosophical traditions in the southern part of the Indian sub-continent.

Among the contemporary languages, Tamil, Hindi, Urdu, Bengali, Nepali, and Tibetan are those few languages which cross their boundaries nationally and internationally. Tamil is spoken and understood not only in India but also in Sri-Lanka and in certain parts of South East Asia; and it is clearly a transnational language. Hindi is the main language of India (officially speaking) because the largest number of people in North India use it and many people in other parts understand it almost as lingua-franca to communicate with people across the linguistic divide. It is important to note that certain major languages are highly politicized due to colonial legacy when they actually serve as communicating language among the diverse areas of the region. Though English is spoken by a very small percentage of population in South Asia it is the lingua-franca of the elites and serves as official discourse in governmental affairs particularly where

colonial imprints have been very extensive earlier. It is also the language for technical and scientific discourse.

It is time to realize the importance of national and regional languages of the region and SAARC could bring the use of Hindi, Nepali, Urdu, Bengali, Sinhalese, Tibetan, English, etc. in officiating and communicating. It is also another step not only in the protection of major languages but also involving the vast majority of people in the regional process. The service of translating will not be difficult, rather it will strengthen the communication bond since it makes cultural exchanges swifter and more frequent at the mass level. The conception of South Asian University, branching out at the regional level, is a positive step in this direction. It will not only bring rapid exchange of students for learning various specialized fields, technical and scientific, but also promote multi-lingual skills to South Asian students. The SAARC secretariat needs to be endowed in the future with more professional manpower than what it has today. A change in focus is required.

Fortunately, it is also safe to say that language barrier is not a serious problem nor should it be a problem to the SAARC process. English as the basic medium of communication is acceptable to all which potentially serves to blend more closely with the evolving globalization of national economies. And, if the SAARC process is to become more relevant to the vast majority through multi-lingual services then it can have the identity of more representative-ness for regional cooperation. There are innumerable benefits in multi-lingual communication and the modern technology is increasingly becoming available.

## **2.6 Environmental Interdependence**

The natural resources of the region are unevenly spread and distributed. It is being realized increasingly that the resources should be commonly managed. The rivers flowing from the Himalayas irrigate India and Bangladesh, the monsoons blowing from the Bangladeshi and East Indian waters produce rain in most of the northern plain and Nepal. Technologically and resource-wise; all the countries of the region are found to cooperate; this is a positive factor for stronger unity. Not only for the economic prosperity of the whole area depends upon common rational uses

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of natural resources but also the environmental unbalances (resulting in severe droughts, floods, energy outage, etc) can be avoided through sharing of common responsibility since all the countries are interdependent ecologically. Cooperative management of the natural resources, energy potentials, tourism, mineral and forest products, etc. can lead to a heavy reduction of the dependency of member countries, and wider cooperation is more likely to foster stronger ties and better economic performance.

### **2.7 Common Economic Problems**

The countries of the region are similar; they are all poor with slight differences in per capita income, GNP and growth rate. The common economic hardship brings them together to look forward for solutions. Their common problems are not so much in tune to higher industrial growth but the need to uplift the vast majority of people from the level of misery and poverty persists. The common slogan, repeated by authorities and intellectuals is “development.” Yet a reasonable and consistent model of development has not been perceived. Except India, to some degree, all other countries of the region are foreign aid addicts, and India too has serious problems with the up-lift of downtrodden masses. Therefore, the search for an alternative model of development, attempt for the reduction of foreign aid and improvement in living conditions of the masses are those issues which may unite the intellectual, political, administrative, and economic efforts of all the countries; thus, providing a common platform. It is time for the regional intelligentsia and leadership to seriously question their present development models and begin afresh to explore the possibilities for more suitable regional schemes that are productive, sustainable, and meaningful.

### **III Rethinking and the Future of SAARC**

Besides the positive factors which give rise to expectations about unity and cooperation, and, therefore, SAARC's eventual success, there are also some negative factors which threaten the whole SAARC process; and, if they are magnified, or left without proper attention or correction, the SAARC structure may not be productive enough in the long run. As the positive factors, the negative ones too underlie the regional history and the present

situation. Here the attempt is simply to urge for rethinking so that some suggestions may be offered. The negative factors are equally strong (if not stronger) and one should not lose sight of them and be misled. During momentous euphoria of summit meets there is much hype-up emotions generated by the mass media, group photos, slogans and rhetoric. Briefly, highlighting both negative and positive factors, there are a few observations which need to be squarely understood.

### **3.1 Diffidence between India and Pakistan**

Since the days of partition much damage has been done on the social psyché of Indian and Pakistani mindsets. Suspicion and trust deficit between the two countries is linked to the period of British colonialism. There is no point in continuing this legacy and both the Hindus and Muslims must realize that inter-religious and communal harmony can best be brought about when both recognize each other with equal respect at the people's level. This is another way to bridge the psychological gap between government/ political elites and people. The disputed territories wherever they may be must be settled by building greater confidence (through trade, exchanges and visits) between the two now that both are nuclear powers and they cannot afford armed conflicts.

Also, the international regional situation has changed much since the Cold War and more so after 9/11. Afghanistan is an ongoing concern to the United States which is equally a concern to all the countries in the vicinity, no less to Pakistan or India. Peace in Afghanistan can be catalytic to the growth and development of South Asia in a more meaningful way now that Afghanistan is a member of SAARC. The rapprochement between Pakistan and India can bring about positive change for the whole region.

### **3.2 Paranoia and Hegemonic Behavior**

It is important to visualize by all that small nations in South Asia are not "satellite realities" of the Indian sub-continent. Any hegemonic attitude can ill serve the interest of the region which calls for pluralistic behavior in a larger federal configuration of South Asian people. The power centers in all SAARC countries have to curtail their negative behavior and not be unduly



unsocial and paranoiac. Any class behavior by the state is counter-productive in relations between countries when the social psyché of the people needs to be improved.

Very recently Indian foreign policy experts have realized the need to modify their behavior when dealing with external actors given the changed global context. To gain the trust of smaller countries a softer approach is conceived. India's "high handedness" in dealing with smaller powers necessitates correction vis-à-vis the perception of small powers toward India. Otherwise, it is realized that India has a long way in shaping itself as a great "global power." The views were expressed by India's foreign policy and strategic experts in a 70- page report. ("Non-alignment: Strategic Policy for India in the Twenty First Century"). The report suggests that India should adopt new policies to build confidence in this "complicated" region. There is much importance attached to countries of South Asia.

### **3.3 Religious Questions**

Despite the differences between religions a common bond of friendship is a prerequisite to learn to respect individual identity. Indian sub-continent is a vast area, religiously pluralistic and racially varied and there is much complexity of inter-ethnic and inter-religious relationships.

The Indian sub-continent we know has always been a melting pot of diverse religions and cultures. Secular values are increasingly part and parcel of universal values. When religious problem arises it is actually a pseudo-problem and very much a local affair. However, sometimes religious issues become mixed up with politics and they generate ugly currents of fundamentalism and extremism. History speaks abundantly that South Asia is a home for all religions and this fact is a reality. Co-existence between religions has been a marked feature of the social psyché of the region. SAARC has to build a secular culture of tolerance and religious harmony.

### **3.4 Social Problems**

Problems such as corruption, delinquency, high rate of crime, communal disharmony, illiteracy, poverty, backwardness, etc. create a sense of

insecurity among all the nations of South Asia. Even India with its big size has a poor track record on the issue and it cannot serve as a role model for the smaller nations. There is a distinct perception on these matters in small nation's psyché.

### **3.5 Democracy Deficit**

In general the entire region is in a learning phase struggling to consolidate people's power for the uplift of the masses. India is undoubtedly way ahead with its track record of regular elections and representative democracy but behind in poverty index according to a recent World Bank report. Despite some disorder and chaos shown by Indian democracy the upward track in strengthening secular democracy is a case to be explored by all SAARC countries and inculcate the open system valued by the Indian people. There are lessons beneficial to the region without having to fear contamination or infectious virus of democracy. Democracy in deficit form is a negative factor that closes all doors to transparency, accountability, good governance, respect of human rights, and freedom for all.

### **3.6 Bilateral or Multilateral Cooperation?**

So much said on the factors for regional cooperation, let me now turn on to bilateral and multilateral cooperation in the region, issues sometimes arise among SAARC member states. It is self evident that in the geo-strategic framework of SAARC, the functional notion of bilateralism plays a very prominent role. This is because it is with India most countries have direct vicinal ties such as Bangladesh, Nepal, Bhutan, and Pakistan; and two other island nations Maldives and Sri-Lanka also have closer ties with India than with other countries. Afghanistan has a history of close relationship with India and Pakistan than with countries of Central Asia. Mathematically, bilateralism predominates. Bilateral interactions of SAARC nations are largely tied to India.

Hypothetically the analysis of interactions of SAARC countries when put in a matrix, and the bilateral or multilateral areas of cooperation explored, there are more than twenty-one relationships possible, inclusive of Afghanistan, the newest member of SAARC; out of which only five

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relationships are most probable. In other words, approximately out of 133 relationships, both formal and informal, only 24 relationships (or 1/3rd of the total relationships) are operational at the multilateral level of interactions in which India plays the central role. It is for this reason that India has occupied the centre stage with most activities revolving mainly around it. This is the fundamental premise of SAARC and the factor of geography is a constant variable. The issue of peace and security does arise sometimes in SAARC forum as both India and Pakistan are nuclear powers and have fundamental differences in security perception. The nuclear issue is largely a political matter for both the countries and it has not come under SAARC radar. The sensitivities are high throughout the SAARC region.

Changing strategic configuration is visible as India and the United States have crafted strategic partnership. So far, the agenda of SAARC's emphasis has been on non-political aspects as per its Charter. At any rate, the interactions between regimes and people and peoples to peoples both bilaterally and multilaterally are bound to expand at horizontal, vertical, and diagonal levels. In such a scenario where democratic norms are not institutionally well-protected, a certain degree of conflicts arises. In this regard, India with its more open system is in the most advantageous position compared to other SAARC member states with the longest history of regular elections. Therefore, any deficit in democratic exercise is a step back for all the countries in South Asia. It would be positive to see the multiple channels of interaction expanded further and raise the level of supra-national political awareness among South Asian people. If at all SAARC is to take off as a regional organization, the need for democratization of political process within national systems is a prerequisite for more effective bilateral relations. Needless to emphasize, without democratic values, collective benefits cannot spread around multilaterally to the region. The need for democratization of relations is imperative which calls for restructuring of systems and values. This is the biggest challenge to SAARC.

### IV Concluding Impressions

In conclusion, it is essential to launch SAARC on a democratic model, given the pluralistic culture of the subcontinent. Whether expanding bilateral or

multilateral relations the process of democratization within the national setting must be first intensified. About factors for regional cooperation in South Asia, both negative factors and positive factors are at play. Probably the negative factors are less dominant today when SAARC is in mid-stage of launching wide ranging multiple activities. As evident from the preceding discussion, the plus points in positive factors need to be further explored and fully exploited. In the long term perspective, SAARC can be more dynamic if sensitivities of small nations are recognized by India and vice-versa the small nations perceive well the position of India in the global context, beyond the region. The observer status of China has equally given a new element of change in the perception of small nations in regional cooperation. The 21st century is the Asian century which calls for Asian solidarity and China and India can both cooperate to build bridges between them which Nepal very much wishes for its rapid economic development. They can jointly work for higher development for the welfare of nearly half the world population Asia boasts of. The last Seventeenth SAARC Summit at Addu categorically made 20 declarations of “building bridges” with the spirit to “promote effective linkages and connectivity” and calling the member states “to move from looking within to accepting the logic of interdependence.”

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## Envisioning a Regional Security Community: Challenges and Prospects in South Asia

*Arshi Saleem Hashmi\**

### **Conceptual Framework**

South Asia has been experiencing very low levels of economic and political integration and it remains stubbornly slow in enhancing levels of regional cooperation. With the help of regional security community theory, this paper examines the problem and tries to find a relevance of the concept in the region. It seems that perhaps it will take time to really see the theory unfolding in practice but if one takes a more flexible approach to the theoretical construct, and looks to issues which attend the nascent phase of the development of such communities, one may outline possible strategies that can help to bring about changes in the region's approach towards collective security and development.

War and large scale violence become an unlikely reality in a security community. Security community as a term was coined by Karl Deutsch in 1957. Deutsch defined a security community as “a group of people” believing “that they have come to agreement on at least this one point: that common social problems must and can be resolved by processes of ‘peaceful change’”.<sup>1</sup> People in a security community are also bound by the “sense of community”, the mutual sympathy, trust, and common interest. Emanuel Adler and Michael Barnett redefined the security community by shared identities, values, and meanings, many-sided direct interactions, and reciprocal long-term interest.<sup>2</sup> Integration leads to a

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\* Assistant Professor, Department of Peace and Conflict Studies, Faculty of Contemporary Studies, National Defense University (NDU), Islamabad.

pluralistic security community, in which states retain their sovereignty. The United States with Canada is an example of a pluralistic security community. Both countries are politically independent, but they do not expect to have future military confrontations, in spite of having had some in the past.

Adler and Barnett described the typical evolution of a security community from nascent to ascendant to mature. A nascent security community meets the basic expectations of peaceful change, while a mature security community is also characterized by some collective security mechanisms and supranational or transnational elements. Adler and Barnett further divided the mature security communities into “tightly” and “loosely coupled”, depending on the level of their integration.<sup>3</sup> Raimo Väyrynen and Andrej Tuscisny differentiated between inter-state security communities (where war between states is unlikely) and comprehensive security communities (where both interstate conflicts and civil wars are seen as unthinkable).<sup>4</sup> Western Europe is a classic example of a comprehensive security community, while South East Asia is usually seen as an interstate security community.

### **Defining a Region**

Scholars have been defining regions in various ways and there have been debates on the definition of ‘region’. Is it just a piece of neighboring territory or more than that? According to Buzan, a region must have some history or connections between the states. He writes, ‘In security terms, “region” means that a distinct and significant subsystem of security relations exists among a set of states whose fate is that they have been locked into geographical proximity with each other’.<sup>5</sup> Hyde Price says that the European Security situation existing in Europe during the development of the EU (post-cold war) has been ‘balanced multi-polarity’, so perhaps we could extrapolate that this is the best condition required for other regions too.<sup>6</sup>

### **Regional Security Community Theory**

The theoretical understanding of the concept of regional security community is very important for the purpose of analysis. Buzan and Wæver

have defined regional security complexes as follows: “The central idea in RSCT is that, since most threats travel more easily over short distances than long ones, security interdependence is normally into regionally based clusters: security complexes. [...] Process of securitization and thus the degree of security interdependence are more intense between actors inside such complexes than they are between actors inside the complex and outside of it.”<sup>7</sup>

Based on the definition, the regional security complexes can be seen as a group of security dilemmas concentrated into certain geographical area, where essential threat perceptions by states (or other actors) are so interlinked and create such strong Structure of the Security Complex. Structure of the security complex can change as a result of changes in the regional balance of power or as a result of change in historical amity and enmity patterns.

#### **Regional Security Dilemma in South Asia**

South Asia, particularly, Afghanistan and Pakistan are suffering from deeply rooted breakdowns in the ability of the state to maintain law and order. According to Dr. Akbar S Ahmed<sup>8</sup>, this has created a situation where not only is physical security of citizens uncertain in many places, but the inability of the central governments to effectively provide social services also has left the leadership of both countries with tenuous popular support. Another major issue is a breakdown in inter-ethnic trust and dialogue between India and Pakistan. Inter-ethnic and inter-religious respect and tolerance are very low in the region. This has created an atmosphere where a sense of hopelessness has taken over, where religious differences are viewed on both sides as intractable. When it comes to general well being of the people of the region, it is quite a dismal situation, there is a breakdown in the sense of control average people feel they have over their lives, the growth in mutual distrust and the uncertain physical security in Afghanistan and Pakistan have left many feeling that they have no control over their lives. With rampant mistrust between different religious and ethnic groups, many have turned to religion to regain a sense of control for coping with the

difficulties of their everyday lives and this helps religious groups and militants to exploit the situation.

### **The Contributing Factors**

#### **1- Porous borders**

The idea of common security would always be considered an impractical goal as long as the practice of each state offering sanctuary to the other's opponents would continue. It has created bitterness and mistrust between Pakistan and Afghanistan. Afghanistan sheltered Baloch nationalists in the 1970s while Pakistan extended refuge and training to the Mujahedeen in the 1980s and then later supported the Afghani Taliban. Following the Soviet invasion of Afghanistan in 1979, Pakistan's then military dictator Zia-ul-Haq promoted the jihad in Afghanistan, funded thousands of Islamic madrassas, armed domestic Islamist organizations, and in the process "militarized and radicalized" the border region. By supporting Islamist militias among the Pashtun, Pakistan government has tried to neutralize Baloch and Pashtun nationalism within its borders. Small-scale armed clashes on the Pak-Afghan border have become a routine matter. The complex influx of Taliban has also its impact on bilateral relationships of both states thus making the Durand Line an issue of concern.

In Nepal and India, Maoist and Communist organizations have developed strong ties with each other, and their influence is growing in bordering towns. Although the Maoist Movement played a major role in changing the course of history in Nepal, at the same time the separatist movement in Tarai is also active with the same radical ideology. Apart from the radical Maoist movement in the region, Hindu extremist groups are as well making their space in Nepal's bordering towns. The radicalization of the separatist movements not only makes the border disputes complex but also starts shifting inside the countries. Talibanization in Pakistan, Islamization in Bangladesh, Maoist and Naxalite nexus in India, Hindu radicalism in Nepal and the sectarian and separatist threat in Iran cannot be countered without proper internal strategies, joint resolute mechanisms and inter-state cooperation.



The South Asian states have been using the options of “force” and “politics” to resolve the disputes but the ethnic and religious movements, divided along the borders make it difficult for a state to resolve the issues single-handed, especially, when states have failed addressing their economic and social grievances.

### **2-Governance issues**

One of the weaknesses of democracy in South Asian countries is that their differing needs, interests, and aspirations are ignored. Almost every state in the region is multilingual, multiethnic, multi-religious, and multicultural. Yet these diversities within our borders are not addressed properly at any level of governance, and so identity politics is increasingly a cause of conflict in the region. The post-colonial states failed to perform their fundamental functions of the state, i.e. ensuring justice, social development, rule of law and order, security and safety of the individuals, human freedoms, constitutional values and institutions. In addition, social and economic forces also play a vital role in radicalizing South Asian countries.

### **3- Inept Political and Social Approach**

Political and Religious violence that is affecting the South Asian region primarily rejects existing means of political participation and finds existing social economic and political institutions inadequate to address the problems facing the society in general and some of its sections in particular. In the South Asian context, we find both demand for new ideas or structural changes rejecting the old order like the popular uprising in Nepal, or calling for the old order that represented an ideal model of an Islamic state, Islamist radicalism in Pakistan and Bangladesh or Hindutva radicalism in India. It popularizes their ideologies and questions the legitimacy and relevance of existing ideologies. Exploiting the basic grievances of the masses, extremist ideology tries to gain ground by influencing the minds of people looking for spiritual solace to avoid the effects of economic frustration and political instability. South Asian governments have not paid attention to a social approach to solve the socio-economic problems.

#### **4- Political and Economic Discontent**

The deteriorating economic conditions, unemployment and lack of freedom of expression in a society are all pertinent factors responsible for extremism, with or without state patronage. Lack of political infrastructure and political participation to marginalized communities gives the way to different groups to establish their power base. These groups are usually well-resourced and well-equipped with modern weapons, hence no dearth of people joining them and challenging the state.

The above mentioned contributing factors explain that South Asia not just faces traditional security dilemma but new forms of conflict as well, i.e. asymmetric wars that are in fact aimed at other states. The failure of the state in providing good governance and security encourages the non state actors to exploit the gaps that exist in the societies.

#### **Common Regional Security and Fight against Terrorism in South Asia**

Any discourse on common regional security cannot be complete without a discussion on terrorism. Though SAARC realized the importance of regional anti terrorism initiatives way back in late 1980s, it has not been able to implement nor were the states able to employ those in their respective countries.

#### **SAARC Anti Terrorism Initiatives<sup>9</sup>**

The SAARC Regional Convention on Suppression of Terrorism which was signed on 4th November 1987 came into force on 22nd August 1988 following its ratification by all Member States. No progress was made in more than a decade. It was only after 9/11, that the SAARC Standing Committee at its Twenty Eighth Session (Kathmandu, 19-20 August 2002) <sup>10</sup>recommended that Legal Advisers of SAARC Member States prepare a draft of an Additional Protocol to the SAARC Convention on the Suppression of Terrorism.

This is in recognition of the need to update the Convention on account of the obligations devolving on Member States in terms of UN Security Council Resolution 1373 (2001) and the International Convention for Suppression of Financing of Terrorism. Given the priority accorded by the

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SAARC Heads of State/Government at the Eleventh Summit to global initiatives to combat terrorism and organized criminal activities, the Standing Committee recommended that a Ministerial level meeting be convened to deal with the issues. Finally in 2004, during the Twelfth SAARC Summit (Islamabad, 4-6 January 2004)<sup>11</sup> the Council of Ministers signed the Additional Protocol to the SAARC Regional Convention on Suppression of Terrorism.<sup>12</sup>

The purpose of this Additional Protocol is to strengthen the SAARC Regional Convention on Suppression of Terrorism, particularly by criminalizing the provision, collection or acquisition of funds for the purpose of committing terrorist acts and taking further measures to prevent and suppress financing of such acts. Additional Protocol to the SAARC Regional Convention on Suppression of Terrorism came into force on 12th January 2006 following its ratification by all Member states.

To materialize what they had been negotiating, the eight South Asian countries adopted a regional anti-terrorism cooperation agreement in 2008. The anti-terrorism agreement calls for freezing funds that might be used for terrorist activities, regular meetings between security chiefs, the exchange of intelligence, and training of personnel dealing with terrorism and drug offences.

### **Common Regional Security: Limitations and Potentials**

The cross-border dimension of many of the internal, often interrelated, security crises that affect South Asian states highlights the importance of developing an effective, broad-based regional response to the threat. Despite declarations regarding the need for greater collaboration among states on issues related to border security, mutual legal assistance, suppression of terrorism and law enforcement, cooperation has been slow to materialize in South Asia.

Despite the existence of the regional instruments and mechanisms, the mutual distrust and suspicion among states in the region and the ongoing processes of consolidating independent political identities, have influenced states' reluctance to fully cooperate in the field of

common security by providing each other required assistance. This has proved a fundamental obstacle to SAARC.

To focus on some specific doable examples, SAARC secretariat could be more effectively utilized if there was increased political will among SAARC members. At the more operational level, SAARC countries have also called for the creation of an “INTERPOL-like” SAARC agency to increase the regional capacity of police forces throughout the region. Sub-regional bodies in East, West, and Southern Africa, for example, have proved effective in strengthening practical cooperation among police chiefs and in building support for the expansion of the organization’s 24/7 communications network beyond capitals.

SAARC leaders approved the SAARC Convention on Mutual Legal Assistance Treaty (MLAT) at the fifteenth SAARC summit in August 2008<sup>13</sup>. Among other objectives, it aims to eliminate the need for separate bilateral agreements by harmonizing the domestic legal systems of member countries. Once it enters into force, SAARC countries may find it easier to cooperate on counter-terrorism investigations and the prosecution or extradition of terrorist suspects, assuming again that countries can agree on which individuals and groups should be the target of such cooperation. Although the adoption of the 2008 MLAT is a positive sign, the tensions between India and Pakistan in South Asia proves to be the biggest hurdle.

The idea of Pakistan, India, Iran, and Afghanistan jointly managing their conflicts has both merits and demerits. One of the major hurdles is the trust deficit between the countries of the region, i.e. India-Pakistan conflict particularly the Kashmir dispute, Pakistan-Afghanistan conflict over the Durand Line, Pakistan-Iran disagreement over Baluchistan vulnerability and sectarian problem and between India and Bangladesh the border problem, Nepal’s unstable government, and Sri Lanka’s recent experience with a harsh and brutal war with the LTTE. In such a situation the idea of joint mechanism to establish both inter-state and regional security appears as wishful thinking.

However, the same “demerits” can work in favour of joining hands to eliminate this menace from the region. The above mentioned political/territorial disputes have prompted the South Asian states to wage proxy wars in each other’s country. They have also diverted them from focusing on developmental issues in their countries and bringing about economic change. Owing to this lack of economic and developmental approach, these neglected areas became a safe haven for terrorists in the region. It is not just about the FATA region which is out of government control in Pakistan; the border areas between India and Bangladesh have been used for cross-border movement of a huge number of people.

The political instability in Afghanistan over the past two decades has had a significant impact on the region's overall stability — affecting not only the politics of neighbouring Iran and Pakistan, but even India-Pakistani relations as well. In present circumstance when it is fighting a war against terrorism, the best bet would be to become a part of the collective effort to combat terrorism to enjoy the benefit of economic prosperity by focusing on mutual economic interests rather than continuing with the policy of confrontation. Accommodative policy based on peaceful coexistence is the only option left with the countries of South Asia. There is a dire need to invest in re-framing and projecting a balanced image of one another. This in turn, requires political will backed by institutional will to break from the “zero-sum” mentality in perceiving and pursuing ones security policy.

Given the state of vulnerability of the South Asian state, except India where democratic tradition is very strong, the main risk for democratic consolidation in the region is that citizens themselves may end up accepting the return to an authoritarian regime perceived as more able to put an end to internal violence and criminality. In such case, Nathan questions the credibility of the concept of "security community" when applied to regions suffering from internal instability and violence like the countries in South Asia.<sup>14</sup> He focuses on the negative impact that internal violence can have on inter-state relations. If this was to happen, the interstate mistrust would reappear and the dream of a security community would vanish. Even if the internal and transnational threats to human security did

not have any negative impact on inter-state relations, it would still be incorrect to describe a region as a security community while it is wracked by different forms of violence both internally and externally.

### **Conclusion**

In the current climate of inter-state confrontation in South Asia, the development of security cooperation may appear unlikely. While a common security sector for South Asia is not possible in the short-term, past mistakes could be avoided if today's democratic governments were to seek understanding one another's security sectors and share knowledge of governance procedures and lessons learnt. Formulating a concept of cooperative security should emphasize human security, and could be a first step towards joint security coordination.

To develop the habit of interacting and managing disputes with others peacefully, the Deutschian model which focuses on transaction flows, the spread of transnational values, and development of shared understandings and generation of state interactions to reach interdependence can be followed as it is the interplay of institutions, norms and identities contributing to social construction of security communities.

SAARC should continue to flexibly adapt it to changing situations. This does not mean that it needs to reform radically, but there should be constant efforts to make sure that we are in line with current challenges and that the structures reflect what is needed at any point in time. It should be encouraged not for its own sake but to make sure that in the way it operates, it reflects the current environment and ability to respond to challenges. At the same time, we need to be careful not to undermine the core values and principles which must remain the very foundation of the SAARC comprehensive approach to security.

We cannot ignore the fact that in an increasingly globalized world, there has been a significant evolution in the nature of security threats. Terrorism, organized crime, weapons smuggling, cyber crime: these are threats of a global nature and we need to develop tools that are different from the ones we had in the past. We need to find ways to help each

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other to identify common approaches to combating these challenges. A renewed attempt to create a genuine, cooperative, South Asian security community is needed. Its objective must be a fair and enduring peace order for the SAARC region.

Common security is based on mutual trust and trust is generated by engaging in practical cooperation. We must be prepared to adopt new approaches. And it requires us to overcome mindsets lingering on from the 20th century. We need to leave behind outdated thinking in terms of confrontation, spheres of influence and zero sum games. Security in the 21st century is more than the absence of war or the threat of war. Increasingly it means: the security of our societies, our infrastructure, and our energy supply. South Asian Common Security policy should rely more on civilian resources, and it must have a cooperative approach if it is also to be effective against the new asymmetric security threats.

Besides the aforementioned elements, there are some internal reforms that are needed in the states of the region before any move towards common security mechanism. Mohammed Ayooob states that a comprehensive security community can be best achieved when “territorial satiation, societal cohesion, and political stability” prevail within states as is the case in most industrialized countries. The absence of these internal traits, i.e., effective statehood, often leads, in turn, also to inter-state violence.<sup>15</sup> This view tends to lead to the conclusion that the inter-state security dilemma is less due to the uncertainty of the state actors about the defensive vs. offensive intentions by the others. Rather, it is related to the prevalence of malign and predatory motives of the governments trying to stabilize their internal and external position.

We have to open up our civil societies as well as our economies and encourage them to forge closer links. This should be a core SAARC concern. The intention here is to advance economic modernization and establish new and comprehensive free trade areas within the region. The better we succeed in creating a South Asian economic space, the more secure peace will be in South Asia. Security can only be realized if we uphold

fundamental values: human rights, democracy and the rule of law. A South Asian security community will only function in the long term if it sees itself as a community of values based on cooperation and mutual trust.

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## SAARC : Present and Future

*Maj.Gen. Ramesh Chopra (Retd)\**

### **General**

I just attended the “Asia Relations Conference-Transforming South Asia” in New Delhi which was at the Minister/Ambassador level and lead by the Indian National Security Adviser, where the spirit was indeed optimistic, with cooperation amongst the SAARC Nations improving; auguring well for the future development of the Region.

Now coming to the present Conference at Kathmandu, despite the downturn in the Global Economy, South Asia is emerging as one of the fastest – perhaps second – growing Regions in the World, with the growth rate in recent years averaging 6-8 percent; what I wish to add is that, of special advantage is India, a SAARC member and nearby China, an observer, both economic giants, leading the way, their expanding robust economies, rising share in global trade, FDI flows besides impressive achievements in economic and some human development should be optimised and act as catalysts for the SAARC Region as a whole.

In my view, SAARC – despite the difficult environment – has certainly come a long way in effecting regional economic and development cooperation projects, that too against severe political constraints. The ongoing implementation of various flagship regional cooperation projects like the establishment of the SAFTA Treaty, South Asian University, SAARC Development Fund, SAARC Food Bank and creation of the South Asia Forum are but pointers to SAARC’s emergence as a dynamic economic grouping with potential. On a more positive note, while it is considered a major step forward in making a transition from SAARC Preferential Trading Arrange-

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\* Senior Strategic and Corporate Advisor, New Delhi.

ment (SAFTA) to a South Asia Free Trade Area (SAFTA) Treaty, there is a need for an intensification of the regional economic integration initiatives. While some of the apprehensions concerning SAFTA's success are genuine, several are based on unfounded reasons. What needs to be done is expand SAFTA's scope to cover services and investment besides trade and liberalisation. SAARC has no magic wand! It only provides a Regional Institutional Framework that can act as a catalyst. Member States have to take responsibility themselves to undertake conceived projects unilaterally, bilaterally or multilaterally.

However, the downside challenges, besides the growing scourge of terrorism and extremism are: forty percent of the World's poor live here and South Asia fares poorly in respect of food security, human development, namely, health, nutrition, education and so on. Nevertheless, despite the trade percentage of SAARC, both as a whole and intra-SAARC being only single digit, these can be alleviated, to a great extent through deeper regional economic integration, closer cooperation and facilitation in investment and trade, strengthening transport infrastructure especially in the border regions, creating energy security through sharing of resources, oil, gas (Bangladesh and Pakistan), water (Nepal) and finally, extending coverage to incorporate services, industrial development, finance and capital markets. India being the largest country, and in the words of the Indian PM, "India has a special responsibility that flows from geography of our region and the size of (India's) economy and market". I will not go into figures etc. but with a sustained economic growth, India is in a better position and, I am convinced that, with a sustained economic growth should continue to make unilateral gestures and aid its neighbours: Bangladesh, \$1 billion credit line; Afghanistan – which is strategically vital for the region's security and economic interests, providing a gateway to Central Asia, India is investing in infrastructure projects – \$2 billion plus and recently, investing in Hajigak iron ore mines; Bhutan, loan grants for massive hydro-power projects; Sri Lanka through the long-standing FTA; Myanmar, for better connectivity to the region, India is building a multi-modal system that could help improve trade and provide a gateway to ASEAN and, finally, extending economic concessions such as the facility of

duty free access to Indian markets from Bangladesh, Nepal and Bhutan. India, it is also felt, should assume asymmetric responsibilities in the multi-lateral proposals within the framework of SAARC. The vision in the next decade should be: “Stability, Security and Growth” leading to a South Asia Economic Union/Community.

During my discourse, I do not wish to follow the normal custom of weaknesses and scepticism regarding the value and continuance of SAARC – which is passé – but try and throw up some new issues and challenges that can be conjointly faced by SAARC members. First, a new fast growing phenomenon is:

**a) Non-Traditional Threats Impacting the SAARC Region**

- i) Over the years, the line between conventional threats, which constitute traditional security issues – which I am well aware of, having fought four wars– are generally tackled individually by countries themselves or in some cases, through treaties and partnerships – and non-traditional i.e. non-military have blurred. Non traditional threats are also critical to a Nations’s security and well-being and, since these recognise no borders nor sovereignty, need to be confronted through regional cooperation which is where SAARC comes in. New challenges and threats have emerged such as: non-traditional threats in the India Ocean, devastation through climate change – such as the recent earthquake and tsunami – with impact on food, water – the last a contentious issue of sharing, which has a potential for not only inter-state but also intra-state conflict – and energy resources with the consequent implications on the region’s economy, threat of pandemic diseases, piracy, trans-national crime, demography – leading to over-population or can, as India expects in the years to come, to convert it into a dividend; migration due to economic disparity, all of which do not recognise political boundaries. Since such phenomenon affects the well-being and survival of society, these need to be addressed regionally, by Governments, NGO’s (such as CSAS), academicians as well as International and Business Organisations

and require comprehensive political, economic and joint social responses. It goes without saying that, the SAARC Agreement on Rapid Response to National Disasters should be strengthened and implemented.

- ii) In the final analysis, SAARC nations will have to cooperate with each other, move beyond conventional to innovative approaches and draw a comprehensive approach to evolve institutional frameworks to defeat such non-traditional challenges. A step in the right direction by India – which it can share with other SAARC nations or which they can emulate – is the formation of Ecological Task Forces to restore degraded eco-systems, undertake afforestation, soil conservation, water resource management techniques – which India has learnt from Israel – establishing a Ministry of Renewable Energy (the only one in the world) and a National Action Plan for climate change with eight task forces.
- iii) While the UN and Multi-lateral Institutions can be tapped for their expertise, in South Asia, SAARC with a network of prominent NGOs and Think Tanks should hold regular dialogues on such security issues, set up mechanisms to take regular contact and dialogue to the next higher level so as to make recommendations to Governments to help face such challenges in an effective manner.

**b) Energy Cooperation and Security**

- i) As far as energy security is concerned, it is for consideration whether technology and R&D can help resolve the dilemma; two routes are available, individual R&D by nations or draw on the expertise available with Regional Blocs such as EU, and BRICS. Inevitably, there will be new challenges and competition for resources and renewable energy technology.
- ii) It needs emphasis that, higher economic growth and demographic pressures have resulted in phenomenal consumption of commercial energy in South Asia making SAARC vulnerable due to overwhelming dependence on imported fossil fuels. Considering

the critical role of energy and the pernicious effects of disruption, it is critical to ensure energy security. The complementary energy resource endowments i.e. natural gas in Bangladesh needs to be accurately gauged for utilisation by Bangladesh industry and, if possible, export to neighbouring countries; India could certainly benefit and Pakistan, coal and petroleum products in India and hydro-power in Nepal and Bhutan provide a basis for regionally integrated energy cooperation. Regional cooperation for energy security should cover regional transit facilities for energy trade with the neighbouring South Asia countries. For this, the SAARC Working Group on Energy needs to be further strengthened. Regional energy trade should be promoted in hydro-power, bulk electricity, petroleum products, natural gas and coal. Furthermore, SAARC Energy Centre should endeavour to foster collaboration with multi-lateral bodies, with other energy blocs and also with sources of energy technologies.

**c) Water Politics**

- i) Water, being a trans-boundary resource in the Sub-Himalayan region of SAARC, it is an imperative for the fast growing economies with burgeoning demography and, which are increasingly reaching water stressed conditions. This aspect needs to be addressed through a regional approach on priority, formulating strategies of sharing and consolidating water resources. The issue is complex as Tibet – from where most rivers flow – is the Upper Riparian and so is Nepal (which has nine tributaries joining the Ganges), India (multi-river dependent on the Yarlung Tsangpo/ Brahmaputra, Indus and Sutlej), being the Middle Riparian and Bangladesh the Lower Riparian. There are also competing interests of the adjoining river basin states like India and Bangladesh. Given the complicated hydrological situation – wherein to date there exists no legally binding water course treaty – there is need for initiation of a broad based and more substantive water dialogue, through an Institutional Cooperation by the SAARC Co-riparian Nations (India, Bangladesh, Nepal and perhaps even Bhutan) with

China. In the interim, to avoid misperceptions due to lack of reliable information and riparian cooperation, data sharing regarding water flows, dam construction with attendant restrictions on water supply should be institutionalised. Additionally, all these countries including China should discuss signing of an Agreement to enable joint inspection on the usage of rivers by the countries upstream; perhaps on the lines of the Indus Water Treaty between India and Pakistan. In Nepal where there is potential for 83,000 MW hydropower – and only 509 MW has been tapped so far – since inter-Government cooperation has not succeeded due to domestic and political constraints – private players from the SAARC Region, including Observers such as Japan, EU countries and faraway USA, could be encouraged to assist but the bottom line would be provision of stability by Nepal as these would be commercial ventures. The fourth challenge in the region is Terrorism and, therefore, the urgency for:

**d) Counter Terrorism**

- i) In the realm of counter terrorism and involvement of non-State actors, there are dual challenges that SAARC nations have a responsibility to address. In brief, priority should be accorded to challenges such as, criminalisation of terrorism, illicit narcotics trade, human trafficking, money laundering, cyber threats and other new challenges. They must work together to neutralise the threats posed to each other by sharing resources and intelligence/information/data about extremists and terrorist outfits, as considered appropriate, through collaboration between relevant Institutions (some Indian agencies to the fore are the National Investigative Agency, National Intelligence Grid and the soon to be formed National Counter Terrorism Centre). Greater networking and dialogues should be promoted between existing anti-terror mechanisms of Member countries as well with UN Agencies such as the Security Council created Counter Terrorism Committee Executive Directorate (CTED) and Centre on Global Counter terrorism Cooperation & best practises shared. SAARC countries

can gainfully share their experiences and views in cooperating at the National, SAARC and International level & under Criminal Justice, Rule of Law & Human Rights and bring terrorists to justice.

- ii) Hopefully, the Additional Protocol to the SAARC Regional Convention on Suppression of Terrorism – which came into force in Jan 2006 - would help in combating terrorism. Another aspect that merits consideration is cooperation in training anti-terrorism forces. India is presently committed to provide training and equipment to Afghan Security Forces. Besides India, other SAARC members with anti-terrorism experience could cooperate and assist each other in this security sector. Pertinent would be a SAARC media strategy to confront the influence of extremist and terrorist organisations, highlighting the positive role played by SAARC members. Fifth, no analysis of SAARC can be complete without addressing the current:

**e) Look East Policy and Myanmar**

- i) The Look East policy of some of the SAARC Nations with India accelerating business eastwards – to include its North-East – coupled with sub-regional integration through BIMSTEC, is a move in the right direction. Bangladesh could – to its immense advantage – become a transportation and transshipment hub, not only for East-West transit traffic but also as an entrepôt for Nepal, Bhutan and India's North-East. In the Look East context, it is for serious consideration that – despite the moratorium on SAARC expansion – Myanmar, which was an integral part of the Indian sub-continent till 1935, is slowly but surely opening up and democratising, be considered for upgradation from Observer to Member status. It is a veritable store house of unexplored natural resources including the unexploited vital oil and gas reserves, minerals, timber and vast tracts of arable land. It could become the most convenient connectivity point – which may well take years but a beginning should be attempted – for transit and growing trade and invest-

ment opportunities for SAARC with South East Asia, ASEAN and Southern China.

**Additional Miscellaneous Recommendations**

Generally, the challenge for SAARC has always been and continues to be, the articulation of a common vision. The member Nations are at different stages of political and socio-economic development. One of the eight member States, India– which has a 15,000 km border touching the other seven States which do not have a mutual border and China – an Observer which borders a few States – are virtual heavy-weights in any relevant global, political and economic discourse. In my view, SAARC could systematically create frameworks offering policy and development options for the emerging and developing members and assume the role of a veritable Think Tank for such nations, similar to the role played by the up and coming BRICS, OECD, SCO and so on. Besides challenges that I have already enumerated, SAARC could create its own Research and Development Policy Division within its restructured and strengthened Secretariat for addressing specific issues such as Regional Crisis Responses, increasingly Urbanisation challenges, health care, food security and sustainable development, trade, services and market reforms etc.

One issue that I wish to reiterate, is that at any SAARC Meeting – whatever the level, Think Tank, Working Group or even Summit – there is a dire need for an attitudinal change and, historical and so far un-resolvable, political differences and disputes should NOT be aired as these tend to vitiate and over shadow the proceedings and I am explicitly referring to the two major countries in SAARC, i.e. – India-Pakistan. A positive recent trend is the seeming thaw in India-Pak relations, Pak’s decision to switch over to a reduced negative list, paving the way to give India MFN, should be welcomed. The overall objective is to discuss and implement matters of benefit to the entire group. Specific recommendations in this regard are:

- a) The focus in SAARC meetings should be to consolidate and implement existing initiatives and deepen the relationship for the long-term. However an important aspect of SAARC forums, especially at the Summit level, on the side-lines, leaders do have



fruitful discussion on vexed issues, which sometimes lead to formal dialogues.

- b) SAARC should get moving on infrastructure, for e.g., modernising the India-Pak land border Check Posts, the priority being on transport, transit and trans-shipment; water, power and telecoms, the last-named being necessary for technology, R&D, innovation and the Internet revolution. India has earmarked \$1 trillion for infrastructure in the next five years with half the contribution coming from the private sector. Since the infrastructure will cover border regions, it will help develop the frontier areas of SAARC neighbours and, perhaps to some extent lessen migration.
- c) Since finance and capital are both vital for socio-economic development and related schemes, it is for consideration that in the long term, SAARC expand its Development Fund into a SAARC Development Bank; perhaps, not too ambitious on the lines of the World or ADB but starting with a corpus of say a few billion dollars. Countries led by India (China with foreign exchange reserves of \$3 trillion plus could contribute depending on their capability).
- d) Now that there is a South Asia University, it can be utilised not only for just people-to-people contacts, scholarships, etc. but also for serious studies, joint research and cross-fertilisation of ideas on SAARC matters. As far as information technology issues are concerned, India – being a world leader - could contribute its expertise in a large measure.
- e) Since innovation and new ideas are the buzz words of the new generation – India, alone, will be adding 100 million skilled youth into the global and regional work force in ten years – the big role that major States and SAARC leaders can play is bringing in “Reverse Mentoring”. They must listen and learn from civil society especially the junior players, who have the capability to do things more efficiently as well as through the medium of technology! While the Region is generally lagging on innovations and R&D, big

players like India do have a better chance of bringing about the next level of innovations, especially business model and process innovation; despite non-availability of huge investments, youth should be encouraged to come up with newer ideas and schemes.

- f) Since my fifth recommendation is regarding innovation and junior players, an important aspect which is not generally discussed is SMEs, now MSMEs and micro-finance (in which Bangladesh is the leader). These play a large role in the SAARC Nation's economy. As an e.g., in India, MSMEs account for 45 per cent of Industrial output, 40 per cent of exports both, amounting to 17 per cent of the GDP. The big boys of industry with their powerful Captains, TATAs, Reliance, Birlas and so on can very well look after themselves without Government or SAARC assistance. But as far as the micro and smaller industries are concerned, we need to capitalise on India's and Bangladesh's experience through the vehicle of SAARC for the other remaining States.

### **Conclusion**

I will make this brief as in my presentation, I have tried to follow an objective approach of specific recommendations for action by SAARC and Member Nations. The focus on future SAARC meetings – at all levels – should be to achieve “Stability, Security – both conventional and non-traditional – and Growth” and aim for a South Asia Economic Union/Community.

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Statement by Chief Guest  
Rt. Hon'ble Vice-President  
Mr. Parmananda Jha

Excellencies,  
Distinguished Guests,  
Ladies and Gentlemen.

It gives me pleasure to be here with you all this morning to inaugurate this important conference on "*SAARC: Towards Meaningful Cooperation*". I would like to thank the Centre for South Asian Studies and especially Mr. Pandey for organizing this regional event by inviting some of the best minds of South Asia to discuss on ways to re-invigorate and strengthen the SAARC process.

As all of you know, Nepal is a founder member of the South Asian Association for Regional Cooperation (SAARC) and it is a matter of pride having its Secretariat based in Kathmandu. So far, Nepal has twice successfully hosted the SAARC Summit.

Our unflinching commitment to regional cooperation and firm belief is that the numerous challenges of poverty, terrorism, environmental degradation, food and energy shortages, etc. can only be mitigated by collective action. As of now, the progress made by the member states of SAARC in meeting these challenges seems to be sluggish and less satisfactory. In this context, I am convinced that time has come for making visible, tangible and concrete achievements under the aegis of SAARC.

Indeed, we have made progress in promoting and strengthening collaboration and mutual assistance in the social, economic and technical areas. Besides this, there is urgent need for continuous follow-up on

agreements reached so far for facilitating the vision of collective prosperity in South Asia.

We are a region of a common heritage. Rich cultural and civilizational linkages of the people of South Asia needs to be nurtured with special focus given to alleviate poverty which is pervasive across our region. We can ultimately lead towards the South Asian Union through increased connectivity, full implementation of SAFTA and frequent interaction at people to people level.

The Seventeenth SAARC Summit held in Addu City of The Maldives recently has come up with a number of laudable initiatives. Decisions to hold the Twelfth SAARC Trade Fair, conclude the Regional Railways Agreement, expedite the work on mutual recognition of academic and professional degrees and establishment of long-term linkages among universities, research institutions and think-tanks in the region are noteworthy.

I believe these and other agreements reached between member states will facilitate economic integration, improve physical connectivity among ourselves and greatly help in realizing the objectives of SAARC.

This conference with individuals representing so many research think-tanks of the region is a testimony in itself of growing fruitful linkages between these institutions which will in the long-term be of immense benefit to furthering the idea of South Asian-ness.

I would like to express my best wishes for the success of this conference and wish you all the foreign dignitaries a pleasant stay in Nepal.

Thank You.

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Statement by  
Dr. Alexander Spachis,  
Ambassador, Head of the Delegation  
of the European Union to Nepal

Honorable Vice President Pramananda Jha  
Former Secretary General of SAARC &  
Former Foreign Secretary of Sri Lanka, Nihal Rodrigo  
Former Ambassadors  
Mr. Tomislav Delinic, Head Regional Programme-SAARC, Konrad  
Adenauer Stiftung  
Mr. Nishchal Nath Pandey, Director, CSAS  
Ladies and Gentlemen

I would like to begin by congratulating SAARC for its substantive achievements over its 26 years of existence. SAARC has been able to build institutions – the regional centers - in various areas that have provided good bases for expanding cooperation in the region.

Furthermore, SAARC has also provided a strategic forum to the South Asian nations not only to deliberate and find solutions to collective problems in the region, but also to dialogue with major stakeholders in world affairs.

The EU got its observer status in August 2006 together with the US and South Korea. Since that date, we have participated in all SAARC summits and we especially welcomed the initiative taken by SAARC leaders at The Seventeen Summit in Addu, Maldives, in 2011, which was “to undertake a comprehensive review of all matters relating to SAARC’s engagement with Observers, including the question of dialogue partnership”.

I am hopeful that the new framework between SAARC and the observers, which will emerge from the comprehensive review, will certainly open a new chapter of cooperation and working relationships between SAARC, as a strategic block, and its key partners in tackling the emerging challenges facing the world today.

Everything is speeding up in the world that we are living in today. There is no one narrative or template to guide us through this complexity. But, if we try to frame our world, two features stand out:

- First of all, there is deep interdependence - in political, economic and security terms; technologies, ideas, money, even disease: everything moves on a global scale. We are connected in a way we have never been before.
- Second, power is shifting. This is happening within political systems - roughly from governments to markets, media and NGOs. Power is also shifting between political systems - roughly from the old “West” to both East and South.
- Growing interdependence plus a power shift means we need to bring together new, broad coalitions to tackle global problems: not just the “West”; and not just governments. This reality is the outcome of globalisation as not just an economic but also a political phenomenon. The spectacular rise of Asia is a direct consequence of that globalisation.
- Hope SAARC will provide South Asia region with strong capacities to respond to these challenges.

Now talking about how EU came into existence, it started as a peace project for the European continent. It cemented Franco-German reconciliation. It managed coal and steel production. It was built on the idea of strong institutions in order to move away from ad-hoc bilateral co-operation. Integration was based on law, not power.

- This integration was extended over time to create a single market, a single currency for many EU countries, cooperation on Justice and Home Affairs and much more. Geographically, the EU expanded as well through an extraordinary enlargement that took

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us from 12 to 15 to 25 and now 27 countries and more than 500 million citizens. In comparison, here in the SAARC region, you regroup 8 countries and there are more than 1500 million.

- What started as a vehicle for solving European problems has become increasingly outward looking. The EU is now a serious actor on the world stage, helping to solve global problems.
- The world around us is changing fast – and Europe is changing too to meet the challenges we face. As you know, thanks to the Lisbon treaty, we now have a political strategy for 27 countries, as well as an economic strategy.

### **Modest cooperation with SAARC**

- The EU is more than just a superpower in trade and economic terms. We are an important partner in political terms too. In Nepal, we support the peace process and we contribute to peace building. In development, EU support to South Asian countries is provided within the framework of the national country strategy document and with SAARC, we have a regional strategy document, which has established a legal basis for our cooperation with regional bodies. Besides SAARC, ASEAN is also a beneficiary of the EU regional strategy.
- Currently, we have a very limited number of regional projects of cooperation for South Asia. We have funded projects on Highly Pathogenic Emerging Diseases (HPED) which are currently being implemented by FAO, WHO and OIE (Office International Epizooties – World Organization for Animal Health). On this occasion, I would like to thank the SAARC Secretariat for its active support. We also have a regional project on civil aviation, which is being implemented by the European Aviation Safety Agency (EASA) and we are discussing support for the SAARC Disaster Management Centre located in India with the SAARC secretariat.
- We hope to contribute more to SAARC but EU cooperation is a demand driven process so we only respond when needs arise.

Thank you.

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## Annex I The ADDU Declaration

DO HEREBY DECLARE

1. To direct the SAFTA Ministerial Council to intensify efforts to fully and effectively implement SAFTA and the work on reduction in Sensitive Lists as well as early resolution of non-tariff barriers and expediting the process of harmonizing standards and customs procedures.
2. To direct the SAARC Finance Ministers to chart a proposal that would allow for greater flow of financial capital and intra-regional long-term investment.
3. To hold the Twelfth SAARC Trade Fair along with SAARC Travel and Tourism Fair in Kulhudhuffushi, Maldives in 2012; and to develop modalities, by involving the relevant private sector, in promoting the region globally as 'Destination South Asia.'
4. To conclude the Regional Railways Agreement and to convene the Expert Group Meeting on the Motor Vehicles Agreement before the next Session of the Council of Ministers; and to direct the early conducting of a demonstration run of a container train (Bangladesh – India – Nepal).
5. To direct the Secretary General to ensure completion of the preparatory work on the Indian Ocean Cargo and Passenger Ferry Service, including the Feasibility Study, by the end of 2011, in order to launch the Service.
6. To ensure timely implementation of the Thimphu Statement on Climate Change.
7. To direct the conclusion of the Inter-governmental Framework Agreement for Energy Cooperation and the Study on the Regional Power Exchange Concept as also the work related to SAARC Market for

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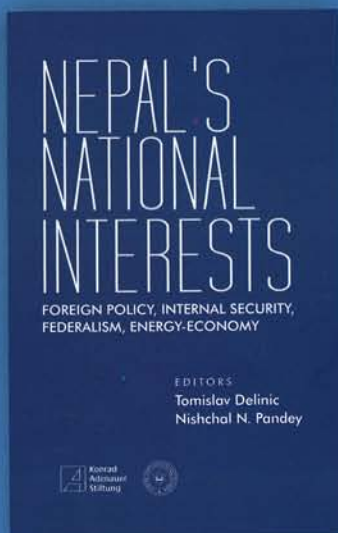
Electricity.

8. To make available an appropriate percentage of national income towards the respective countries' renewable energy investments, subject to the approval of national arrangements.
9. To resolve the operational issues related to the SAARC Food Bank by the next Session of the Council of Ministers with a view to ensuring its effective functioning.
10. To root out terrorism, taking into account its linkages with illegal trafficking in narcotic drugs, psychotropic substances and small arms and to make coordinated and concerted efforts to combat terrorism; and call for an early conclusion of the proposed UN Comprehensive Convention on International Terrorism and completion of the ratification of the SAARC Convention on Mutual Assistance in Criminal Matters.
11. To initiate work towards combating maritime piracy in the region.
12. To direct the convening of an Inter-governmental Expert Group Meeting to discuss the establishment of a regional mechanism to ensure empowerment of women and gender equality in the region, with focus on national legislations, including timely realization of the MDGs and SDGs.
13. To direct the finalization of the work on the elaboration of the SAARC Regional Convention on Preventing and Combating Trafficking in Women and Children for Prostitution with a view to its adoption by the next Summit.
14. To formulate an actionable framework to address the common challenge of sanitation and access to safe drinking water in the region.
15. To expedite the work on mutual recognition of academic and professional degrees and harmonization of academic standards; and establishment of long-term linkages among universities, research institutions and think-tanks in the region.
16. To direct the South Asia Forum to continue to work towards the

development of the “Vision Statement” for South Asia and its future development, including on the goal and elements of a South Asian Economic Union, as may emerge from its subsequent meetings.

17. To strengthen SAARC mechanisms, including the Secretariat and Regional Centres, through an inter-governmental process.
18. To direct SAARC mechanisms and institutions to develop and implement regional and sub-regional projects, as appropriate, in agreed areas.
19. To undertake a comprehensive review of all matters relating to SAARC’s engagement with Observers, including the question of dialogue partnership, before the next Session of the Council of Ministers in 2012.
20. To mark a SAARC Media Day and, in that context, decide to convene a Regional Conference on Media to consider deepening collaboration in the region.

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Konrad  
Adenauer  
Stiftung

50 YEARS OF WORLDWIDE COOPERATION



ISBN: 978-9937-2-4950-8



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