

SAARC — time to move *en bloc*

The forthcoming 16th SAARC Summit in Thimphu, Bhutan, comes during the 25th year of SAARC. It is a fitting occasion to look forward to the future potential and challenges facing SAARC.

As part of its scheduled agenda, the summit is expected to conclude three agreements for cooperation on environment, trade in services and natural disasters. Environment and climate change have emerged as a key area of concern in recent years, given the huge potential impact of climate change on the fragile ecology of several countries such as Nepal, Maldives, and Bangladesh.

The Summit, hosted by Bhutan, will be attended by Bangladesh, India, Maldives, Sri Lanka, Nepal, Pakistan and Afghanistan, as well as observers from China, Japan, the European Union, Republic of Korea, the US, Australia, Mauritius, Myanmar, and Iran. The SAARC states constitute a major part of humanity, with a population of 1.5 billion.

SAARC also has some pending issues related to enlargement of the grouping. Myanmar has formally applied for membership in 2008, and it has a strong case for becoming a member. Its inclusion will help in healing internal political tensions. There are other countries that have shown interest in a closer association with SAARC, such as Iran, China, and Indonesia. However, it may be prudent to temporarily freeze any further expansion in membership after admitting Myanmar.

UNTAPPED POTENTIAL

SAARC's two largest members, India and Pakistan, have strained relations, and this has severely hampered the realisation of SAARC's full potential. On the other hand, SAARC has enabled cooperation to grow between the other six countries and between them and the big two of SAARC. Like the EU, within SAARC also, there should be flexibility for a subset of member states to pursue further integration possibilities of common interest, such as visa regimes.

Some of the important indicators for effective regional cooperation are the degree of freedom in movement of goods, services, capital and

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labour. By this yardstick, SAARC's achievements are quite limited. Intra regional trade is still only 5 per cent of SAARC members' total trade, compared with 24 per cent for ASEAN.

The South Asian Free Trade Agreement, SAFTA, entered into force in 2006. The fact that SAARC's two largest countries do not have normal trade relations limits the achievements of SAFTA. India and Pakistan have signed but not yet ratified SAFTA. Pakistan refuses to grant MFN status to India (despite the latter having done so), in violation of the reciprocity provisions of both SAPTA and SAFTA. India needs to take up this issue more forcefully, in the interest of moving ahead with SAFTA. Nevertheless, both countries see SAFTA as a means of enlarging trade with the other six countries.

Pakistan trades on a positive list basis with India, instead of the normal negative list basis, meaning that

only trade in items covered in the list is permitted. The result of such trade restrictions is that consumers in Pakistan pay higher prices for Indian goods which go via third countries. This also benefits suppliers within Pakistan, who might have to compete with Indian suppliers. Civil society within Pakistan should work to change Pakistan's stand, which contradicts SAFTA and also violates its commitments under the WTO.

A LANDMARK PROJECT

SAARC is yet to reap the benefits of freer movement of services, capital and labour, which the EU has managed to do. Business cooperation among entities in SAARC is also far below its potential. Intra-SAARC investment flows remain small. Given the difficulties on the economic cooperation front, SAARC members have attempted to build cooperation in softer sectors, such as infrastructure, transport, culture, sports, youth, tourism, education, environ-

ment, health, etc. Even here, progress has been slow.

Mechanisms for financing cooperation projects have also developed slowly, and after some confusion and much discussion, it was decided in 2005 to set up a single mechanism, the SAARC Development Fund (SDF) with three windows (Social, Economic and Infrastructure) and an initial paid-up capital of \$300 million. This level of funding is quite meagre, given the formidable development challenges facing the region, and needs to be supplemented by bilateral assistance programmes.

The South Asian University, a major SAARC project launched by the Prime Minister, Dr Manmohan Singh in 2005, and formalised by an agreement signed in 2006, is being implemented in a campus in Delhi, financed largely by India (\$240 million), and is expected to have some 3,000 students by 2014, with an international faculty, and linked cam-

puses in South Asian countries. This will indeed be a landmark in South Asian cooperation.

SENSITIVE TO CLIMATE CHANGE

The run-up to the climate change summit has sensitised SAARC civil society to the great dangers posed by climate change. Rise in sea levels directly threatens countries such as Maldives and Bangladesh. Increase in frequency and intensity of extreme weather events such as cyclones, floods, and droughts threatens India, Sri Lanka, Pakistan and Bangladesh. Changes in mountain ecology threaten Bhutan, Nepal, and Afghanistan. These are only some illustrative examples. A more detailed study of impact assessment, using the latest climate change models needs to be done for the SAARC region.

President Rajapaksha of Sri Lanka has advanced the idea of a common SAARC currency to boost economic integration. In the light of the current difficulties facing the Eurozone, and the low level of intra-SAARC trade, such an idea may be premature. However, it is worth a detailed study.

Though SAARC members have signed a convention on terrorism and an additional protocol, effective cooperation in counter-terrorism remains elusive, due to political problems. Unfortunately, terrorism has taken root in the soil of SAARC and needs to be fought by determined action. Pakistan, in particular, will need to do much more to deal with this menace, in order to protect its own state and people.

Subjects such as strengthening of democracy, freedom of media, independence of judiciary, and combating corruption are potential areas for cooperation among SAARC members, once the divisions between them can be overcome. Track II processes could help in this regard. The task ahead is enormous, and the small SAARC Secretariat can only play a catalytic role in fostering cooperation, which must be built on strong SAARC-wide networks of collaborating institutions.

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