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## **THE 17<sup>th</sup> SAARC SUMMIT: ISSUES, OUTCOME AND IMPLICATIONS FOR BANGLADESH**

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### **Abstract**

This paper attempts to analyse the discussed issues and outcomes of the seventeenth SAARC Summit which took place in the Maldives from 10-11 November 2011 with a special reference to Bangladesh in the context of regional cooperation. Several significant and strategically important agreements were signed during this Summit with the intention to begin a new era of cooperation among the member countries. Therefore, the Summit declaration adopted several treaties like SAARC Agreement on Rapid Response to Natural Disasters, SAARC Seed Bank, SAARC Agreement on Multilateral Arrangement on Recognition of Conformity Assessment, and the SAARC Agreement on Implementation of Regional Standards. The agreements focused on enhancing and facilitating regional transit and connectivity, economic growth, ensuring energy security, combating terrorism and human trafficking and fight climate change. Though the Summit has come up with some promising mutual agreements, its success will depend on their proper and timely implementation. The lack of political will, problem of poor governance, weak economy and disparity, crisis of political leadership, ethnic, socio-cultural and religious divisions, challenges of non-state actors, transnational security challenges are considered to be the major hindrances to the success of regional integration. The South Asian region should develop its own short, medium, and long-term strategies for economic integration where each stage should be implemented effectively before moving on to the next in order to build a sound foundation for progress. The inclusion of China as 'dialogue partner' would help SAARC to make the tangible progress for regional cooperation in South Asia. The new focus on regional integrations is likely to create exciting opportunities for Bangladesh if it can exploit the synergies based on comparative advantages, investment in cross-border infrastructure projects, address challenges in governance, environmental and social developments.

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## 1. Introduction

The 17th South Asian Association for Regional Cooperation (SAARC) Summit was held in the Maldives on 10-11 November 2011. The theme of the Summit was 'Building Bridges'- both in terms of physical connectivity and figurative political dialogue which emphasised more on the people-to-people linkages than the state centric approach. It concluded with the adoption of 20 Points Addu Declaration<sup>1</sup>. The declaration, jointly adopted by the eight SAARC member countries (Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka) reaffirmed their commitments to peace, confidence building, liberty, human dignity, democracy, mutual respect, good governance, and human rights. The Summit, also attended by nine representatives (Australia, China, Iran, Japan, Korea, Mauritius, Myanmar, the United States of America and the European Union) from observer states, and renewed its firm commitment to alleviate poverty and reduce income inequalities within the societies and reaffirmed its resolve to improve the quality of life and well-being of their people through people-centred sustainable development. The Summit welcomed the signing of SAARC Agreements on Rapid Response to Natural Disasters, SAARC Seed Bank, SAARC Agreement on Multilateral Arrangement on Recognition of Conformity Assessment, and the SAARC Agreement on Implementation of Regional Standards. The "Addu Declaration" also expressed its deep concern about the continuing threat of terrorism in all its forms and manifestations, transnational organised crimes, especially illegal trafficking in narcotics drugs, trafficking in persons and small arms, and increased incidents of maritime piracy in the region and reiterated its resolve to fight all such menaces. The Summit also expressed concern on the environmental degradation and vulnerabilities of the region to the threat of climate change. The Summit also emphasised the need to further strengthen the institutional mechanism of SAARC in order to bolster and enhance the regional cooperation.

SAARC is the cooperative security structure which links countries stretching from Afghanistan in the West to Pakistan, India, Nepal, Bhutan, Bangladesh, Sri Lanka, and Maldives. Myanmar is contiguous to SAARC and is the land bridge with the ASEAN. Moreover, China was seeking an active role such as 'Dialogue Partner' of SAARC because of its investment in the economies of many member states in this region often by dispensing aid, and soft loans for infrastructures. Pakistan, Bangladesh, the Maldives, and Sri Lanka appeared in favour of China although India would likely be suspicious of any greater role of China within SAARC. Over the years SAARC has taken some important steps in regional cooperation, however, the potential remains unrealised due to political,

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<sup>1</sup> "17th Saarc summit adopts 'Addu Declaration', *The Daily Star*, Dhaka, Bangladesh, 12 November 2011.

economic, historical differences as well as lack of geographic congruity. In such a background, the objectives of the paper are:

- To discuss the main issues of the 17<sup>th</sup> SAARC Summit
- To analyse the outcome of SAARC Summit for regional cooperation
- To find out the options and challenges for Bangladesh in the context of regional cooperation.

The paper is divided into five sections including the introductory section. The second section deals with the major issues discussed in the 17<sup>th</sup> SAARC Summit. The third section discusses about the outcome of Summit for the cooperation of South Asian countries. Options and Challenges of regional cooperation from Bangladesh perspective are highlighted in section four. The final provides the concluding remarks of the paper with some recommendations for mutual benefits of the South Asian countries.

## **2. The 17<sup>th</sup> SAARC Summit: Issues Discussed**

The “Addu Declaration” shed some of the despondency reflected in the previous Summit held in Thimphu. While the Thimphu Declaration had disappointed over a “number of initiatives not translating into tangible and meaningful benefits to the people,” the latest one welcomed the Summit recognising the importance of “bridging differences”. The main issues discussed in the 17<sup>th</sup> SAARC Summit were, therefore, described below:

***Regional Connectivity:*** The member states emphasised the need to conclude Regional Railways Agreement and to convene the Export Group Meeting on the Motor Vehicles Agreement before the next session of Council of Ministers and conduct a demonstration run of a container train among Bangladesh, India and Nepal. In this respect, the eight leaders at the Summit decided to finalise a Regional Railways Agreement and complete the preparatory work on an Indian Ocean Cargo and Passenger Ferry Service by the end of 2011.

***Intra-Regional Trade and Economic Growth:*** The declaration called for SAARC finance ministers to prepare a proposal that would allow greater flow of financial capital and intra-regional long term investment. On the trade front, emphasis was on effective implementation of the free trade pact, paring the sensitive lists, eliminating non-tariff barriers and harmonising standards and customs procedures. All these factors have limited the SAARC trade to 10 per cent of its actual potential.

***Food Security:*** The members agreed to resolve the operational issues related to the SAARC Seed Bank by the next session of the Council of Ministers to ensure its effective functioning. This will help greater availability of quality seeds and spread of high yielding improved crop varieties, exchange of seeds and plant genetic resources and sharing of the practices, technologies, and techniques.

**Energy Cooperation:** The Summit agreed to make available no less than two per cent of the national income towards the respective countries' renewable energy investments. It also agreed to dedicate more financial resources towards developing renewable energy in the respective countries. The leaders agreed to direct the conclusion of the Inter-governmental Framework Agreement for Energy Cooperation and the Study on the Regional Power Exchange Concept.

**Environmental Degradation and Climate Change:** The declaration agreed to ensure timely implementation of the Thimpu Statement on Climate Change.

**Prevention of Terrorism and Arms and Drug Trafficking:** In the declaration, the SAARC nations called for an early conclusion of the proposed UN Comprehensive Convention on International Terrorism and completion of the ratification of the SAARC Convention on Mutual Assistance in Criminal Matters.

**Development and Promotion of Tourism Industries:** The Summiteers agreed to hold the twelfth SAARC Trade Fair along with SAARC Travel and Tourism Fair in the Maldives in 2012<sup>2</sup>; and to develop modalities by involving the relevant private sectors in promoting the region globally as 'Destination South Asia'.

**Maritime Piracy:** The member states agreed to set up a mechanism to deal with piracy in the Indian Ocean.

**Poverty Alleviation:** The member countries also renewed their firm commitment to alleviate poverty and reduce income inequalities within their societies and reaffirmed its resolve to improve the quality of life and well-being of their people through people-centred sustainable development.

**Safe Drinking Water and Sanitation:** To address the common challenge of sanitation and access to safe drinking water in the region, SAARC will formulate an actionable framework.

**Exchange Programme among Academic and Research Institutions:** The leaders will also strive to expedite the work on mutual recognition of academic and professional degrees and harmonisation of academic standards; and establishment of long-term linkages among the universities, research institutions and think-tanks.

### 3. The Outcome of the 17<sup>th</sup> SAARC Summit

South Asia is home to 22 per cent of the total population of the world and accounts for 5.9 per cent of global GDP.<sup>3</sup> In terms of human development index

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<sup>2</sup> "SAARC countries need to cooperate: PM", *The Daily Star*, Dhaka, Bangladesh, 12 November 2011.

<sup>3</sup> Sustainability and Equity: A Better Future for All, United Nation Human Development Report 2011, United Nation Development Programme, 2011.

(HDI), the countries of the region are ranked quite low, i.e., in the overall list of 182 countries, Sri Lanka occupies the best rank of 97 while Afghanistan is ranked 172 (See annex 1).<sup>4</sup> Lack of economic cooperation has stifled cooperation in other areas like fighting poverty, illiteracy, crisis in governance and terrorism, improving agriculture, communication links, intra-regional tourism, people-to-people-contact. Even if SAARC member countries have pledged to get together “to work together in a spirit of friendship, trust and understanding” and aim “to accelerate the process of economic and social development in Member States”, in reality the organisation’s activities have been hamstrung by political differences among them. The followings are the outcome of some pertinent discussed issues in the 17<sup>th</sup> SAARC Summit.

***Transit and Connectivity:*** South Asia inherited an integrated transport infrastructure from the British. This was fractured not only by the partition of India but by its political aftermath. The transport network still continues to remain fragmented due to various historical, political and economic reasons which needs to be rebuilt within the context of greater political harmony in South Asia. There is no authentic estimate of the possible benefits that each of the four countries (Bangladesh, Nepal, Bhutan and India) will get if regional connectivity/transit are opened up. Transit may be on the issue of bilateral trade with India and Nepal. The Asian Highway (AH) and the Trans Asian Railway (TAR) projects of UNESCAP have identified the major road and rail links among the countries of South-Asia (See annex 2).<sup>5</sup> The SAARC Regional Multimodal Transport System (SRMTS) also identified a number of routes in road, rail, Inland Water Transport and aviation which could provide efficient regional connectivity. Bangladesh has signed TAR and agreed to implement the recommendation of SRMTS.<sup>6</sup> To implement the recommendations of TAR and SRMTS, a technical committee will be formed to do the feasibility study in terms of available roads and other infrastructures, markets, ports, safety nets against trafficking of arms and undue infiltration of regional/sub-regional goods to the detriment of local markets and tight security measures against terrorism with check posts at strategic points. The Finance Ministers of the SAARC countries have been called upon “to chart proposals” to allow greater financial capital flows for long term regional investment. In the transport sector, early conclusion of the regional railways agreement and ‘demonstration run’ of a container train linking Bangladesh, India and Nepal has been called for considering the practical obstacles. The General Secretary of SAARC has been directed to complete work for a more extensive Indian Ocean Cargo and Passenger Ferry Service.

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<sup>4</sup> *Ibid*

<sup>5</sup> Dr. Mohammad Mohiuddin Abdullah, “Transit and Connectivity: Regional Approach”, *The Daily Star*, Dhaka, Bangladesh, 28 March 2011.

<sup>6</sup> *Ibid*

**Regional Integration and Economic Growth:** While South Asia made significant progress in integrating with the global economy, integration within the region remained limited. Restrictive policies within the region have neutralised the beneficial effects of common cultural affinity, common geography, and the ‘gravitational’ pull of proximity on movement of goods and people within the region. All these factors have limited the SAARC trade to 10 per cent of its actual potential.<sup>7</sup> South Asia is the least integrated region in the world, where integration is measured by intraregional trade in goods, capital, and ideas. Intraregional trade as a share of total trade is the lowest for South Asia (see Annex 3). There is little cross-border investment within South Asia. The flow of ideas, crudely measured by the cross-border movement of people, or the number of telephone calls, or the purchase of technology and royalty payments, are all low for South Asia. In South Asia, only 7 per cent of international telephone calls are regional, compared to 71 per cent for East Asia.<sup>8</sup>

India decided to reduce the sensitive list for the least developed countries under the South Asian Free Trade Area Agreement from 480 to 25 tariff lines.<sup>9</sup> Currently, South Asia’s intraregional trade has stalled at around 2 per cent of its total trade volume since 1980 and 5 per cent of their gross domestic product which represents only a third of the region’s GDP. South Asian Free Trade Area’s (SAFTA) trade liberalisation programme included terms and timeline for tariff reductions, sensitive lists, rules of origin, revenue compensation mechanisms, and special and differential treatment for Least Developed Countries. However, the regulations stipulated under SAFTA do not have enough tools to be effective. As a result, bilateral trade agreements between South Asian countries continue to play a more prominent role than SAFTA in governing trade flows.

**Energy Cooperation:** The economic growth of South Asian countries is constrained by significant shortages in energy supply. Unless the corrective steps are urgently initiated and implemented it may be difficult to sustain this growth rates. The followings are some of the key challenges faced by the South Asian countries are: i) South Asia lags behind most other regions in terms of trade in electricity and gas, ii) Energy endowments differ among the South Asian countries, but energy trade in the region is low, iii) Only India, Bhutan, and Nepal currently trade electricity, iv) The national energy systems—gas and electricity networks—in the South Asian countries are largely isolated from each other v) There are no gas pipelines crossing the national borders, whether within South Asia or between South Asia and its neighbours vi) Consequently, optimal

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<sup>7</sup> Thomas W. Hertel and Tasneem Mirza, “The Role of Trade Facilitation in South Asian Economic Integration”, Chapter 2, World Bank Report, 2007.

<sup>8</sup> *Ibid.*

<sup>9</sup> Sadiq Ahmed and Ejaj Ghani, “South Asia’s Growth and Regional Integration: An Overview”, Part I, *South Asia and Regional Integration*, World Bank, 2007, p. 2.

development of the region's internal energy resources is hampered and access to the significant energy resources in the neighbouring countries denied, which increases the cost of energy supply and reduces energy security of the individual countries and of the region as a whole, vii) The region produced only about 4 per cent of the world's electricity viii) The average annual electricity consumption per capita is only one sixth of the world average.

However, there are still huge opportunities for South Asian countries (according to World Bank<sup>10</sup>) in regards to energy cooperation such as: i) Differing resource endowments, development needs, and demand patterns among the countries in the region and its neighbourhood create significant opportunities for cooperation and trade in the energy sector. ii) Pakistan and Afghanistan are geographically well placed to play an important role as transit states for the rest of South Asia, as they provide the best route for access to Central Asia's energy iii) Bhutan's unexploited hydropower potential exceeds 23,000 MW and Nepal's exceeds 43,000 MW iv) Bhutan's electricity export is expected to be 25 per cent of its GDP and 60 per cent of its state revenues v) Iran-Pakistan-India Natural Gas Pipeline (IPI) could supply 150 million cubic meters/day of gas to India and 60 million of gas to Pakistan.

In such a background, the Summit called for developing and sharing of regional hydro-electric potentiality (see Annex 4), grid connectivity, and gas pipelines and urged for commissioning a definite survey to determine actual quantum of energy resources. A Framework for Energy Cooperation Agreement is envisaged despite the obstacles it faces. This would include harnessing more hydro-power. Prime Minister, Sheikh Hasina called for 'Institutional and Co-riparian Cooperation' of the Ganges Brahmaputra river basins to facilitate integrated development of water resources to nourish agriculture and provide access to safe water to benefit a billion people.

One of the main drivers of economic integration in South Asia is the need for greater energy security. All these countries are heavily dependent on energy imports and even more specifically on hydrocarbon imports from West Asia. At the greater Asian regional level the SAARC economies can be seen to offer a unified market for hydrocarbon imports from Central and West Asian gas and oil fields by overland pipelines, and hydrocarbon resources can then be exploited on a regional demand and stock supply. Energy trade in the region can also be seen as a confidence-building measure and a lock-in mechanism for irreversible

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<sup>10</sup> "Potential and Prospects for Regional Energy Trade in the South Asia Region", Formal Report 334/08, Energy Sector Management Assistance Programme and the South Asia Regional Cooperation Programme, World Bank, 2008, available at: [http://siteresources.worldbank.org/SOUTHASIAEXT/Resources/Publications/448813-1219694050026/Regional\\_Energy\\_Trade\\_in\\_South\\_Asia\\_Final\\_ESMAP.pdf](http://siteresources.worldbank.org/SOUTHASIAEXT/Resources/Publications/448813-1219694050026/Regional_Energy_Trade_in_South_Asia_Final_ESMAP.pdf), accessed on 15 June 2012 .

economic interdependence. With Afghanistan's membership in the SAARC, the region can expect further potential gains through alliance with Central Asian countries. In particular, it provides greater connectivity with Central Asia and beyond, and brings in significant energy security payoffs.

**Terrorism, Maritime Piracy, Arms and Drug Trafficking:** The major states of the region are locked in a counter-productive arms race and competition for acquiring nuclear capability which is threatening long-term social and economic well-being of the people. The nuclear dimension has changed the dynamics of regional security of South Asia and raised the level of international concern. However, simultaneously, there is a growing realisation of common challenges confronting these states today in the shape of non-traditional security threats, i.e., transnational crimes and terrorism, ethnic and religious violence, illegal migration, proliferation of small arms, drug trafficking (see Annex 5), spread of infectious diseases, climate change and environment, etc. This list is growing as the states are getting increasingly aware of their limitations in dealing with these issues individually.

Terrorism and trans-border crimes have increased manifold in South Asia in the post-cold war days raising the level of mistrust and suspicions amongst nations and peoples. The ethno-cultural diversity of the region and overlapping of ethnic, religious, and linguistic identities across states, it is but natural that interstate relations will be affected by internal politics.

Piracy in the Indian sub continent continues unabated but is restricted to respective countries territorial waters. However, there is no mechanism for regional approach to combating piracy. The agreements are restricted to bilateral arrangements, which appear to have worked well. It must be remembered that piracy is only one component of "disorder at sea" and South Asian countries need to follow an integrated approach to the challenge, "disorder at sea".

In the context of South Asia, the twin issues of 'freedom from want and freedom from fear'- the two main components of human security- are far from realisation when one observes that issues of poverty, deprivation, environmental degradation are mixed with class, caste and group violence and the political process is manipulated by rigging, black money, and extortion. This has affected the process of evolution of an efficient, effective, and visionary leadership. No wonder, efforts aimed at regional and sub-regional cooperation remained largely unsuccessful and often became subjects of controversy for the want of any creative thinking.

**Food Security:** The increasing pressure on land, marginalisation of small and marginal farmers, frequent occurrence of natural calamities, deteriorating level of soil fertility have all made food security a major concern for the states of the region. Food security is defined in terms of the availability of food to meet the present and future needs of the people. There is also the problem of making it



accessible to all irrespective of class, gender, ethnic, religious or other considerations. The principles guides for food security are availability, access, adequacy, policy, and processes of public policy and system of governance.

A substantial part of the food security challenge is, hence, akin to the challenge of lifting growth and farm productivity in South Asia's rural areas, many of which are located in lagging regions. Indeed, a major dichotomy underlying South Asia's economic transformation has been the continued strong reliance on low-productivity agriculture for income for over 50 per cent of the population, even as the share of agriculture in GDP has shrunk from around 50 per cent in 1970 to less than 20 per cent in 2007. Poverty analysis at country levels shows that over 80 per cent of South Asia's poor are located in rural areas, of whom over 50 per cent are engaged in agriculture.

At the Thimpu SAARC Summit in April 2010, Prime Minister Sheikh Hasina proposed to establish a regional seed bank, which was incorporated in the Thimpu Declaration. The SAARC leaders directed the agriculture ministers to start work for this. Bangladesh then prepared a concept paper and distributed it among all the member-states through the SAARC Secretariat. SAARC seed bank came into being through an agreement at the New Delhi SAARC Summit in 2007, is yet to be functional."So, it is high time the SAARC leaders give another big push so that the seed bank becomes operational," said one official, seeking anonymity.<sup>11</sup>

The agreement signed at the New Delhi Summit provided for building a stock of 2,41,580 tonnes of food grains from the original member-states of SAARC.<sup>12</sup> Contribution of Afghanistan was left to be added since it was yet to join the regional forum. At the first meeting of the Food Bank Board in Colombo in October 2008, Afghanistan agreed to contribute 1,420 tonnes (of wheat), raising the total to 2,43,000 tonnes. The board's third meeting in Kabul in November 2009 recommended doubling the food stock to 4,86,000 tonnes given the rising need in the region.<sup>13</sup>

South Asian countries have succeeded over the past decades to attain a level of self-sufficiency or near-self-sufficiency in food grains. This has been a remarkable achievement. But the natural disasters and state policy failures often lead to crises, and serious deprivation occurs for the poorer segments of the region that constitutes an overwhelming part of the population. The crisis of rice and other grains in Bangladesh due to environmental disaster illustrates the vulnerability of a large number of people and the lack of concerted action by the

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<sup>11</sup> Reaz Ahmed, "Saarc nations push for seed bank: Agriculture ministers meet in Dhaka Wednesday", *The Financial Express*, 08 November 2011.

<sup>12</sup> *Ibid.*

<sup>13</sup> *Ibid.*

regional states. Ensuing no significant strategies have been drawn up over the years in this region. Indeed, regional cooperation is imperative to meet such common challenges.

**Water Dispute:** The issue of water is another crucial area where states of South Asia have hitherto failed to evolve a common approach. The Ganges is one of the mightiest rivers in the world and determines the fate of millions of people living by its sides. The water dispute between India and Bangladesh has continued for a long period from the late 1950s when India drew up a plan to construct the Farakka barrage. The claims and counter-claims leading to a series of negotiations produced a water-sharing arrangement in 1977 for a short period. The question of long-term sharing of Ganges water created lot of mistrust and suspicions between the two friendly countries. The 1996 Water Treaty with a sharing formula and guaranteed clause has not been able to meet the need for the flow and utilisation of water during the lean season. The issue has also been taken by Bangladesh to the United Nations, but it has not yet been resolved despite flurries of negotiations. The water dispute between India and Bangladesh can be regarded as an early-warning for many such resource-based disputes in future which can have enormous security ramifications.

**Challenge of Climate Change:** There is a hard realisation in South Asia that natural disasters like floods, cyclones, earthquakes, and Tsunami pose serious threats to regional development. All the South Asian countries are facing the effect of climate change (more details in Annex 6). Though Bangladesh is the most vulnerable of them, the 17th SAARC host country, the Maldives who is not less vulnerable than Bangladesh. Sri Lanka is also in same condition. In fact, these phenomena related to the issue of climate change constitute a common challenge for all the states and require collective action at the national, regional and global levels. The 15<sup>th</sup> SAARC Summit in Colombo in August 2008 reiterated the need for an integrated action programme in this regard in collaboration with the global community. It is now urgent that a comprehensive adaptation plan be developed with mutual collaboration among the neighbouring countries under the SAARC umbrella for dealing with climate change impact and adaptation issues. The SAARC Meteorological Research located in Dhaka, which has some experience in this field may work as a regional platform for this purpose.

#### **4. Bangladesh and SAARC: Areas for Regional Cooperation and Challenges**

Regional integration will create exciting opportunities for Bangladesh for exploiting synergies based on comparative advantages, investment in cross-border infrastructure projects, and through coordinated programmes to address challenges in governance, environment, social development, and other fields that spill over national boundaries. A most recent example of cross-border investment

is the US\$255 million Lafarge Surma Cement plant sponsored by the Lafarge Group of France. The plant, which is due to be commissioned in 2005, is located at Chatak, Sylhet, in Bangladesh.<sup>14</sup> The main source of raw material is a limestone quarry in Meghalaya, north-east of India, connected by a 17 km cross-border long-belt conveyer. The project has created about 400 jobs in Sylhet and about 70 jobs in Meghalaya.<sup>15</sup>

The region is locked into a set of common problems that can be resolved only through regional cooperation. For example, most of Nepal's rivers flow into Uttar Pradesh and Bihar in India. Indeed the tributaries in Nepal that feed the Ganges join up in Uttar Pradesh and Bihar before entering West Bengal and Bangladesh. Therefore, in harnessing the waters of the Ganges, India needs Nepal's active participation. Similarly, any programme of water management by Bangladesh, whether for flood control or irrigation, will not be feasible without the ultimate collaboration of the upper riparian states of India and Nepal. With proper planning and investment, the water resources of the region could well be used for the generation of electricity. Another important potential resource in the region comes from the huge reserve of coal in Assam, Bihar, Orissa, and West Bengal. A large reserve of natural gas is found in Bangladesh and the north-eastern part of India.<sup>16</sup>

Sixty years ago, the transport networks of South Asia were one of the most integrated in the developing world, but these were disrupted following the partition of the region into seven independent states. At present, highways, waterways, and rail links that traverse each country stop at national borders and thus are unable to serve the region. The rebuilding of this physical infrastructure has been constrained by security-driven apprehensions, which the countries found impelling enough to sacrifice mutual economic benefits. In the process of rebuilding the transport infrastructure of the eastern region of South Asia, Bangladesh emerges as the hub around which reconstruction of land links could take place. Bangladesh once had a major highway linking mainland India with both north Bengal and north-east India. The development of land alignments, which would provide north-east India access to the sea through the Bay of Bengal and integrate its market with Bangladesh, could establish this undeveloped region as a staging post for economic links within South Asia and

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<sup>14</sup> Yousuf A Harun, "Regional Cooperation in South Asia: Bangladesh Perspective", in Ashok Behuria (ed.), *South Asia: Quest for Regional Cooperation*, IDSA, India, 2009.

<sup>15</sup> *Ibid*

<sup>16</sup> "Potential and prospects for Regional Energy Trade in the South Asia Region", Formal Report 334/08, Energy Sector Management Assistance Programme and the South Asia Regional Cooperation Programme, World Bank, 2008, available at: [http://siteresources.worldbank.org/SOUTHASIAEXT/Resources/Publications/448813-1219694050026/Regional\\_Energy\\_Trade\\_in\\_South\\_Asia\\_Final\\_ESMAP.pdf](http://siteresources.worldbank.org/SOUTHASIAEXT/Resources/Publications/448813-1219694050026/Regional_Energy_Trade_in_South_Asia_Final_ESMAP.pdf), accessed on 15 June 2012 .

with landlocked south-west China. The Chittagong port could be built up as the nodal point for handling the region's trade.

There are several sectors in which Bangladesh and India can move from a competitive relationship toward a rediscovery of lost complementarity. Jute is one example, and Ready Made Garments of Bangladesh and the textile industry of India is another. The European Union has allowed Bangladesh special market access, if its raw material is sourced regionally under a regional accumulation system. In the case of Bangladesh, only 65 per cent of total exports to the European Union can access the Generalised System of Preferences (GSP) because of noncompliance with rules of origin.<sup>17</sup> With regional accumulation, it can increase to 90 per cent. If Bangladesh accepts regional accumulation, there could be a significant increase in intraregional trade. Unfortunately, as of early 2009, the powerful textile manufacturing lobby in Bangladesh has prevailed on the government not to accept regional accumulation.

Tourism has remained untapped in the region, attracting less than 1 per cent of the international tourist arrivals, although the cultural and natural riches of the region are beyond dispute. Whether it is ecotourism, religious tourism, or adventure tourism, the region has a spectacular variety of tourism to offer.

Bangladesh might face some trans-national security threats along with the above mentioned opportunities of regional cooperation. The following are some of the major transnational security challenges from Bangladesh perspective:

- Transit of arms and drugs through Bangladeshi territory
- Border Skirmishes – intrusions, abductions, forcible harvesting, shooting, and killing along the Bangladesh-India borders.
- Insurgency Problems in the Chittagong Hill Tracts (CHT) continue to pose risks to Bangladesh security.
- Piracy and dumping in the Bay of Bengal is a common phenomenon today and it is likely to increase in the coming years.
- Water diversion in the upstream countries and climate change.

If Bangladesh engage itself in the regional cooperation among the SAARC countries, the positive outcomes are likely to be far more advantageous than the challenges ahead. So, Bangladesh should try to figure out how it can minimise those challenges and prepare itself to embrace the full benefits of the regional cooperation.

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<sup>17</sup> Susil Sirivardana, "Pro-Poor Thought and Strategy: Major Impediments amidst Groundswell of Change", in Ashok Behuria (ed.) *South Asia: Quest for Regional Cooperation*, IDSA, India, 2009.

## 5. Initiatives for Enhancing Regional Cooperation

The lack of political will, problem of governance, economic underdevelopment and disparity, crisis of political leadership, ethnic, socio-cultural and religious divisions, challenge of non-state actors and transnational security challenges are considered to be the major hindrances to the success of regional integration. Another important missing ingredient is a shared perception of common benefit—all the members must feel they are sharing the costs and benefits of the cooperation equally. The South Asian region should develop its own short, medium, and long-term strategies for economic integration. Each stage should be implemented effectively before moving on to the next in order to build a sound foundation for progress.<sup>18</sup> South Asian countries need to address the following key issues, however, to move toward successful cooperation.

***Political Environment:*** The political environment needs to be improved by the regional governments and political leaders.

***Complementarities:*** A careful identification of areas in which South Asian countries have comparative advantage and greater potential for growth based on sound economic ground is required, along with a strategy for cooperation focusing on intra-SAARC trade, joint ventures, and third country exports.

***Trade Reform and Facilitations:*** Trade reform and facilitations require complementary policies such as a regulatory framework, improved governance, stable law and order, reduced corruption, upgraded infrastructure, and an improved overall investment climate.

***Transport:*** The route criteria for Asian Land Transportation Infrastructure Development should include capital-to-capital links, connection to main industrial and agricultural centers and growth zones, connection to major sea and river ports, and connection to major inland container terminals and depots.

***Port:*** The port now requires massive infrastructure development, including deepwater facilities and an enhanced capacity to handle growing containerised traffic and complete automation of its services.

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<sup>18</sup> In this context, the development of the European Union may be studied, which is considered to be the most advanced model for regional grouping. European integration evolved over four stages: First, a preferential free trade regime was developed in which member countries reduced or eliminated tariff and nontariff barriers among them; Second, a Customs Union created a common external tariff so that import duties were the same for each member country; Third, the Economic Union was formed, which further integrated the market, eventually leading to a single market, Fourth, a monetary union was established in which the national currencies of the member countries were replaced by a single currency.

**Energy:** Initiatives need to be taken for the formulation of plans to develop hydro, gas, and coal-based power generation, and to establish a regional power grid. Although tremendous potential exists for power generation, most of the countries are faced with power shortages and rising demand.

**Water Resources:** An intergovernmental task force should formulate plans for the comprehensive development of water resources in the Ganges–Brahmaputra–Meghna river basin for flood management, irrigation, water transport, and electricity generation.

**Telecommunication:** The telecommunication technology of the member countries could be harmonised for the socioeconomic advancement of the region through the establishment of infrastructure and human resource development, and the reduction of intraregional telecom tariffs, cellular roaming, and mutual recognition arrangements.

**Investment:** Investment cooperation is an essential companion to the liberalisation of trade because it is with the intraregional investment that the economies can achieve true industrial and market integration.

**Capital Market:** The setting up of a regional financial center at an appropriate location in the region will facilitate banking and insurance, other financial services, and shipping for intraregional investment as well as identification of lucrative investment opportunities for both FDI and portfolio investment.

**Tourism:** To promote South Asia as a common tourist destination, joint efforts are required in areas such as upgrading infrastructure, improving air linkages, simplifying and harmonising administrative procedures, and developing human resources and joint marketing.

**Human Resource Development:** Poorly developed human resources in the region have led to the scarcity of managerial, entrepreneurial, and technical skills, and the ability to conduct adaptive research is severely constrained. Therefore, improvement in the quality of human resources through education and vocational training is the key to move toward a knowledge based economy.

**Environment:** Effective cooperation among the countries is urgently needed to address issues of deforestation and biodiversity loss, cleaner production, waste, and pollution management; to preserve rare species of wildlife and plants; and to avoid fragmentation of the ecosystem that spans national borders. Cooperation can be strengthened by improving the environmental information systems and management capacities.

**Private Sector:** The role of the private sector is crucial for the successful economic integration of the region. Through close government and private sector partnerships, the intergovernmental policy framework for the expansion of trade and investment can be implemented.

## **6. Conclusion**

The proceedings and outcomes of the 17th SAARC Summit that ended on a positive note with all the members agreeing to infuse new spirit in the organisation and intensify regional cooperation for the collective good. The statements emanating from leaders of the member states and the document adopted at the conclusion clearly show the resolve to make a new beginning of cooperation for socio-economic development of the region. Perhaps the 11th day of the 11th month of 2011 has a magical effect on the moot. There can be no two opinions that the countries constituting SAARC have tremendous resources and potential to grow and address their problems through collaborative efforts. However, the true potential of the Association could not be exploited during 26 long years because of mutual distrust, suspicion and lack of commitment. Though on the sidelines of the SAARC Summits and conferences, bilateral meetings between leaders of the member countries especially Pakistan and India have helped ease out tension as has been the case this time round as well but the institution itself has so far not been allowed to play any role in resolution of conflicts and that is considered to be the major impediment in its growth and effectiveness. Despite resolve and expression of intents to launch projects for regional connectivity and energy corridors one cannot expect any major breakthrough if irritants like Kashmir, Siachin, and Sir Creek remain there or disputes over water sharing persist between Pakistan and India on the one hand and India and Bangladesh on the other. There is a different view as well that mutual collaboration and inter-dependency would help create congenial atmosphere for resolution of the political disputes. Anyhow, it is time for SAARC to move decisively to implement various proposals and plans that are so far confined to papers only. The theme of the Addu Summit was ‘Building Bridges’ and the member states rightly advanced relevant proposals to realise the objective of bringing them closer through road and rail networks, increased economic interaction and measures to boost mutual confidence.















