

SAARC – HELPING NEITHER TO INTEGRATE NOR LOOK EAST

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Exordium

Compared to other comparable regional organisations, South Asian Association for Regional Cooperation (SAARC) sets no proud example. This in itself is somewhat remarkable. A region that till 1947 was without formal borders and formed a single geo-economic entity, is today marked by confrontation and absence of cooperation.² Regional interactions both in terms of movement of human beings or of goods, is minimum. Whatever success there may be in terms of economic exchange is perhaps not because of SAARC but despite it.

At the time of separation of India and Pakistan in 1947 there was perhaps little expectation that the division will be so permanent and total. Many Muslim families split in two and stayed in different countries hoping to meet often and continue life much as before. Jinnah retained his magnificent house in Bombay (Mumbai) expecting to spend the winter season in India. In the east again, where the partition violence was substantially less, a very large percentage of Hindu families stayed behind in East Pakistan till the civil war of 1971. Trade and commerce was expected to continue as before even as India and Pakistan went their separate ways politically. But, the enormity of violence at partition in the west and the conflict in Jammu & Kashmir from October 1947 deepened cleavages, left deep scars and heightened respective nationalisms. The rest is history and best not revisited. Yet, this is the necessary backdrop in which one needs to assess the success or otherwise of regional cooperation within South Asia.³

Elsewhere in the world regional groupings and integrations did however, move ahead fairly rapidly after the end of the Second World War and accelerated after the Cold War ended. Foremost amongst regional organisations and amongst the earliest is the **European Union**. It moved in several stages through the **European Coal and Steel Community** in 1951, to the **European Economic Community** after the Treaty of Rome in 1957 to the present **European Union**. A parallel initiative was through the **European Free Trade Association** set up in 1959 at the Stockholm Convention leading to the **European**

Community and again to the **European Union**. Today it has a single currency, common external tariff, free migration of workers, common Schengen visa and is striving towards a common security and foreign policy, though still without agreement on a constitution. While this is the most advanced regional grouping by far, others are not lagging behind. In Latin America was set up first the **Latin American Free Trade Association (LAFTA)** and later the more successful **Southern Common Market** commonly known by its acronym **MERCOSUR**, which was established in 1985, the same year as **SAARC**. In the Caribbean there is the **CARICOM** since 1973. In North America is the **North American Free Trade Area (NAFTA)** since 1988.

In Africa too there are the **Southern African Development Community (SADC)** since 1980, the **Central African Customs and Economic Union (UDEAC)** and the **Economic Community of West African States (ECOWAS)** since 1975. In July 2002 was established the **African Union** replacing the earlier **Organisation for African Unity**. South Pacific too has come together with the forming of the **South Pacific Forum** since 1971.

The **Association of Southeast Asian Nations (ASEAN)** was first established on 8 August 1967 in Bangkok with five original members (Indonesia, Malaysia, Philippines, Singapore and Thailand). Today it is a vibrant organization of ten with a population of over 450 million. According to Kofi Annan, the UN Secretary General in 2000, it is “not only a well-functioning, indispensable reality in the region, it is a real force to be reckoned with far beyond the region.”⁴ The more recent **Shanghai Cooperation Organisation (SCO)** to the north was initially set up as the Shanghai Five, on 26 April, 1996, at the meeting of the heads of Kazakhstan, Kyrgyzstan, China, Russia and Tajikistan at Shanghai.⁵ The former was established at the height of the Vietnam War. The **SCO** is a more recent grouping of China, the Central Asian countries and Russia, with observer status for India, Iran and Pakistan; an enormous land mass in the heartland of Asia with huge natural resource potential.

The aim of referring to these regional groupings is to highlight the absence of regional cooperation in South Asia. It came about almost as an after thought, without a clear conception of what the cooperation will be all about? Several reasons have been suggested for this. First, is the structural issue, where because India looms so large over the

entire region there would always be a fear of New Delhi's dominance. After all India shares borders with all SAARC members either directly over land or across the sea and none of the others had a land or sea boundary between them. India's population was enormously larger, about fifty times that of Sri Lanka and Nepal and over two thousand and three thousand times respectively compared to Bhutan and Maldives. It also had corresponding economic preponderance accounting for between 75-80 percent of the economic potential of the entire region. Naturally India could be expected to prefer bilateral interactions rather than be pinned down through collective negotiation. Then again, with Bangladesh still a part of East Pakistan till 1971, it really was a bilateral situation anyway in the sub-continent, between India and Pakistan. Also, some countries had other aspirations. Sri Lanka for one made an abortive attempt to join the ASEAN in the late 1970's and became amenable to SAARC only after the rebuff notation.

As was the case with some other regional groupings, the impetus for SAARC may well have been tension and potential conflict in South Asia. The Soviet aggression in Afghanistan, an event that was expected for over a century and a half, but came about only in end 1979. Once again a major power would be at the doorstep of South Asia. Should it perhaps collectively prepare for the consequences? This may not entirely have been the motive, but Bangladesh President Zia ur Rahman's call to form a regional organisation at about this time, did not go unheeded. It would still take five years of patient diplomacy to overcome both Indian and Pakistani hesitancy till the First Summit at Dhaka in December 1985.⁶ Nevertheless, this somewhat "gun-shot" nature of the marriage may have been responsible for the hesitation and tentativeness in the organisation in the initial years.

This paper is not directly about the topic of the Conference, which is **South Asia: Integration or Looking East**, as about SAARC; more particularly its history, record and progress, as well as its failures. Has it really facilitated regional cooperation and integration or are there other and better options? How does it compare with The **Bay of Bengal Initiative for Multi-Sector Technical and Economic Cooperation (BIMSTEC)**, which includes India, Bangladesh, Bhutan, Myanmar, Nepal, Sri Lanka and Thailand? Or, for that matter with ASEAN?

This paper will briefly trace the evolution of SAARC and significant developments in the heads of government and state meetings over the years. Next, it will examine the

vision and path charted out by a Group of Eminent Persons (GEP) in the late 1990's, which provided a comprehensive road map for future action. After that it will examine the development and potential of the South Asian Preferential Trade Arrangement (SAPTA) and the South Asian Free Trade Arrangement (SAFTA) and an examination of the functional cooperation in specific areas and their results. A brief description will follow of SAARC and ASEAN cooperation and BIMSTEC. From this paper will attempt to draw some conclusions.

Evolution and Structure of SAARC

The first concrete proposal for establishing a framework for regional cooperation in South Asia was made by the President of Bangladesh, Ziaur Rahman, on May 2, 1980. Prior to this, the idea of regional cooperation in South Asia was discussed in at least three conferences; the Asian Relations Conference in New Delhi in April 1947, the Baguio Conference in the Philippines in May 1950, and the Colombo Powers Conference in April 1954.⁷ Nothing specific came out of these initiatives and nearly thirty years more would be required for the idea to bear fruit and even more before there would be substantive action.

The SAARC Charter was formally adopted on 8 December 1985 at Dhaka at the First Summit by the Heads of State or Government of Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.⁸ The Charter laid out that cooperation in the SAARC will be based on respect for the principles of sovereign equality, territorial integrity, political independence, non-interference in internal affairs of the Member States and mutual benefit.⁹ Decisions will be arrived at by consensus. A number of preparatory meetings were held prior to the First Summit to lay out a Regional Integrated Programme of Action (RIPA).¹⁰

Summits are the highest authority in SAARC and are meant to be held annually. The country hosting the Summit then holds the Chair of the Association. The fact that in twenty one years of its existence only 13 summits were held, speaks of the dissonance within SAARC. Differences in bilateral relations were often so contentious that summits could not be held every year. This in turn put off major decisions which, if not actually taken at the Summit, are to be ratified by them jointly before actions even on minor issues can be initiated.

The Council of Ministers comprising Foreign Ministers is the next and functional level of coordination and meets twice a year. Its functions include formulating policy, reviewing progress of regional cooperation, identifying new areas of cooperation and establishing additional mechanisms that may be necessary.¹¹ In effect this is the most important executive authority, but it too reflects the state of relations in the region and is sometimes hostage to it.

The *Standing Committee* comprising Foreign Secretaries, monitors and coordinates SAARC programmes, approves projects including their financing and mobilizes regional and external resources. It meets as often as necessary and about twice a year and in turn reports to the Council of Ministers. Two main committees function under it.¹²

First is the *Programming committee*, which comprises of senior officials, to scrutinise Secretariat Budget, finalise the Calendar of Activities and take up any other matter assigned to it by the Standing Committee. The Committee is also expected to meet about twice a year. SAARC Regional Centres report to it and its comments on their functioning are forwarded to the Standing Committee.¹³

Next are *Technical Committees*, which comprise members of each state, which formulate programmes and prepare projects in their respective fields. The committees cover today Agriculture and Rural Development; Health and Population Activities; Women, Youth and Children; Environment and Forestry, Science and Technology and Meteorology; Transport; and Human Resource Development.¹⁴ They are responsible for monitoring the implementation of their respective activities and report to the Standing Committee. Some of these committees have met infrequently and have seldom been instrumental in decisive actions. In addition to the above, numerous other meetings have been held at Ministerial and experts level over the years on specific issues of regional cooperation.

Committee on Economic Cooperation (CEC): Economic growth among member states is a charter objective. At its ninth meeting the Council of Ministers in Male in July 1991 established the CEC. It comprises commerce/trade secretaries of member states. The CEC is mandated to formulate and oversee implementation of specific measures, policies and programmes to strengthen and enhance intra-regional economic cooperation. With the

creation of CEC, regional economic cooperation was formally institutionalised as an integral component of the SAARC process.¹⁵

SAARC regional institutions: A number of regional centres function under SAARC. Among these are SAARC Agriculture Information Centre (SAIC) and SAARC Metrological Research Centre (SMRC) in Dhaka, Bangladesh; SAARC Tuberculosis Centre (STC) in Kathmandu, Nepal; SAARC Documentation Centre (SDC) in New Delhi, India; SAARC Human Resource Development Centre (SHRDC) in Islamabad, Pakistan; SAARC Coastal Zone Management Centre (SCZMC) in Male`. Four more SAARC Regional Centres are also coming up in other member countries. These include SAARC Cultural Centre (SCC) in Colombo, Sri Lanka; SAARC Information Centre (SIC) in Kathmandu, Nepal; SAARC Forestry Centre (SFC) in Thimphu, Bhutan; and SAARC Energy Centre (SEC) in Pakistan.¹⁶ While the idea was good and some of these institutions are actually doing some productive work, over all their impact has been negligible. As they are under respective member states and the arrangements and budgeting also are mainly provided by them, the resources allocated and the output are not up to expectations.

The SAARC Secretariat is based in Kathmandu and was set up on 16 Jan 1987 with Mr Abul Ahsan from Bangladesh as the first Secretary General. The Secretariat coordinates and monitors implementation of activities within SAARC, prepares for and services meetings, and serves as a channel of communication between the Association and its Member States as well as other regional organizations. The Secretary General is appointed by the Council of Ministers from Member Countries in alphabetical order now for a three-year term. The present Secretary General is Mr. Lyonpo Chenkyab Dorji from Bhutan from March 2005.¹⁷ Till 2002 the term of the Secretary General was two years, which did not do much for continuity. The Secretariat lacks teeth, is small and not particularly efficient. The Secretary General is normally a senior diplomat near the end of his career. Each member state nominates a Director, but the selection is seldom on the basis of professional competence or expertise. Support staff is negligible and there is no scope for research or examination of issues. Posting at the SAARC Secretariat is considered a sinecure.

The SAARC Agenda and Summit Meetings

Thirteen SAARC summits have been held over two decades from December 1985 to November 2005. Years missed were when issues arising between and among SAARC states made it difficult for Heads of States or Governments even to agree to face each other at a meeting. These were occasioned by tensions over India's presence in Sri Lanka in the form of the Peacekeeping Force, difficulties over India-Pakistan relations or the sudden accession to power in their respective countries by authoritarian forces in Pakistan and Nepal. Nevertheless these meetings were an occasion for heads of states or governments of the region to meet and sometimes resulted in breaking the diplomatic ice and some important bilateral understandings. The practice of hosting a Retreat was a good opportunity for a collective informal meeting among those attending. The Fourth Summit at Islamabad led later to the non-attack of nuclear installations agreement between India and Pakistan. The Twelfth Summit at Islamabad in 2004 led to the resumption of the Comprehensive Dialogue between Pakistan and India.

SAARC Agenda of activities under the IPA includes, Regional Centres, Economic and Social Agenda, Poverty Alleviation, Environment, Communications Information and Media, People to People Contacts, Human Resource Development, Agreements, Conventions and Legal Issues, SAARC Funds, and Cooperation with Regional and International Organisations. But, in actual levels of substantive action and concrete examples of cooperation, SAARC's efforts can be seriously faulted.

Several issues have featured among SAARC's summit agendas. A brief perusal of these will highlight the region's concerns and desired directions. Poverty alleviation, regional food security and reserve, women and child welfare issues, environment, preventing drug trafficking and countering terrorism have featured in most summit declarations apart from economic cooperation. The Second Summit at Bangalore in 1986 provided greater attention to international issues such as adherence to the Non-Aligned Movement, disarmament, respect for international laws and concern for the United Nations. It was also the first Summit where the heads of state and government called for regional cooperation to fight terrorism.¹⁸

The Third Summit at Kathmandu in 1987 met after the SAARC Regional Convention on Suppression of Terrorism had been signed and unequivocally condemned all

acts of terrorism, without of course being able to agree on a common definition. There was some minor progress at the Fifth Summit at Male, Maldives in 1990. A decision was reached on easing travel in the region. But, the measure on SAARC special travel document would only exempt a tiny number of senior judges, members of central parliaments and heads of a few academic institutions. Till today, the SAARC region continues to be the most restrictive in the world for travel among its members. Even the process of issuing visas between member states have been deliberately made so cumbersome as to discourage any but the most determined to undertake a journey across South Asia's borders.¹⁹

The Seventh Summit meeting at Dhaka in 1993 saw the signing of the SAARC Preferential Trading Arrangement (SAPTA). But, it was the next summit, the Eighth at Delhi on the tenth year of SAARC in May 1995, that for the first time this issue saw substantial progress. Even then the emphasis was on statements and expression of satisfaction on programmes such as poverty alleviation, on women, children and youth. First time concern on the environment featured prominently. The meeting also endorsed the decision to establish a three window South Asian Development Fund.²⁰

The Ninth Summit at Male in 1997 continued on the same trend, but at the end President Gayoom constituted an EPG to come out with a vision and a concrete plan of action for the region to be evolved by leading South Asians. By now both the agenda and declarations at the Summit had become fairly large and comprehensive, but were no more implementable or progressive. Same emphasis was placed on literacy, development, environment, tourism, science & technology, people to people contacts etc. The Ninth SAARC Summit also called for a 'free trade area' to be set up in the region by 2001. The Tenth Summit at Colombo in July 1998 saw a reiteration of the same. Some emphasis was given to promoting tourism, protecting the environment, addressing women and children issues and urging cooperation among the police on terrorism and drug related activities.²¹

The Eleventh Summit at Kathmandu was notable for the feature that it was held at all. It took place after a gap of two and a half years since the previous one at Colombo. The fall out of the nuclear tests in India and Pakistan, the Kargil War and the 2001-2002 confrontation between these two countries prevented any possibility of a meeting earlier. By then of course the situation in Nepal the host country was getting worse. The Twelfth Summit at Islamabad in January 2004 was perhaps the most productive. It brought about a

thaw in Indo-Pak relations. The Framework Agreement on South Asian Free Trade Agreement was signed with a commitment to implement it in two years. The rest of the Agenda also held many positive points.²²

The last Summit at Dhaka in November 2005 was meant to celebrate two decades of SAARC and Bangladesh's Prime Minister Khaleda Zia wished it to be a tribute to her husband, General Ziaur Rehman. In the event the Summit was postponed twice, due to sudden developments in Nepal. The fact that it was actually held in November 2005 was a matter for celebration. It turned out to be more productive than previous ones with the longest Declaration and some concrete action points, reflecting the more serious nature of engagement that the meetings had now become. The Economic Cooperation statement included; a mutual agreement on custom matters, establishment of a SAARC Arbitration Council and a limited agreement on avoiding double taxation. Economic cooperation merited greater attention. It also emphasised social security challenges facing the region. Under terrorism, the meeting called for an early implementation of the Additional Protocol on the suppression of terrorism finance. Finally, it called for purposeful measures to strengthen the SAARC Secretariat. In setting out an agenda for the third decade of the SAARC, the Summit called for creating an enabling environment for the establishment of a South Asian Economic Union. It also decided on a comprehensive review of all SAARC institutions.²³

An important decision at the Thirteenth Summit was for the expansion of the SAARC. It was agreed to invite Afghanistan as a member. It was also agreed in principle to invite the People's Republic of China and Japan to be invited as observers. The Council of Ministers were asked to decide on the modalities at their next meeting.²⁴

The practice of meetings only at Summits has had its disadvantages. While the sensitivity of political relationships and the need to adopt a consensus approach make this an imperative, yet, it has also held progress on SAARC hostage to sudden changes in relationships. Even though actual decisions are taken at subordinate levels, most need the sanctity of Summit approval. The practice as in some other organisations, to keep Summit meetings less frequent, and instead authorize ministerial and official level delegations to decide, would probably produce better results.

Report by the Group of Eminent Persons

An institution needs periodic review and also a practical and realisable vision. Both were provided by the SAARC Group of Eminent Persons (GEP). This was an initiative of President Maumoon Abdul Gayoom of Maldives after the Ninth Summit at Male in 1997. The GEP had a membership of ten culled from all the SAARC countries. After a series of four meetings it produced a comprehensive report by 1999.²⁵

The GEP acknowledged that there were some important achievements by the SAARC. It considered that the IPA had over the years led to increased contacts between experts in the region and even led to some cooperation. The social concerns were given prominence in SAARC activities. Technical Committees were now able to share information on technical developmental issues. It also commended the success of people to people contacts through exchange of Fellowships and Chairs and to accord recognition to each other's professional bodies. In the political sphere it had led to a better institutionalisation of exchanges and meetings between officials that led to improved bilateral interactions.²⁶

The GEP concluded that while this was significant, SAARC had fallen short of aspirations underlying its formation. Cooperation was hindered by lack of political will and affected by the prevailing political climate.²⁷

Its specific criticisms were more severe. It noted that SAARC was very far from becoming a regional economic grouping. Implementation of the SAPTA was very limited. Several of the decisions taken at the highest political level remained unimplemented. Resources allotted for SAARC activities were inadequate and there were no clear delineation of priorities. None of the SAARC Regional Centres had emerged as centres of excellence. The facilities provided under the SAARC Food Security Reserve had never been utilized, even though member countries suffered from acute food shortage from time to time. Schemes for people to people contact had been stagnating and had actually degenerated to mere tokenism.²⁸ This indeed was damning, especially when it came from individuals who were at one time or another been responsible to implement the SAARC process.

A Vision for SAARC Beyond 2000

The GEP called for a return to the Charter of the organisation and develop concrete steps for its realisation. It emphasised the need for political will, importance of a shared vision, and move from formalistic proclamations to implementable time bound actions. It then went on to make specific recommendations, the important ones are summarised below:-

- Set up a goal to establish a South Asian Economic Union (SAEU) by 2020. To achieve this, a South Asian Free Trade Area (SAFTA) should be initiated by 2000 and completed by 2010. A South Asia Customs Union (SACU) should be created preferably by 2015.
- It called for identification of all non-tariff barriers during the first year of SAFTA and their elimination by 2010. Major reduction of tariffs annually and substantial measures for the least developed member states who must benefit from it more directly.
- Substantial trade facilitation measures through harmonising standards, common tariffs, clear rules of origin and adequate transport and transit facilities.
- It recommended effective trade in services particularly financial services through limited capital account convertibility. It recommended a South Asian Development Fund of a minimum of US \$ 500 million. Also the setting up of a South Asian Development Bank.
- It made a strong plea to develop transport infrastructure in the region initially through restoring and upgrading the earlier communication systems.
- It called for macro-economic policy coordination.
- A number of major recommendations on Social Sector cooperation.
- Strong suggestions for improving SAARC institutions and their effective monitoring by the Council of Ministers.
- Finally, a plea to professionalise and strengthen the SAARC Secretariat to enable it to execute SAARC official decisions and function as an efficient facilitator.

The GEP Report was indeed a stringent and unfavourable report card. Marked on a scale of 1 to 10, few would find it possible to grade SAARC higher than 3 – clearly a

failure. It also made several eminently implementable time bound recommendations. Perhaps for that very reason and the specific nature of some of these comments, the GEP Report was never tabled at a Summit and most of its recommendations remain unimplemented till today.

Towards a Free Trade Area

Greater economic cooperation was the single most important goal set out for the SAARC. It was planned to move in that direction through a two way process. First step was to set up a preferential trading area and from there move to a free trade area at the earliest opportunity. How far has the SAARC succeeded in this premier objective?

SAARC Preferential Trading Arrangement (SAPTA)

The Agreement on SAPTA was signed on 11 April 1993 and it entered into force on 7 December 1995 a year and a half ahead of schedule. The basic principles underlying SAPTA were spelt out in Article 3 and includes the following in brief:-

- Enhance overall reciprocity and mutuality of advantages so as to benefit equitably all Contracting States.
- Reduce and carry out tariff reforms step by step through periodic reviews.
- Recognize the special needs of the Least Developed Contracting States and agree on concrete preferential measures in their favor.
- Include all products, manufactures and commodities in their raw, semi-processed and processed forms.²⁹

The proposal was initially met with enthusiasm. India agreed to reduce tariffs in 106 of the 226 fields recommended by SAARC and Pakistan agreed to concessions in 35 fields. Only 3 percent of all South Asian trade was being conducted in the region by 1995.³⁰ Six years later, improvements seen in regional trade have been marginal. India's trade within South Asia accounts for only 4 percent of its total global trade and Pakistan's trade in the region accounts for merely 3 percent of its overall trade.³¹ Compared to other countries with similar proximities and income levels, intra regional trade among SAARC states is remarkably small.³² Much of the trade conducted in South Asia is also considered symbolic

and generally does not involve goods vital to the economies of the South Asian states.³³ Moreover, some states still have high tariff and non-tariff barriers to trade, indicating that the spirit of free trade is largely absent in SAARC.³⁴ Shorn of officialese SAPTA was a failure. What were the reasons?

- Removing non-tariff barriers is at least as important as removing tariff barriers and these were not addressed.
- Next, is the traditional reason in South Asia of putting on the list items which are actually not traded. Hence of the 106 items offered for concessions by India, only 22 were actually imported by it till a few years ago. For Pakistan again only 13 items were actually imported even though concessions were offered for 35.³⁵
- For meaningful increase of trade to take place India has to make deeper cuts. Reciprocity by itself is not enough. Even though the Gujral Doctrine was enunciated in 1996, which promised that with smaller neighbours like Bangladesh, Bhutan, Maldives, Nepal and Sri Lanka (note the exclusion of Pakistan), India would not ask for reciprocity, this was not really implemented.³⁶ On an average India enjoyed a balance of trade surplus with Bangladesh and Sri Lanka for example of about 8:1. Even if all tariffs were removed for imports from these countries, the trade would still remain in India's favour. Yet, there is a hesitation in India to open up.
- Finally, sub-regional and bilateral trade arrangements unrelated to SAPTA began to increasingly feature in the region, making this irrelevant.

South Asia Free Trade Arrangement (SAFTA)

SAFTA was signed on 06 January 2004 by the foreign ministers two days after the Twelfth Summit at Islamabad. The agreement came into operation on January 1, 2006, but its Tariff Liberalisation Programme (TLP) started only on July 1. Under this agreement all member-countries are expected to conduct trade with each other on all items, except those in the negative list on which duties may not be reduced. Pakistan ratified SAFTA in February 15, 2006. This raised hopes that the trade barriers between Pakistan and India might soon end. With SAFTA making the Most Favoured Nation (MFN) treatment automatic, there were

also hopes that Pakistan's refusal to give India MFN status would cease to matter. India had accorded Pakistan the MFN status in 1995.

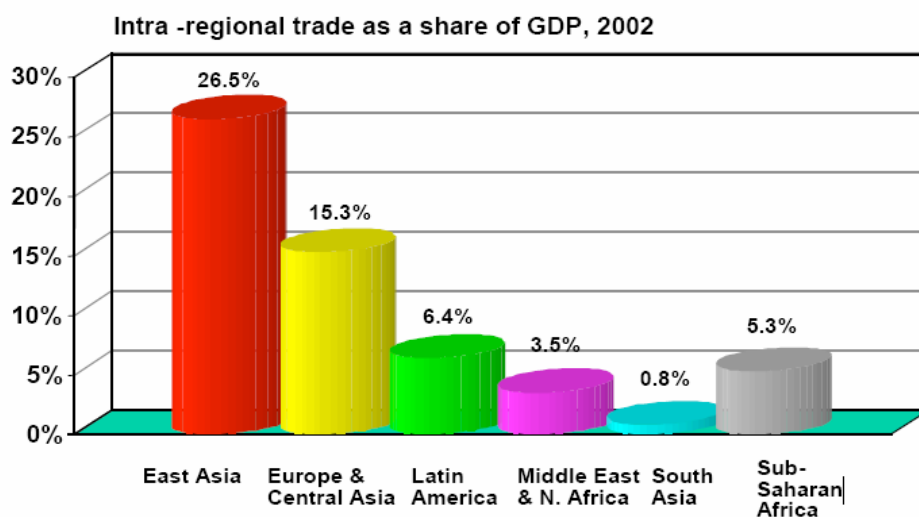
These hopes were soon to be dashed. In an interview to a newspaper soon after the February 15, 2006 ratification, Pakistan's commerce minister Humayun Khan said that full-fledged commercial relations between the two countries would have to wait the resolution of the Kashmir issue. Until then, bilateral trade would continue to be guided by the positive list. This sudden unilateral decision after years of discussion on the SAFTA, effectively kills the Treaty. In line with this policy Pakistan's Central Board of Revenue has issued an order notifying the tariff concessions under the SAFTA agreement. The tariff reduction would be available on import of 4,872 products from Sri Lanka, Bangladesh, Bhutan, Nepal and Maldives. But, imports from India would be subject to the Pakistan import policy order of July 2005, which restricts imports of goods from India or goods of Indian origin to a positive list of only 773 items. However, it was decided to delay a decision on this issue till the commerce ministers met at the end of 2006.³⁷ On 28 August India's Minister of State for Commerce Jairam Ramesh expressed his serious concern over Pakistan's position. India was not also hopeful that Pakistan will change its stance later.³⁸

Surprisingly the State Bank of Pakistan, the country's Central Bank, decided recently to put out a report that appears to challenge the official position. The report, released on July 10, 2006, says that Pakistan stands to save between \$400 million and \$900 million on its import bill if it would expand the positive list and allow imports from India of goods that it presently imports from other countries at higher cost. There are 2,646 items that are common in Pakistan's imports and Indian exports. The report, based on 2003-2004 data, says that after excluding the items that are on the positive list for India, 45 per cent of the items could be imported by Pakistan at lesser cost from India than the current cost of import from the rest of the world.

TARIFF REDUCTIONS UNDER SAFTA

| Countries | Existing tariff rate | Proposed SAFTA reduction | Timeline |
|-------------------------------------|----------------------|--------------------------|----------------------------|
| First Phase | | | |
| India, Pakistan, Sri Lanka | > 20% | Reduce to 20% | 2 years |
| | < 20% | Further annual reduction | 2 years |
| Bangladesh, Bhutan, Maldives, Nepal | > 30% | Reduce to 30% | 2 years |
| | < 30% | Further annual reduction | 2 years |
| Second Phase | | | |
| India, Pakistan, Sri Lanka | ≤ 20% | Reduce to 0–5% | 2 years |
| Bangladesh, Bhutan, Maldives, Nepal | ≤ 30% | Reduce to 0–5% | 3 years (primary products) |
| | | | 5 years (other products) |

SOURCE: M. Asaduazzaman, Nazneen Ahmed, Sharif M. Hossain, and Subrata Sarker. 2003. "South Asian Free Trade Area: An Analysis for Policy Options for Bangladesh." Dhaka, Bangladesh: Bangladesh Institute of Development Studies, page 8.



Source: COMTRADE, Cited in Newfarmer (2004)

Ultimately the success of SAFTA will depend upon several factors. Some guiding principles suggested by a renowned South Asian economist from Bangladesh in 2005 are given below:

- India must make the deepest concessions.
- Generous concessions must be offered to the SAARC LDCs.

- The negative list principle should be used to accelerate agreement; this list must be reduced to a minimum in each country and, particularly, the bigger economies.
- Provision must be made to provide financial support to the weaker members to enhance their development and trade capacity.
- Provisions must be made for financial compensation to those LDCs such as Maldives who are likely to face significant import revenue losses due to trade concessions under SAFTA.³⁹

The above are unexceptional and all countries in SAARC and particularly India need to respond positively. However, there is growing disenchantment in India's establishments. How much can India give the concept of reasonable reciprocity the go by especially after detailed negotiations? Such concessions become indeed difficult to offer when there is absolutely no reasonable reciprocity in terms of transit or other economic arrangements from others? Besides, the Gujral doctrine or the basis of non-reciprocity should be based on the foundation of more regional cooperation and addressing the multiple concerns of all contracting parties. It is this inability of being able to collectively develop an atmosphere of meaningful regional cooperation that frustrates this policy of cooperation. While not necessarily linking these issues to SAFTA more creative thinking is needed by all sides to make SAFTA meaningful.

Most important issue is that of political will among all countries to accept that if they do wish the SAFTA to lead to any positive freeing of trade in the region, they must desist linking trade to any other issue, no matter how important they consider it to be. Based on this they must actively pursue together policies that will implement these changes. There are concerns among all countries on different issues. For example there is strong public pressure in India against cooperation when there are serious cross border terrorism allegations against both Pakistan and Bangladesh. Yet, these issues too must not come to the fore in trade related negotiations that can over time address issues of mutual suspicion and concern.

The ultimate proof of the success of SAFTA will appear in future trade statistics. As of now there is little cause for optimism. On the other hand if these statistics show a substantive jump in the coming years then there is indeed progress. Else, like much else in

SAARC it will be much sound and fury signifying nothing. Considering these difficulties the possibilities of a South Asian Custom or Economic Union even in the somewhat distant future seem a very far off dream.

Bilateral Free Trade Agreements

Even while the SAPTA and SAFTA were being negotiated some countries moved ahead with bilateral free trade agreements both within the region and outside. India in particular negotiated a free trade agreement with Sri Lanka that was signed on 28 December 1999 at New Delhi.⁴⁰ By 2005 this had led to a manifold increase in Sri Lanka's exports to India.⁴¹ It also changed fairly dramatically political relations between both countries. The massive trade deficit that Sri Lanka suffered has been reduced considerably. Economic confidence has grown and with it has come investments, particularly from India to Sri Lanka and also the other way around. Both countries are now moving forward actively towards a Comprehensive Economic Partnership Agreement that will take this process several steps further.⁴²

A similar agreement with Bangladesh was also proposed by India and is being examined by Dhaka. In view of the demonstrated advantage to Sri Lanka, whose exports to India rose by 137 per cent in a short period as a consequence, it will be interesting to see what arguments Dhaka will put up to oppose it. In the latest round of discussions in Mar 2006, Dhaka promised to examine the proposals.⁴³

Sectoral Cooperation

Energy Sector

South Asia is an energy deficit area and is likely to remain so for decades in to the future. Presently this is because of India's enormous energy needs, but the demands of other countries too are likely to grow rapidly along with their economic growth. Where does the region feature in terms of energy cooperation?

Nepal and Bhutan could emerge as major source of hydro energy exports to the entire region but particularly to India though harnessing their vast hydro power potential. Nepal's potential generating capability is supposed to be around 83,000 mega watts, or about 70 per cent of the entire available power generation in India presently. Of this at least

about 43,000 mw can be conveniently harnessed, but only a tiny portion is being presently utilized.⁴⁴ It will of course require colossal financial and technological investments in Nepal to make this possible, which India has both the ability and the resources to implement. In turn this could generate resources to pull Nepal out from its deep poverty, end the insurgency and pull the state out of its LDC status. Due domestic political reasons, a number of potential agreements over the decades have not been realized and even where agreed upon could not be implemented.

The situation is reversed in the case of Bhutan. Its maximum exploitable hydro power potential could be about 30,000 mw. The first major power project at Chukha was commissioned in 1988 with a capacity of only 336 MW, but it has already turned Bhutan's economy around. It is exporting about 85 per cent of this generation to India and earns 40 per cent of its entire national revenue from it. This allowed King Jigme Singye Wangchuck on September 18, 2003, to address the Indian media in New Delhi and say that, "water is to us what oil is to the Arabs".⁴⁵ The arrangement is simple. India constructs these projects entirely through technology, manpower and money provided by it and on completion buys back surplus power at a rate fixed in advance. The evolution and implementation of this project was carefully studied by the Royal Government of Bhutan and after a decade of total satisfaction, the RGB went in to further negotiations with India. Several other projects are on the anvil of which Chukha II and Tala Hydro Power, which are much larger projects are immediately coming on stream. Costing India about US \$ one billion this will transform Bhutan's economy dramatically and make it possibly the richest per capita income country in all of South Asia.⁴⁶ On the other hand the rivers of Nepal will continue to wreak havoc and degrade the environment both in Nepal and India for years in to the future in the absence of an agreement. A clear realisation of the potential of mutually beneficial arrangements could indeed transform the region.

Bangladesh too has a potential for exporting natural gas to India but is reluctant to do so because of domestic political opposition to such exports on the ground that its gas reserves are insufficient to justify such exports. Actually even the undertaking of a realistic assessment of reserves of natural gas is a politically prohibitive issue in Bangladesh's divisive politics. Neither Party can even dare to raise this question for fear of political obliteration.⁴⁷ Pakistan remains a potential transit point for connecting the vast energy

reserves of West and Central Asia to South Asia but has not been able to benefit from its strategic location both because of its political tensions with India and also because of disturbances in countries to its west. Instead it is attempting to turn to China and become its “energy hub”, notwithstanding the enormous difficulties of physically transporting it to the north.

This politicisation of what would in most other regions have been viewed as a pure economic or commercial decision, derives from the political perspective guiding the development of the energy sector in every country. The idea that the supply and demand for energy must be balanced within a country is not very meaningful in a region where some countries are major importers of energy and others see it as their principal export. In such circumstances, it would make sense for South Asia to move away from conceiving of its energy security as a national project and will have to redefine its market in regional terms. If South Asia's energy scenario were to be redefined within a regional context its energy needs would expect to be served through a common distribution system integrated within a single energy grid of power and gas lines extending across the region. Such an integrated system would need to resolve quite complex problems of cross-border pricing, harmonization of standards and equipments and the role of external players as sources of supply (Iran, Central Asia) or as corporate investors. But, it should not pose an impossible challenge to the genius of South Asia's managers and financiers.

Energy cooperation is much more than just buying or selling power. There is a need to develop the region in to a single energy grid, where demand and supply will both be met through normal commercial transaction. Such an energy grid if developed would have the potential to attract enormous international resources. This alone can make the idea of energy sharing feasible.⁴⁸

Transport and Communication Integration

Transport integration is an urgent requirement in South Asia since this is fundamental to trade and commerce. Even though South Asia inherited an integrated transport infrastructure from the British who were themselves bequeathed a road network by the Mughal Empire, this infrastructure was fractured by the partition and never reconstituted later.⁴⁹

Across mainland South Asia the original transport infrastructure is largely in place, but in many areas it has fallen into disuse or needs serious upgrading. The main obstacle to improving connectivity remains political. As a first step a decision to dismantle these barriers must be taken. Procedures for facilitating cross border movement of people and goods can then be harmonised (visas, customs facilities and others) and connectivity established. For example railway gauges will need to be rationalized, roads connected, customs facilities erected and unnecessary hurdles removed. The sector is likely also to need heavy investment, but private public partnership with a degree of profit incentive to private companies will ensure efficient means and systems.⁵⁰ Transit of Indian goods across Bangladesh can save enormous costs to Indian transporters and earn a billion US dollars a year to Bangladesh. Yet, politics holds even this hostage and presently such a scheme is not implementable for this reason alone.

Connectivity between India and Pakistan has developed a bit in recent years keeping pace with confidence building measures, but remain minimal overall. Even India-Nepal roads remain in a pathetic condition.

Harmonising Macro-Economic Cooperation

Moving towards an Economic Union, if it has to remain an objective, will need several step by step processes, an important element of which is a Customs Union. This issue will not be as complex as it might have appeared some years ago. Under pressure of the WTO, convergence in tariff levels across the world is the order of the day. Since all SAARC countries have been lowering their tariff rates, mostly under pressure from the World Bank/IMF structural adjustment reforms, the deep disparities in tariff levels which once characterized the region are a thing of the past.⁵¹

Other requirements of harmonizing economic policies will include fiscal, monetary and exchange rate policies. In turn this will call for the SAARC finance ministers to coordinate their budget deficits, inflation, exchange and interest rates, much like the European Union. Such issues have never been discussed at any level within SAARC as yet and needs to begin now.⁵²

Water Resources Cooperation

With enormous reserves in the Himalayas, the region is blessed with plenty of water. But, these do not follow national borders, are seasonal and extremely destructive. There is an obvious need to develop meaningful cooperation on water sharing. But, there are only two major water management treaties in South Asia, the Indus Water Treaty negotiated under the World Bank in 1961 and the Ganges Water Treaty in 1996. Both need to be expanded and fresh arrangements drawn up for additional river basins. But, this remains such a critical and sensitive issue that an early breakthrough is extremely unlikely. Great financial incentives or enormous political will or both are essential requirements, but do not seem to be forthcoming.

SAARC and Environmental Cooperation

A South Asia Cooperative Environment Program was set with United Nations Assistance in 1982. By 1997 it helped set up an annual SAARC Environmental Ministers meeting. Several measures can be taken within SAARC to seriously address environmental concerns in the region. First, is to institutionalise the ministerial meetings and to make these more purposeful and action oriented. Second, is to expand the agenda to include, green house effect, disaster management, protection and preservation of the environment, conservation of regional bio-diversity, coastal zone management and strengthening networking mechanisms. Not a great deal is being achieved as of now. Even after the disastrous Tsunami of 2005 and the earthquake in Kashmir, little effort has been made to develop a regional arrangement. Of course India went spontaneously to help Sri Lanka in the Tsunami. It offered assistance to Pakistan in Kashmir. But, when it came to developing an early warning mechanism for Tsunami, India decided to go it alone.

Trade in Services

South Asia has a fast and growing trade in services. Tourism in South Asia in spite of control regimes, is beginning to grow. Large numbers now cross each other's borders as tourists, pilgrims, professionals, students and health care seekers as well as providers. Nepal, Maldives, Sri Lanka and India are major tourist destinations. India is a major attraction for students and health care seekers. Managers and professionals from India are

in service in Nepal and Bhutan just as Indian and Pakistani managers are running textile mills in Bangladesh, while Bangladeshi cooks and waiters are popular in Maldivian tourist resorts. This is an area of comparative advantage for South Asia and must be encouraged to grow rapidly. All countries will have to upgrade their education, training and health-care facilities both directly and through collaboration, to attract service seekers from within the region as well as globally.⁵³

India is now emerging as one of the major exporters of IT services at the global level. There is an expectation that this could grow to a US\$ 50 billion industry in a couple of years. Yet, shortage of trained manpower seems to be emerging as a constraint to growth. There is likely to be possibilities of sourcing technical manpower from other SAARC countries. This will call for setting up institutions in these countries, much like what some Indian companies have done in China, which in turn can revolutionize interactions and relations across regions. SAARC initiatives in the service sector have not moved beyond some consultations related to the tourism sector. Much more work, again possibly at the level of civil society, needs to be done to estimate the extent and nature of this market as well as its underlying dynamics.⁵⁴

Investment Cooperation

An important area of regional cooperation lies in allowing cooperation in business investments in the region. A market of around 1.3 billion people is second only to China and holds out enormous prospects. Besides, given the very large size of some Indian firms and their ability to raise enormous sums in international capital markets, these are becoming major international players. Many would like to invest in the region to exploit competitive advantage. Several measures would be needed to facilitate this of course, especially political will to clear such projects in a time bound manner. Where this is happening and trade liberalization is allowing developing a genuine regional market, such as between Sri Lanka and India due to the bilateral free trade agreement, investments are beginning to flow. Significant medium size firms and the ONGC from India are already operating in Sri Lanka reinforcing the presence of international companies.

There is the need also to establish a dedicated South Asian development fund. The Fund was endorsed by SAARC at least a decade ago but has been virtually stillborn. The

Fund's mission needs to be clarified once again. It should also be speedily decided whether this fund will cover infrastructure projects or private investment or both.⁵⁵

However, no matter how favorable the conditions are theoretically, investments will only flow if there is speedy clearance and political will. The recent example of Tata Sons in Bangladesh does not generate confidence. In spite of some unstated discouragement from the Government of India, the company decided in 2004 to invest approximately US \$ 3 billion in Tata Steel, Tata Power and Tata Chemicals, greater than all combined investments till date in Bangladesh. After an initial MOU, a detailed feasibility study was submitted and a time table of implementation was discussed with the Government of Bangladesh in May 2005.⁵⁶ Yet, a decision was not taken for a very long time. When till Jul 2006 there was no decision, Tata Sons was left with no option but to pull out. As reported by Reuters, Alan Rosling, executive director of Tata Sons, told journalists in Dhaka that, "We are extremely disappointed and frustrated... we thought the projects were good for the country's economy, for the people and the balance of payment," He said they had discussed the issue with senior ministers and key officials for the past two days. "All of them appreciated our proposals, but they could not go beyond politics."⁵⁷

Civil Society Cooperation

Civil society cooperation holds out great promise in the region. However, the constraints to cooperation in virtually every area originate in the tendency of member governments to politicise issues for reasons of domestic expediency. Citizens do want to trade across borders, travel as freely as do the citizens of other regions and to live without the threat of war or fear of terrorism. The leaders of the SAARC need to respond to these needs and demonstrate the statesmanship to resolve their short and long term conflicts. These conflicts can be more readily addressed within a framework of open regionalism where borders and nationality do not become constraints to the intercourse of people and commerce.⁵⁸

SAARC and ASEAN

It is not the intention here to describe ASEAN's role as a regional organisation or to compare its evolution with that of SAARC. These are two separate organisations and though they share a contiguous geographical location there are not too many other similarities. For example, the countries of ASEAN are not so disparate or have such a wide variation in size or economic potential. Neither is there that intensity of intra-regional conflict as experienced by India and Pakistan with fundamental differences in the concept of state structure and orientation. Today regrettably it is the question of international terrorism. Nor is there a history of continuous conflict in ASEAN. Finally, in considering the progress made, one has to keep in mind that ASEAN has almost a two decade lead over SAARC.

India and ASEAN

India's relations with ASEAN are more advanced, given the long lead time available to it. India's dialogue with ASEAN on free trade negotiations began in 2005. But, with its negotiation stance not much different than with SAARC it offered an exemption of 1400 items with the time line for tariff cuts spread over till 2022. Datin Rafidah Aziz representing ASEAN was reported to have fallen out of her chair and the talks came to an early end. Of course in its talk with ASEAN Delhi realises this will not work. It pruned the list to 850 earlier in 2006 and by August reduced the list to 560. Though no change in implementation date has yet been agreed to, it is possible that trade talks with ASEAN may resume by end 2006.⁵⁹ The target for entry into force remains 1 January 2007.⁶⁰

Having submitted a revised offer to break the deadlock over the free trade negotiations with the ASEAN, India has now made clear that the pacts on services and investment will have to be implemented within a year of the implementation of the free trade agreement on goods.⁶¹ This is where India has its strength and the ASEAN countries are understandably reluctant to speed up this track. There is every likelihood that this FTA will come about soon between India and ASEAN. There are vital interests for both. India's economic dynamism can no longer be over looked. Instead countries of ASEAN are conscious of the enormous advantage they are likely to get by being able to do business competitively with both China and India.⁶² India's dynamic economic trio of the Prime

Minister, the Finance Minister and the Vice Chairman of the Planning Commission is determined to push this process forward.

BIMSTEC

BIMSTEC has sometimes been called as the alternate SAARC. It must be stated at the outset that it is a proposal in its initial stages. There is no doubt that recently it has demonstrated a dynamism and purposefulness that holds out much promise for cooperation in the region. There is no doubt that as a link between South and Southeast Asia it has advantages over SAARC.

BIMSTEC was set up in June 1997 with Bangladesh, India, Sri Lanka and Thailand as members. The initiative came from Thailand and its desire to “look west”. In December that year Myanmar was included. In 2004 Nepal and Bhutan too joined making it a group of seven countries in the eastern part of the Indian sub-continent. Myanmar and Thailand of course has concurrent membership with ASEAN. The first summit meeting was held at Bangkok in August 2004.⁶³

BIMSTEC has a structure similar to SAARC, though there are some differences. Like SAARC, BIMSTEC decisions are made at the summit level but the decision principle is not based exactly on unanimity, as in SAARC. The BIMSTEC summit takes place every second year. The first summit was held in Bangkok in 2004 and the second summit will be held in Delhi in 2007. The second tier of BIMSTEC is the Ministerial level meetings among the Foreign Ministers. The third tier consists of senior officers' meeting (SOM) usually at the level of Foreign Secretaries. Below the SOM, a host of bodies like working groups, expert committees, and in the context of the FTA, trade negotiating committee (TNC) work. Below the summit, the ministers and foreign secretaries meet as many times as needed.⁶⁴

BIMSTEC, unlike SAARC, is yet to set up a headquarters or Secretariat. The 6th Ministerial meeting agreed to set up BIMSTEC Technical Support Facilitation Center as a coordination mechanism of BIMSTEC's general cooperation. Thailand supported the establishment of the Center, possibly as a foundation for the BIMSTEC Secretariat.⁶⁵ The thrust of cooperation include trade and investment, technology, transportation and communication, energy, tourism and fisheries.

While addressing the BIMSTEC group of ministers at a luncheon meeting at Delhi in August 2006, Prime Minister Manmohan Singh unveiled his vision for the group. He made a strong pitch for using BIMSTEC to improve land connectivity by building road and rail network, step up people-to-people contacts through film festivals and make the region a trade hub by adopting an innovative Free Trade Area (FTA) agreement. He suggested that BIMSTEC could be the building block for a larger East Asian community. India's enthusiasm on BIMSTEC may well be due to its frustration with the non implementation and slow progress of the SAFTA.⁶⁶

The FTA would be a major step forward in this direction and it should be signed at the earliest by all member countries. The timeline set for the framework agreement to begin implementation of the fast track was July 1, 2006. The areas for which the agreement had still to be arrived were those relating to rules of origin and product-specific rules. The Ministerial meeting at Delhi decided to conclude the FTA before the New Delhi summit in 2007. It also took some other decisions as follows:

- India will host a BIMSTEC energy centre in India and a technology transfer exchange facility for enhancing cooperation in technology exchange, scientific research and R&D.
- A BIMSTEC cultural, industries commission and observatory to be set up in Bhutan.
- India offered as part of the people-to-people contact to hold a BIMSTEC Film Festival likely towards the end of the year.
- A BIMSTEC tourism information centre as well as a BIMSTEC Tourism Fund would be set up in India.

The logic of BIMSTEC will sooner than later call for China's membership in this organization. While China already is a member of other groupings here, this will provide a logical step to Beijing's own policy of opening up its remote western regions. This is a step that should be both welcomed and planned for. Perhaps this process may neither be possible nor desirable till the organization at least develops a certain resilience and gets the FTA working.

India Ocean Rim Association for Regional Cooperation

This is an eighteen member organisation set up first in 1995 at Mauritius. India, Sri Lanka and Bangladesh are its members from South Asia and Australia among others. Its objectives were to; promote sustainable growth and balanced development of the region; focus on those areas of economic cooperation which provide maximum opportunities for development and to promote liberalization, remove impediments and lower barriers towards a freer and enhanced flow of goods, services, investment, and technology. It has an elaborate structure and infrequent meetings among its members. Overall it cannot be said to have achieved much.

Conclusion

A background paper such as this is not required to come to any conclusion regarding the prospects of SAARC and the realisation or otherwise of its objectives. Yet, a prognostication of its future is perhaps a part of the study itself. Considered in the overall matrix of its achievements, the state of geo-politics in the region, relations between states and the overall state of terrorism and its cross border connotations, the prospects of success are not very bright. A primary objective was to increase trade and thereby usher in development and prosperity. Intra-region trade, as percentage of overall trade has hardly increased in the last two decades. Given the stance taken by countries after SAFTA came in to force and particularly Pakistan's refusal to accord MFN status to India, no improvement appears likely in the near future.

Has there been encouragement in other areas? Again the answer will have to be a qualified 'marginal'. Its successes are no more than the brief paragraph that was paraphrased from the GEP report seven years ago and quoted earlier in this paper. I have certain personal benchmarks to offer. I would suggest that the SAARC will have meaning and substance and offer some hope of prosperity to the people in the region only when the following events and decisions take place:-

- India offers zero tariff to countries such as Bangladesh, Nepal, Bhutan, Maldives and Sri Lanka and nominal tariffs to Pakistan on a non-reciprocal basis, in exchange for security related cooperation.

- When the first cubic metre of natural gas is exported from Bangladesh to India and the first Indian goods truck goes across Bangladesh from West Bengal to Tripura.
- When the MFN status is accorded by Pakistan to India and strong measures are taken to suppress terrorist activities from within its borders and substantial peace talks between the two countries begin.
- When Nepal is able to develop a major hydro power project on the pattern of Bhutan with or without Indian support on commercial terms for mutual benefit.

I would like to see this happen during my life time, but I will not bank on it. I suspect that BIMSTEC might have a better chance of success. Much will depend of course on the next Summit at Delhi in 2007. Will Manmohan Singh who has his heart in it succeed in persuading others? There is a fair chance of success. Meanwhile ASEAN is likely to become a Union of States by 2015, much like the EU. India will have a FTA with ASEAN in a couple of years. If terrorism and extremism can be held in check, South Asia will continue to grow economically at about 5-6 per cent of GDP a year, with India at a substantially higher rate. This will be a major challenge of our times, but an essential pre-requisite to bring out of poverty the largest mass of humanity in this planet.

Notes

¹ Major General Dipankar Banerjee is the Director and Head, Institute of Peace and Conflict Studies, New Delhi, India.

² Not only because the British ruled the entire area for well over a century, but the concept of sovereign states was less developed in the region. Large numbers of Bengalis worked in Burma. Kabul had a significant Indian presence and vice versa. Tamils were inducted in to the highlands of Sri Lanka in large numbers for tea cultivation for nearly a hundred years.

³ It is perhaps with this hope that I had the privilege in December 2001 to organize and conduct a seminar at Kathmandu two weeks before the Eleventh SAARC Summit, as the Executive Director of the Regional Centre for Strategic Studies. Its conclusions are recorded in a publication of the RCSS titled *SAARC in the New Millennium*, 2002.

⁴ ASEAN home page at <http://www.aseansec.org/64.htm>, accessed on Sep 01, 2006.

⁵ SCO Home page at <http://www.sectsc.org/html/00030.html>, accessed on Sep 01, 2006.

⁶ Apart from numerous formal and informal consultancies, the Foreign Secretaries met in 1981 in Colombo and the Foreign Ministers in 1983 in New Delhi to finalise the charter and identify the initial means of cooperation.

⁷ Kishore C Dash, *The Political Economy of Regional Cooperation in South Asia* Pacific Affairs, Vol. 69, 1996, p.1.

⁸ The SAARC Charter is shown at; <http://www.saarc-sec.org/data/docs/charter.pdf>, accessed on August 28, 2006.

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- ⁹ <http://www.bssnews.net/saarc/birthofsaarc.htm>, accessed on Aug 25, 2006.
- ¹⁰ For a series of SAARC publications, refer to the SAARC Documentation centre at; <http://www.saarc-sec.org/main.php?t=3.3>; accessed on 28 Aug 06
- ¹¹ Ibid.
- ¹² http://www.financialexpress-bd.com/index3.asp?cnd=8/21/2006§ion_id=18&newsid=6611&spcl=yes accessed on 27 Aug 2006.
- ¹³ Ibid.
- ¹⁴ Ibid.
- ¹⁵ Ibid.
- ¹⁶ Ibid.
- ¹⁷ Ibid.
- ¹⁸ *Declarations of SAARC Summits, 1985-2004*, published by South Asian Association for Regional Cooperation, Kathmandu, Nepal, July 2005, pp. 9-19.
- ¹⁹ Ibid. 23-59.
- ²⁰ Ibid, pp.17-108.
- ²¹ Ibid, pp.111-148.
- ²² Ibid, pp.151-174.
- ²³ Declaration – Thirteenth SAARC Summit, Dhaka, 12-13 November 2005, A publication of the SAARC Secretariat, Kathmandu.
- ²⁴ Ibid, p.13.
- ²⁵ *SAARC Vision Beyond the Year 2000 – Report of the SAARC Group of Eminent Persons*, printed at the Department of Government Printing, Sri Lanka, 1999.
- ²⁶ Ibid, pp. x, xi.
- ²⁷ Ibid, p.xii.
- ²⁸ Ibid, p. xiii.
- ²⁹ Agreement on SARC Preferential Trading Arrangement (SAPTA), a Publication of the SAARC Secretariat, Kathmandu, Aug 24, 2004, pp. 3-4.
- ³⁰ Ghosh and Mukherji, “Emerging South Asian Order”, p. 147
- ³¹ “The Unmagnificent Seven,” *The Economist Online*, <http://www.economist.com/displaystory.cfm?story_id=954547> (Jan. 24, 2002)
- ³² Panagariya, Arvind, “ South Asia: Does Preferential Trade Liberalization make sense?” <http://www.columbia.edu/~ap2231/Policy%20Papers/Saarc-wb.pdf>
- ³³ n.28.
- ³⁴ Kishore Dash, “The Political Economy of Regional Cooperation in South Asia”, *Pacific Affairs* vol 69, no 2 (Summer 1996) p.204.
- ³⁵ Sadaf Abdulah SAARC: Intra-Regional Trade – An Assessment at http://www.issi.org.pk/journal/2000_files/no_2&3/article/7a.htm accessed on 28 Aug 2006.
- ³⁶ Ibid.
- ³⁷ http://www.bilaterals.org/article.php3?id_article=5410 accessed on August 27, 2006.
- ³⁸ The Hindu, August 29, 2006, p. 17.
- ³⁹ Rehman Sobhan, C:\Documents and Settings\computer\Desktop\saarc\Regional Cooperation in South Asia.htm. Accessed on August 27, 2006.
- ⁴⁰ For a copy of the full text see, <http://commerce.nic.in/ilfta.htm>, Accessed on August 29, 2006.
- ⁴¹ In bilaterals.org “Indo-Sri Lanka Free Trade Agreement favourable to Lanka and exports to India increased in many folds” posted on 15 Feb 05, http://www.bilaterals.org/article.php3?id_article=2295, accessed on Aug 29, 2006.
- ⁴² For a detailed study by a prominent Indian economic think Tank, please see; <http://www.icrier.org/pdf/wp145.pdf#search=%22Indo-Sri%20Lanka%20CEPA%22> accessed on August 29, 2006.
- ⁴³ http://bilaterals.org/article.php3?id_article=4167, accessed 29 August 2006.
- ⁴⁴ AEPCC web site, Nepal <http://www.aepcnepal.org/pro/mhp.php>, accessed on 29 Aug 06.
- ⁴⁵ Bhutan News Online; http://www.bhutannewsonline.com/hydro_electricity.html, accessed on Aug 27, 2006.
- ⁴⁶ Tala Hydro electric Project Authority; http://www.bhutannewsonline.com/tala_hydroproject.html, accessed on August 29, 2006.

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- ⁴⁷ http://www.highbeam.com/doc/1G1:130970959/Gas+holds+the+key+to+Bangladeshs+future%7eC%7e+in+spite+of+the+countrys+relative+poverty%2c+Bangladesh+has+a%7eR%7e%7eR%7e%7eR%7e.html?refid=ip_hf accessed on 29 August 2006.
- ⁴⁸ See Dr Mahendra P Lama, *Energy Cooperation in South Asia*, at C:\Documents and Settings\computer\Desktop\saarc\Regional Cooperation in South Asia- Mahendra Lama.htm, accessed on August 29, 2006.
- ⁴⁹ C:\Documents and Settings\computer\Desktop\saarc\Regional Cooperation in South Asia.htm, accessed August 27, 2000.
- ⁵⁰ Ibid.
- ⁵¹ n. 36.
- ⁵² n.36.
- ⁵³ n. 36.
- ⁵⁴ n. 36.
- ⁵⁵ Suggested by a noted South Asian economist from Bangladesh Professor Rehman Sobhan in “Road Map of South Asian Cooperation”, C:\Documents and Settings\computer\Desktop\saarc\Regional Cooperation in South Asia.htm, accessed on August 30, 2006.
- ⁵⁶ The Economic Times, May 08, 2005, <http://economictimes.indiatimes.com/corps/1104636.cms> accessed on 30 August 2006.
- ⁵⁷ BBC News, 10 July, 2006, http://news.bbc.co.uk/2/hi/south_asia/5164926.stm, accessed on 30 Aug 06.
- ⁵⁸ n. 36.
- ⁵⁹ Hindu, New Delhi, August 25, 2006, p.17.
- ⁶⁰ http://www.bilaterals.org/rubrique.php?id_rubrique=159, accessed Aug 26, 2006.
- ⁶¹ Ibid.
- ⁶² My personal interaction with Prime Minister Badawi of Malaysia in June 2005 at Kuala Lumpur. Badawi was describing the reasons why India was included in the East Asian Summit to be held later that year.
- ⁶³ Financial Express, New Delhi, Aug 05, 2004. http://fecolumnists.expressindia.com/full_column.php?content_id=65121
- ⁶⁴ Abdur Rob Khan, “Bangladesh and BIMSTEC, A Whole New Opportunity, But are we up to it?” http://www.thedailystar.net/suppliments/2006/15thanniv/bangladesh&theworld/bd_world20.htm, accessed on 30 August 06.
- ⁶⁵ Ibid.
- ⁶⁶ n. 55.