



# SAARC Towards Greater Connectivity

**INSTITUTE OF PEACE AND CONFLICT STUDIES  
KONRAD ADENAUER FOUNDATION &  
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Conference Report

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*Connectivity is a vital imperative for South Asia's future and its acceptance at the highest political levels will be an essential component in the region's development*

## SAARC: Towards Greater Connectivity

The South Asian Association for Regional Cooperation (SAARC) is now poised for major change. Para 4 of the Declaration of the 14th Summit held at New Delhi in April 2007, stated: “The Heads of State or Government recognised the importance of connectivity .... It was vital to first have better connectivity within South Asia and then with the rest of the world. They agreed to improve intra-regional connectivity, particularly physical, economic and people-to-people connectivity. They agreed to the vision of a South Asian community, where there was smooth flow of goods, services, peoples, technologies, knowledge, capital, culture and ideas in the region.”

Indeed the prospects for SAARC are better today than perhaps at any time in its history. Even as some countries are passing through degrees of political transition, each state is faring remarkably well economically with rising GDP growth rates and buoyancy in economic indicators. This potential can be harnessed to promote further growth and to remove socio-economic deprivations through developing greater connectivity in the region and by harmonizing mutual strengths.

It is with this aim that the India International Centre (IIC), the Institute of Peace and Conflict Studies (IPCS) and the Konrad Adenauer Foundation (KAF) organized a regional conference on ‘SAARC: Towards Greater Connectivity’, during January 15-16 at New Delhi.

### ERIC GONSALVES

*Former Secretary, Ministry of External Affairs, Government of India*

The last two decades have seen a steady increase in the process of regional integration across the globe. While SAARC has been in existence for over two decades, its progress has been painstakingly slow despite its several promising summits and declarations. SAARC has been unable to implement its own resolutions owing to a lack of commitment and strong political will, which have prevented the region from making any significant progress. There is growing recognition that to be able to effectively implement these resolutions there is an urgent need to develop both physical and intellectual infrastructure.

### JOERG WOLFF

*Resident Representative (India), Konrad Adenauer Foundation*

Intensifying cooperation between countries and creating a viable regional organisation can facilitate peace, stability, and progress. Such an organisation will guarantee that the region will remain governable despite occasionally differing inter-



ests. This has been the experience in Europe where European integration, a single market and common currency have enabled countries in the region overcome narrow nationalisms of former times. The European Union is the quintessential model of regional integration, adequately equipped to counter challenges of globalisation. Even though this model cannot be transplanted everywhere, it has valuable lessons to offer. In an increasingly globalising world, it is encouraging to see efforts to promote regional integration receive greater support in Asia, Latin America, and Africa.

### **IK GUJRAL**

*Former Prime Minister of India*

Connectivity is not a narrow idea and should be perceived as a key to regional development. As a way forward, it includes much more than issues including travel. Intra-regional travel fares need to be standardised and more intense dialogues are required with regard to SAPTA and SAFTA. Since last summit meeting, certain unfortunate incidents have taken place in the region to disturb the pace of integration. The region has to overcome these problems.

### **Comments/Questions**

Connectivity is a vital imperative for South Asia's future and its acceptance at the highest political levels will be an essential component in the region's development. At the last summit, the Indian Prime Minister, Dr. Manmohan Singh, had expressed India's readiness "to accept asymmetrical responsibility", specifically through SAFTA, through which India was willing to open its markets to states categorized as Least Developed Countries (LDCs), without insisting on reciprocity. India's aviation policy already allows the Sri Lankan Airlines to enjoy extensive landing rights in India – the largest network of air links made available to any airline by a country. This constitutes a practical measure of "asymmetrical responsibility" which boosts connectivity in several fields including tourism, corporate activity, and people-to-people interaction. More intense dialogues are required with regard to SAPTA and SAFTA.

The danger inherent in a move towards greater regional connectivity however, is a spurt in terrorist activity that is bound to have a global as well as regional impact. Terrorism has developed its own deadly, insidious connectivity across South Asia and beyond and needs to be firmly confronted. To this end, effective measures to implement relevant provisions of SAARC Conventions against terrorism, arms-smuggling, narcotics trade, human trafficking, and illegal financial transactions need to be developed.

Despite its diversity and potential South Asia cannot develop in isolation. Recog-



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nising this, the last SAARC summit invited as observers China, Iran, Japan, the European Union, the Republic of Korea, and the United States. SAARC has also had economic links, even though limited with ASEAN, Canada, the European Union and Japan, as well as collaboration with several UN agencies.

The SAARC Declaration on Climate Change adopted at the 29th Session of the Council of Ministers last month paved the way for developing future responses in respect of global issues such as those before the World Trade Organisation and other multilateral bodies. SAARC has already resolved to work in collaboration with international agencies in the crucial areas of water resources and flood control, energy, food supplies, and the environment

There is an urgent need to expand South Asian cooperation and connectivity beyond the realm of the state. There has been increased activity and cooperation among South Asia's non-state actors – the corporate sector, professional associations, civil society, media, cultural groups, and Track II processes. The corporate sector, for example, through the SAARC Chambers of Commerce and Industry (SCCI), provides practical inputs to the process of regional trade facilitation. In addition, there have developed profitable relations among various national chambers. A notable initiative extending beyond the region has been the establishment of the South Asia-China Economic Forum. However, the Track II recommendations need to interact more directly with state mechanisms and develop institutional connectivity with them.

#### **Keynote Address**

**JAIRAM RAMESH**

*Minister of State for Commerce, Government of India*

The SAFTA process is in full swing, the tariff liberalization program under it has been launched, notifications sent, and the final procedures of making Afghanistan a member of SAFTA are expected to be completed by March 2008. India's commitment under SAFTA was to reduce import duties on a large number of items, for the Least Developed Countries (LDCs) in the region by 1 January 2009. The schedule has been advanced and on 1 January 2008 India issued notification that it was slashing import duties to zero on 4537 items for Bangladesh, Maldives, Nepal, Bhutan, and Afghanistan. However, the list of sensitive items numbering 744, dominated by items of agriculture and textile, will remain in place. The review of this list has been mandated by the Prime Minister, especially for the five LDCs in the region.

Though SAFTA is chiefly concerned with tariff liberalization, there are a large



number of non-tariff barriers which in effect negate tariff liberalization. A task force constituted by the Ministry of Commerce examined each of the non-tariff barriers believed to be existing in India. A series of reviews revealed that while some of these could not be categorized as non-tariff barriers, others were merely problems related to procedures and lack of transparency. With regard to India's insistence on testing products within the country, it has been decided that for a large number of products in textile and food processing, there will be no insistence on testing in Indian laboratories. Testing conducted in any accredited laboratory in any of the SAARC countries will be accepted for purposes of import. A review of all the non-tariff barriers shows that India's certification procedures are non-transparent and convoluted, leading to import constraints. This is the main concern and fear of other SAARC countries. But the process has started with textile and food processing in Bangladesh, and cement in Pakistan.

There is need for a giant leap from 'border trade' to 'trade at border', for which India's security and economic systems are not prepared. It is essential to look at the borders as connectors. Pending this paradigm shift, 13 locations on India's border have been identified that require infrastructural upgradation, to promote expansion of trade. The 13 land customs stations are: Wagah on the Indo-Pakistan border; seven on the Indo-Bangladesh border (Petrapole being the most important); four on the Indo-Nepal border (Raksaul being the most important); and Moore on the Indo-Myanmar border. It is a Government of India project with an estimated cost of 853 crore rupees that aims at upgrading infrastructure in terms of connectivity and creating an integrated check-post, integrating immigration, customs, testing and other activities associated with trade. A major consequence of not having proper infrastructure at these borders is that legal trade fades into insignificance and illegal/informal trade comes into the foreground. India is also engaged in diplomatic efforts with Bangladesh and Myanmar for opening up of additional land customs stations. The priority however, is to develop modern infrastructure for trade at the border.

Trade is passé and investment is the new buzzword. It is important to understand that the driver of economic integration everywhere is investments, particularly in South Asia, as investments are the only way by which India's neighbours can hope to manage trade deficits with India. The neighbouring countries fear that liberalizing trade with India will lead to swamping of their markets with goods from India. This fear can be mitigated only if Indian investment takes root in these countries and if in return India reduces barriers to investments from its neighbours. For ten years India had refused any Foreign Direct Investment (FDI) from Sri Lanka, Bangladesh, and Pakistan. Of these, only barriers on investment from Sri Lanka and Bangladesh have been removed. It is in India's interest to remove FDI restric-



*Bilateral initiatives also have a bearing on the entire region. Negotiations between India and Sri Lanka to convert the free trade agreement into an agreement for comprehensive economic partnership are in their final stages.*



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tions on Pakistan, as this will strengthen the former's plea for investment liberalization because the next phase of SAFTA addresses issues of services and investment, where India needs to have a strong moral position.

Regarding infrastructure, especially road and rail, a number of steps have been taken, particularly in relation to Pakistan. Considerable progress has been made on the integration of road services, with several other proposals by India to Pakistan including Kargil-Skardu and Jammu-Sialkote routes; and to Bangladesh for Agartala-Dhaka and Shillong-Silhet routes. There has been progress on the question of rail links as well and the proposal for a Kolkata to Dhaka railway line is under consideration. Revival, upgradation and modernization of old rail and road links that existed in the region is also essential.

Bilateral initiatives also have a bearing on the entire region. Negotiations between India and Sri Lanka to convert the free trade agreement into an agreement for comprehensive economic partnership are in their final stages. The FDI initiative with Bangladesh is also important and India is encouraging imports from Bangladesh. Cement is a major commodity that India imports from Pakistan. With respect to Pakistan trade across LoC trade is significant because any confidence building measure between India and Pakistan has multiplier effects for the entire region.

In terms of volume of trade, South Asia is a blip on India's radar screen and India's globalization is not sustainable without partnership in the region. There are success stories of regional economic cooperation, like the Bhutan-India cooperation on power, which can be replicated in Nepal. India's Sittwe project in Myanmar will have a significant bearing on South Asia as it would mean increased connectivity of India's Northeast not only with the rest of the country, but importantly even South East Asia.. Such efforts towards sub-regional cooperation will help obviate the suspicion with which neighbouring countries have regarded India in the past. India is willing to be proactive and work unilaterally to dismantle barriers and emerge as a major importer in the region.

## **Recent Developments in SAARC**

**KHEYA BHATTACHARYA**

*Joint Secretary (SAARC), Ministry of External Affairs, India*

SAARC is at a critical juncture and it is important to understand its uniqueness in terms of the common historic legacies and cultural commonality of its members. Its developmental challenges are unique and hence it is unfair to compare



SAARC with other regional organisation. The theme of the 14<sup>th</sup> SAARC summit was 'connectivity'. In this context, certain key areas were identified: economic and trade, culture, poverty alleviation, and physical infrastructure. Since the summit, there have been four ministerial meetings organized to focus on areas of physical, financial, and security connectivity..

In the first meeting of the transport ministers in August 2007, the ADB-funded multi-modal transport study was analysed. ADB identified various road, rail, aviation, and inland water corridors to strengthen intra-SAARC linkages. India proposed a draft regional motor vehicle agreement, and will also circulate a 'Regional Railways Agreement for Goods, Services and People', for consideration by the SAARC member states.

At the finance ministers meeting in September 2007, there was a call for an urgent finalization of the SAARC Development Fund (SDF), which will be an umbrella institution for sub-regional and regional projects, and will have social, infrastructural and economic windows. India has already committed 100 million dollars to the social window of the fund, apart from its assessed contribution of about 90 million dollars. The negotiations for the SDF have been finalized, projects identified, and it is currently functioning out of a temporary cell in Katmandu. Two important projects on maternity and child health care including immunization, and women empowerment, especially for home-based workers, are slated to start shortly. Efforts are on to identify other sub-regional projects to be funded by the SDF.

The home ministers met in October 2007 and discussed security issues in terms of strengthening hardware and software of infrastructure between the SAARC members, including formation of the Conference of Police Chiefs of SAARC members. India has offered electronic networking of the terrorist monitoring desk and the desk on narcotics and drugs (both based in Sri Lanka) and upgrading their physical infrastructure to enable better information-sharing. Negotiations on the draft on mutual legal assistance on criminal matters are expected to be finalized in the next meeting in April 2008 in Sri Lanka. This will be the first enabling regional framework on security to ensure cooperation in sharing and exchange of information on monitoring criminal and anti-national activities.

A meeting of the heads of the National Coordination Committee on the SAARC Social Charter was held in September 2007 where the issue of poverty alleviation among others, was discussed. Sub-regional projects on women, geriatric care, natural disasters, youth, food, water, and environment were also developed. Programs relating to capacity building and exchange of best practices are already underway. The first meeting of the regional task force on trafficking of women and children



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was held in New Delhi in July 2007, where it was decided to have a uniform toll-free number for victims and a standard operating protocol negotiated by the SAARC member states to punish offenders.

The standard operating protocol has already been finalized by India, and the toll-free number is being hyperlinked to the SAARC member states for their connectivity. India has also offered to initiate a telemedicine project in healthcare with the first phase starting in Bhutan, under which, super-specialty hospitals from India will be linked to Bhutan and gradually all other SAARC members will be tele-connected..

The names of three persons for the post of the interim CEO of the South Asian University to be located in Delhi, have been short listed and put before the inter-governmental steering committee for approval. Work on the university is expected to start by 2009. The Agreement on the SAARC Food Bank, signed at the summit, which ensures that the SAARC member states are able to draw food grains during emergency,, will become operational upon ratification.

Regarding the issues, certain foggy areas were identified by the heads of governments – food, water, energy and environment. India has approved a program of solar rural electrification -- electrification of one village in each SAARC country through solar power, along with rural roads and capacity-building measures for maintenance. In addition, projects on rain water harvesting, ground water maintenance, capacity-building and training programs in the areas of power, improved nitrogen-fixation through a regional workshop of the eight countries, increasing the nutritional value of food for the underprivileged and shuttle breeding programs will soon commence. The Technical Committee on Agriculture, in a meeting held in New Delhi, decided to operationalize a SAARC milk-grid in the region through a process of public-private partnership.

SAARC member states expressed their willingness to address the problem of over-bureaucratization within their countries. To rationalize and streamline institutional mechanisms to ensure that the organization's activities and meetings prove useful, it was decided to dovetail feeder meetings to ministerial meetings, and prune mechanisms that have outlived their purpose. Conscious of the fact that SAARC is a people-driven process, India, has committed to institutionalize greater people- interaction within SAARC. To this end, a SAARC bands function, food festival, pilot-student exchange programs (both at school and university levels), and folk arts theatre festival were organised, and the SAARC museum of textile with a sales outlet was set up. These witnessed tremendous response and participation from all members states, even from their remote areas. The Sura-





jkund Mela and the India International Trade Fair saw an enthusiastic participation by SAARC members.

There has been a growing international interest in SAARC. So far SAARC has had seven observers: the European Union, United States, China, Japan, Korea, Iran, and Mauritius. Australia has expressed interest and its application is being considered. As the ambit of SAARC's influence grows, it will have to develop a mechanism to allow for cooperation of its observers and fine-tune their activities within it. SAARC also has MoUs with various international organizations on a case-by-case, project basis.

The forthcoming Ministerial Meetings in 2008 include the SAFTA Council of Ministers, to be held in February-March 2008. Preceding meetings on trade and services and non-tariff measures will also be held. The meeting of the ministers on poverty alleviation is scheduled for February 2008, along with meetings of ministers of health, transport and agriculture during the year. Sri Lanka will host the next summit in Colombo.

### Comments/Questions

- Barriers have certainly been broken but it is essential that the bureaucracy also shares the same vision as the Ministers.
- How is India's physical infrastructure being linked with China? China plans to bring a rail link upto Kathmandu. Does India plan to extend its rail network to Kathmandu? Can the Stillwell road be extended to Bangladesh to promote mutually-beneficial outcomes?
- There is a huge gap between policy level decisions and their implementation. Investment is very important and South Asian countries need to create increased trade opportunities and export potential amongst themselves. The SAARC Investment Treaty will be of utmost importance in this respect.
- Are there any plans of the Indian government to provide investment incentives in other countries which can stimulate intra-regional investment? There is surplus energy in India's Northeast. Is India considering export of energy to the north east side of Bangladesh?
- What is the current security concerns regarding investment from Bangladesh? Does the opening of the Sittwe port offer only commercial connectivity or does it have strategic implications as well?
- Most countries suffer from internal instabilities. Greater democracy and huge investment opportunity creation will prove advantageous for the region. Border infrastructural development has remained neglected. The border between India and Nepal is a hub of criminal and illegal activities. The way out is collaboration be-



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tween the two governments to make it a point of connection rather than point of difficulty. Security agencies are not opposed to building infrastructure at the border areas. There is a vision, capacity and requirement for the same. So where does the problem lie?

- There have been no initiatives on any of the major rivers between Nepal and India.
- Sittwe is being perceived as our Gwadar in the east. In the case of the Ledo-Stillwell road, the Chinese have done their bit. Security however, must not hamper trade and development efforts between countries. The citizens of member states continue to remain sceptical about the future of SAARC. How can civil society be mobilized to support these efforts?

Unless a liberal or no-visa regime is adopted, achieving connectivity in South Asia will remain unachievable.

### **Jairam Ramesh**

- There is a lot of interest in the Northeast, but there are doubts within the security establishment, whether it would be wise to reopen the Stillwell road. There is considerable hesitation on India's part because security concerns are yet to be addressed.
- The infrastructure on the Chinese side is visibly superior, evident in the Chinese side of Nathu la. Hence, the challenge for India is to improve infrastructure on the designated points of trade on its side and then initiate discussion about connectivity of this infrastructure with the Chinese side.
- Sittwe is not only an economic proposition but also has strategic implications which are not aimed at Bangladesh. It is an important flag marker for India in Myanmar and provides access to the Northeast. Trade within South Asia and India's exports to South Asia have both increased significantly, but imports have not improved impressively, fuelling suspicion in neighbouring countries.
- With regard to Nepal, India is investing in Raksaul, Jogbani, Sanauli, and Nepalganj roads. In addition, rail links for Katihar-Jogbani-Biratnagar, Gonda-Nepalganj, and New Jalpaiguri-Kakarpita are being laid out. But it is the power sector that will transform the relationship between India and Nepal. There is no harm in allowing the private sector to take the power initiative forward. The private sector in India can also collaborate in development projects with neighbouring countries. Scepticism regarding SAARC is only limited to New Delhi. People with greater economic stakes and even state governments possess greater desire for economic cooperation and integration with the neighboring countries.
- In the border areas only the Government has the capacity to undertake risks for making investments in infrastructure. The single-most important factor holding India back is the fear that opening up its borders will flood its markets with



goods from China.

- Many of the economic projects in the Northeast will make sense if Bangladesh is brought into the picture, which as of now, given the bilateral relations between the India and Bangladesh, seem unlikely.
- The proposal of India providing incentives to its private investors to invest in neighbouring countries is worth considering. In the case of SEPA, fears exist on the Sri Lankan side. These are not irrational fears; but the same fears that India has vis-à-vis China or Singapore. It is natural to worry about whether opening up their services sector will cause their own professionals to become unemployed.

### **Kheya Bhattacharya**

- The SAARC Regional Agreement of Promotion and Protection of Investments is in the final stage of negotiations.
- A SAARC visa scheme is already in place. The problem of a visa-free scheme for certain categories of people like businessmen, academics, journalists, writers, sportspersons, senior government officials and politicians, and visa liberalization schemes for various other categories was also discussed with the Council of Ministers in December 2007.

## **Infrastructure Connectivity: Unlimited Avenues**

### **PRATEEK PRADHAN**

*Editor, Kathmandu Post*

There are many issues affecting greater cooperation and connectivity among South Asian nations. Lack of physical infrastructure tops the list. Being a region with one of the highest growth rates in the world, the demand for infrastructure has swollen dramatically, touching \$90-100 billion per annum. It is not feasible for one country alone to meet these changing needs. Therefore, it becomes imperative for all SAARC members to complement each other's growth efforts.

Given this scenario, experts in South Asia and the Asian Development Bank have proposed a number of transport corridors. Among the important ones proposed are Lahore-Delhi-Kolkata-Petrapole-Benapole-Dhaka-Akhaura-Agartala (2,453 km), Kathmandu-Nepalgunj-Delhi-Lahore-Karachi (2,643 km), Kathmandu-Birgunj-Kolkata-Haldia (1,323 km), and Thimpu-Phuentsholing-Jaigon-Kolkata-Haldia (1,039 km). Two priority routes have also been identified in the Asian Highway network touching upon South Asia. While one route connects Iran, Afghanistan, Pakistan, India, Bangladesh, Myanmar, Thailand, and Vietnam; the other route links Iran, Pakistan, India, Nepal, Bangladesh, and Myanmar.



*Establishment of the South Asian Free Trade Agreement (SAFTA) in 2006 necessitates the development of linkages to help expand intra and inter-regional trade*

*Lack of adequate transit facilities for SAARC members within the region had severely limited trade flows within the SAARC, affecting SAPTA*

On the question of rail links, there is a proposal for a Colombo-Chennai rail corridor (1,025 km). Also, the railways of India and Bangladesh can be brought under the Trans-Asian Railways which consists of the railway systems of Pakistan, India, and Bangladesh. Water transport too can bring the countries of the region closer. Ganga, Brahmaputra, and Meghna waterways can be integrated with the sea ports in India and Bangladesh. Ferry service between Colombo and Kochin, and Colombo and Tuticorin should be established. Tourism will receive a great boost if the airports in Nepal and Bhutan are upgraded. Male-New Delhi and New Delhi-Islamabad air services should also be started.

## **SAARC: Connectivity through Complementary Infrastructure**

**PERVAIZ IQBAL CHEEMA**

*President, Islamabad Policy Research Institute*

The 14th SAARC Summit focused on developing economic, social, cultural, and physical infrastructure to promote intra-regional trade, encourage regional investment, and greater people mobility in the region. Pilot projects for improving connectivity including a multi-state road transportation system and direct air links to all capitals were also agreed upon by the member countries.

Establishment of the South Asian Free Trade Agreement (SAFTA) in 2006 necessitates the development of linkages to help expand intra and inter-regional trade. Efforts must also be made to open the region's fragmented economies to other economies in the region as well as to the adjoining regions of North East Asia, Central Asia, and South East Asia. This will be a real movement towards greater Asian economic integration.

The SAARC Regional Multi-modal Transport Study (SRMTS) established in 2004 has given important suggestions to promote regional connectivity. Earlier, regional cooperation in the development of land transport infrastructure in Asia was promoted by the United Nations Economic & Social Council for Asia & Pacific (ESCAP) to stimulate growth and facilitate exchanges among people. SAARC can learn a great deal from ESCAP's projects. SAARC observer countries with much better infrastructure than the SAARC nations must also cooperate extensively in this regard.



## Enhancing Trade Connectivity in South Asia: The SAFTA Route

**MUSTAFIZUR RAHMAN**

*Executive Director, Centre for Policy Dialogue, Dhaka*

The South Asian Free Trade Area (SAFTA) was envisaged to be a step forward from the SAARC Preferential Trading Arrangement (SAPTA). It is common knowledge that negotiations under SAPTA were not very effective. In spite of SAPTA and the increasing integration of South Asian economies, in terms of intra-regional trade cooperation, South Asia continued to be one of the least successful regions in the world. Lack of adequate transit facilities for SAARC members within the region had severely limited trade flows within the SAARC, affecting SAPTA. However, it should also be taken into account that the size of informal intra-regional trade in South Asia continued to be quite significant, particularly between India and Bangladesh (estimated variously to be in the range of \$ 2-3 billion). SAFTA was thus expected to be only a step, albeit an important one, towards an integrated South Asian economy based on comparative advantage-driven economic cooperation. Such an economic entity was also envisaged as a strategic bloc that would facilitate global integration of the regional countries.

From Bangladesh's perspective, the extent of benefits that the country can draw from RTAs such as SAFTA, will depend crucially on its capacity to (a) promote export diversification, (b) enhance productivity, and (c) strengthen export competitiveness. A number of issues which strained trade relations between India and Bangladesh (like the dry-cell batteries issue, restriction on cement export) have now been resolved to Bangladesh's satisfaction. On its part, India has also been seeking some facilities from Bangladesh (port of call at Ashuganj, transportation of equipments through Bangladesh). The litmus test of the effectiveness of SAFTA will be its ability to ensure greater volume of intra-regional trade and, to a certain extent, reduced trade deficits between partner countries through comprehensive efforts.

## The Costs of South Asian trade

**TCAS RAGHAVAN**

*Senior Consultant, Asian Institute of Transport, New Delhi*

South Asian countries cannot hope to reap the full benefits of globalisation without some degree of regionalisation of their economies. It is also necessary to distinguish between necessary and sufficient conditions for regional cooperation and/or integration to succeed. Necessary conditions are those without which the desired out-



*A central objective must be to view sub-regions as areas where transport networks can be treated as though national boundaries existed only for the purpose of levying customs duties*



*Development of clean and renewable energy deserves to receive high priority in South Asia. Exploitation of renewable sources of energy will greatly relieve pressure on member countries dependant on fossil fuels*

come will not be achieved, no matter what else happens. Sufficient conditions are those conditions alone that ensure the outcome by being present.

The operational dynamics of India-Bangladesh and India-Nepal trade clearly demonstrate the fact that 10-15 percent of the product costs are logistics-related. Hence, gains in logistics efficiency will be reflected in lower prices and overall welfare gains. A key factor, often not recognised, is that logistical efficiency is a function of networks. The better the network, the higher the efficiency. This applies particularly to transport logistics. Unless we learn to view transport as a network, it is unlikely that we will achieve maximum logistical efficiencies. These networks are missing between the countries of South Asia.

The question is how to rebuild old networks. This is where regional cooperation becomes important. A central objective must be to view sub-regions as areas where transport networks can be treated as though national boundaries existed only for the purpose of levying customs duties. For all other purposes, the sub-region should be treated as if there were no borders. This is what will make the circulation of goods possible at a cheaper rate and lead to the formation of production clusters. This springs directly from the fact that transport, in addition to reflecting a variety of different types of products and services, also has a spatial dimension.

It is worth considering if state highways serving important land customs routes, should be declared national highways. Further, all national highways serving these routes should be upgraded to four lanes and declared as international corridors. Most crucially, regional cooperation creates 'regional public goods' that have an impact across borders within the region.

### **Comments/Questions**

- There should be focus on health infrastructure. Pro-poor growth should be promoted in the form of rural industrialisation, rural education etc. of short-term or occasional training institutes for the exchange of such expertise should be considered.
- Trade issues are dependent on visa issues. And visa processes are so cumbersome that it becomes difficult for people to interact with each other.
- Linking extraneous political issues to economic issues is wrong. Economic issues should be considered on their merit alone.
- Energy security is important for Bangladesh, but it also has some strategic concerns. While a deal with the Tatas can be struck, concerns over investment will continue to bother Bangladesh.



## Connectivity through Energy and Harmonization of Resources

**SHAFI SAMI**

*Former Foreign Secretary of Bangladesh*

The twelfth SAARC Summit set up a specialized Working Group on Energy (WORGEN) to undertake a study of various possibilities of cooperation in the field of energy, including the idea of an Energy Ring that would include trans-national energy lines for trade in electricity, gas, and oil. A meeting of SAARC Energy Ministers – the first of its kind, was held in Islamabad in 2005. A SAARC Energy Centre was established in Islamabad in March 2006. The thirteenth SAARC Summit also constituted a South Asian Energy Dialogue involving officials, experts, academics, environmentalists, and NGOs to undertake an in-depth study of the issues and make recommendations.

Development of clean and renewable energy deserves to receive high priority in South Asia. Exploitation of renewable sources of energy will greatly relieve pressure on member countries dependant on fossil fuels. This will significantly contribute to meeting concerns of climate change and deforestation due to logging and wood-fuel consumption. As for hydro-power, member states need to pay utmost attention to effectively address concerns regarding its adverse environmental impact and rehabilitation of affected persons.

Development and promotion of non-conventional energy resources could be another priority area. Solar energy can also be explored further if cost reduction can be brought about through an integrated energy market. High-priority must be accorded to considering the development of external linkages with countries beyond the region, in the neighbourhood, like Myanmar, Iran, and Central Asia, which possess immense exportable surplus of energy. An important challenge before the SAARC member states is to universalise access to electricity by developing a cooperative energy mega-project, beneficial to all member-states. This in turn will provide stimulus for developing cooperative projects in other sectors and help build trust and confidence among its peoples.

## Energy Cooperation and Connectivity

**NITYA NANDA**

*Fellow, Centre for Global Agreements, Legislations and Trade, TERI*

South Asia, even though the fastest growing, has among the lowest rates of the per



*With a share of 20% in the global population, the region only has a 0.6% share in global oil reserves. All the countries in the region are net importers of oil.*

*The concept of peaking power makes hydropower a great proposition. However issues of political economy and rehabilitation make hydroelectric projects disadvantageous*

capita income in the world. With a share of 20% in the global population, the region only has a 0.6% share in global oil reserves. All the countries in the region are net importers of oil. India however, ranks among the top ten exporting countries and is the net exporter of refined petroleum products. However the irony of the matter is that UAE and Singapore are the topmost importers of the Indian petroleum products and the biggest exporters of petroleum products to Pakistan and Bangladesh. It is the absence of proper links between India and Pakistan, and Bangladesh, that such trade is thwarted.

Even natural gas consumption is very limited in the region primarily due to the lack of infrastructure like gas pipelines. Therefore, to meet the region's energy demands, major gas pipelines like the Iran-Pakistan-India (IPI) pipeline, Turkmenistan-Afghanistan-Pakistan, and the Myanmar-Bangladesh-India pipeline were envisaged. India was very keen on the latter, because some investments have already been made in Myanmar, but these plans have not been realised. India has some major concerns with regard to the IPI pipeline. If Pakistan, for instance stops the gas supply, it could have significant implications for India's energy security. My view is that such concerns can be mitigated if the pipeline is made into a regional grid. It then becomes a regional issue where Pakistan will be more careful in affecting the functioning of the pipeline. The same logic can be applied to other pipeline projects as well.

### Comments/Questions

- The bane that affects South Asia is a lack of cooperation. There is therefore a need for a mega project wherein all countries in South Asia can cooperate with each other. It can be either a natural gas energy project or a hydroelectric power project. With regard to Bangladesh's natural gas reserves, we need some organisation to accurately gauge the reserves.
- Without the establishment of a SAARC grid, it would be impossible for us to cooperate with other regions. India needs to unilaterally take the initiative for wind energy projects, given its technology and expertise in the area. It also needs to seek expertise from other countries for energy transmission and distribution.
- The need for India in particular is to reform its electricity trade. How do we do that?
- The IPI gas pipeline is a dismal story of cooperation. Differences between India and Pakistan have held back any forward movement on the issue. The pipeline constitutes an important building block for a good relationship with Pakistan.
- The offer from Pakistan was part and parcel of the foreign capital investment that the Benazir Bhutto government was able to secure from the United States. The offer was made in anticipation of the realisation of that investment. Unfortu-



nately, the Bhutto government fell and the next government led by Nawaz Sharif did not pursue it further.

- The suggestion to measure gas reserves of Bangladesh holds promise. If we are able to prove to the people the benefits of cooperation, it will trigger off a mechanism for cooperation. People who doubt the possibility of cooperation always try to sabotage it. For instance, in 1998 great apprehensions were raised about the Kolkatta-Dhaka bus service. Ten years later everyone is convinced about the benefits of the service.
- India is a pioneer in exploring renewable energy sources like solar, wind energy etc. There are also other areas where India has proved its expertise. For instance, while countries of South Asia use bio-mass inefficiently, India is a leader in bio-mass energy resources.
- There are methods of guarantees which have been evolved in the working and maintenance of pipelines as in Europe. The IPI gas pipeline can also be evolved in a similar manner.
- What are the impediments in energy cooperation between India and Bangladesh? ?
- There are various models of energy pricing available in the world. In Nepal for instance, the state electricity corporation has started issuing shares to the general public for the construction of projects.
- The concept of peaking power makes hydropower a great proposition. However issues of political economy and rehabilitation make hydroelectric projects disadvantageous. The answer lies in creating an appropriate economic package for the losers.

## **SAARC: Connectivity through People and Ideas**

**NISCHAL NATH PANDEY**

*Director, South Asia Foundation, Kathmandu*

The SAARC Visa Exemption Scheme that was initiated in 1988 and became operational on 1 March 1992 was designed to facilitate closer interaction and cooperation among the peoples of the region. It is now increasingly felt that visa requirements must be waived for all SAARC citizens while traveling within the region and in case of security concerns, , people must at least be allowed to apply for visas at the point of entry.

Another important step in this direction would be the setting up of the SAU. Once functional, it will be the most important center for learning on South Asian issues and will connect academics and researchers within the region. As South Asian economy grows and becomes one of the largest markets, there will be increasing



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international students desiring to study its affairs and that must be encouraged.

## **SAARC: Conectivity through People and Ideas**

**AMBASSADOR WALI-UR RAHMAN**

*Director, Institute of Law and International Affairs, Dhaka*

There is awareness that SAARC has not been able to make any significant headway, despite the tremendous potential for cooperation in the region. Three critical areas that can be addressed in this regard are: strategizing political cooperation, economic development, and social progress, where SAARC has lagged behind compared to most regional organizations like EU, ASEAN, and NAFTA. The 13<sup>th</sup> SAARC summit reflected this realization when China and Japan were accorded “Observer Status” ostensibly to reinvigorate the cooperation process by bringing actors from outside the region.

South Asia is composed of varied and interacting cultures, civilizations, and ideas, that can become the stepping stone towards a common South Asian identity. It is pertinent to reflect on SAARC’s past successes and failures and also formulate a vision for the future.

## **Connecting people, Connecting Region: Bringing SAARC Closer to South Asia**

**RAHUL TRIPATHI**

*Department of Political Science, Goa University.*

SAARC should be based on the four pillars of knowledge, technology, commerce, and culture. These should become instruments to bring people across the region into multiple partnerships and interactions. SAARC should follow a bottom-up rather than a top-down approach.

On paper, politics has been kept away from SAARC deliberations, but politics has shaped the SAARC process from its inception. Unlike politics of opportunism however, SAARC must focus on the ‘politics of opportunity’, which can play a constructive role.

### **Comments/Questions**

- The important question is what role can ‘the people’ in SAARC? SAARC is a people’s organization. SAARC can truly progress only with people’s initiative. For this, an exchange of information and ideas through people-to-people contact is crucial. The media also has a significant role to play but unfortunately, the





South Asian Media has not played a very proactive role in this regard.

- On the question of SAU, is there any need to create new institutions or should already existing universities in SAARC countries be further developed?
- The role of the media is very important because it creates an impression on the minds of the people about their neighbours, whom they have never visited. The media thus has to be more responsible.

### Valedictory Address

#### MUCHKUND DUBEY

South Asia is among the fastest growing regions of the world. Its countries broadly converge on areas of macro-economic policy. Regional arrangements like AFTA, MERCOSUR and NAFTA etc. have made substantial progress in their respective integration process. Despite being an ideal grouping for economic integration, South Asia remained untouched by the first wave of regionalism in the international arena which started in 1957. All major regional groupings came about from the late 1950s to the early 1970s in Asia, Europe, Latin America and Africa. The South Asian Region remained marred in mutual doubts and suspicions. It woke up to the next wave of regionalism which has come to be known as New Regionalism.

It was against this backdrop that an Eminent Person's Group (EPG) was created and mandated to prepare a vision document for deeper regional integration. It suggested a preferential trade arrangement with the intention of bringing economies of the region closer, resulting in the creation of the South Asian Preferential Trade Arrangement (SAPTA) But SAPTA has failed in facilitating the process of actual and deeper integration due to the following four fundamental flaws in the agreement:

- The target setting of 0 to 5% tariff reduction has come too late (2012-2013). There is every possibility that by this time tariff rates might automatically come down to this level without any special effort within the SAPTA framework.
- Main obstacles have been non-tariff and not so much tariff barriers. There is no framework, or commitment in place and no deadline towards doing away with non-tariff barriers.
- It does not take care of the Least Developed Countries (LDCs). It has not taken into account the EPG's recommendations. The first wave of regionalism failed because of ignoring the requirements and demands of LDCs. Regional groupings are not just for preferential trade arrangements. It has to aim at the measures for deeper integration, which at present SAPTA lacks.

Deeper integration can be pursued even without any special arrangements. One



*India's efforts are therefore clearly directed towards moving beyond SAARC and an attempt is being made to integrate the region through bilateral negotiations. India's FTA with Singapore and Thailand are two such examples*

*There are two important needs at this point of time for the SAARC countries; taking up asymmetric responsibility by states and an imperative need for a trusted change in attitude*

cannot move towards a custom's or economic union without moving beyond preferential trade arrangements. What has happened to the EPG's recommendations? EPG came with a blue print. What has happened to the recommendations? The inaction in this regard has happened due to two broad reasons; Political Reasons and Opportunity Outside

The experience in all regional groupings has been that the major country in the region plays a special role, and India must play its special role in South Asia by virtue of being the strongest economy. In Europe countries compete to grant transit permit there is no reason why it cannot happen in South Asia. There has to be a shift from the security of states to the security of the people. It this shift that will enable deeper engagement in the region. Retrieval of the state for alternate development strategies is the need of the hour.

With the shift of economic power balance towards Asia, leading to a market-driven integration. India's economic engagement with ASEAN and China has been phenomenal. The prime ministers of India and China recently signed a statement agreeing in principle to work towards creating an Asian Economic Union. India is also trying to build a pan-Asian Economic Union. India's efforts are therefore clearly directed towards moving beyond SAARC and an attempt is being made to integrate the region through bilateral negotiations. India's FTA with Singapore and Thailand are two such examples that have shown an inclination to deal individually with countries in the region.

### **Comments/Questions**

- South Asia is going through a very difficult time. Fragile states with their weak political systems have added to the worries of the region.
- Ideally SAARC should be people-driven, but practically one sees scant engagement of the people in its processes.
- There are two important needs at this point of time for the SAARC countries; taking up *asymmetric responsibility* by states and an imperative need for a *trusted change in attitude*.

