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15th SAARC SUMMIT: SAFTA, FOOD SECURITY AND ENERGY

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Abstract

Over the last twenty-three years, South Asian Association for Regional Cooperation (SAARC) offers the Heads of States of South Asia a platform to discuss and raise issues of common interests. The South Asian leaders, during the 15th summit of SAARC, attached importance to enhance cooperation in three core areas, namely, South Asian Free Trade Area (SAFTA), food security and energy. With intra-SAARC trade volume still remaining low; it becomes imperative for the South Asian states to progress in the area of trade through implementing SAFTA. Besides, against the backdrop of surging food and oil prices, security in food and energy sectors has become an issue of paramount importance for the SAARC countries. In view of these, the paper throws light on the status of SAFTA. It also puts emphasis on the decisions taken in the 15th summit *vis-à-vis* food security and energy. In the process, the paper mentions the challenges associated with SAFTA, food security and energy. The paper, in addition, assesses the latest summit in the light of these three key issues.

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Introduction

The concept of regionalism in South Asia was mooted in 1985 with the inaugural summit of South Asian Association for Regional Cooperation (SAARC). Colombo, the capital of Sri Lanka hosted the 15th SAARC summit from 02 August to 03 August 2008. The Heads of States or Governments of eight SAARC member states, Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal and Pakistan, participated in the summit. Representatives from China, the European Union (EU), Iran, Japan, Republic of Korea and the United States of America (USA) attended the summit as observers. The highlights of the summit were the adoption of Colombo Declaration and the Colombo Statement on Food Security. The 41-point Colombo Declaration, entitled "Partnership for Growth for Our People", called for cooperation among the SAARC countries in areas such as energy, connectivity, environment, water resources, poverty alleviation, South Asian Free Trade Area (SAFTA) and trade facilitation, combating terrorism etc. However, to boost the intra-SAARC trade volume, implementation of SAFTA has become a question of paramount importance for the member countries. Similarly, with the world price of foodstuffs and energy soaring considerably, it becomes imperative for the South Asian states to move forward in these areas through strengthening cooperation.

Since the signing of SAFTA, progress in trade among the South Asian countries is not remarkable. Major economies in South Asia have not yet ratified free trade regime. At the same time, unprecedented rise in food price has reduced the standard of living in this region. Thus, operation of SAARC Food Bank takes into account this fact with due concern. But, no inter-governmental agreement regarding spectre of food shortage is in card. Besides, fuel price hike risks jeopardising the region's economic gains. All these have created economic hardship in the region. It is obvious by now that SAARC should focus on strengthening cooperation among the member states for finding a solution to the persisting food and fuel crises and enhancing intra-SAARC trade. However, the question is whether the recently concluded Colombo summit will be able to steer the SAARC countries in a new path for facing the challenges in the fields of trade, food and energy. Will 15th SAARC summit transcend phase of declaration into implementation? These are the

issues to be addressed in the current paper. Intra-SAARC trade will be discussed in the paper in order to throw light on the status of SAFTA. It also puts emphasis on the decisions taken in the 15th summit vis-à-vis food security and energy. In addition, the article assesses the latest summit in the light of these three key issues. It further tries to argue that South Asian countries will be benefited if they extend cooperation in trade, energy and food sectors. The paper is organised as follows. Section 1 takes up the introduction. Section 2 gives an overview of SAFTA, food security and energy. While Section 3 presents an assessment of the Colombo summit, Section 4 provides the concluding remarks of the article.

2. 15th SAARC Summit: A Brief Overview of SAFTA, Food Security and Energy

2.1 SAFTA

In the present era, trade integration among the countries of a region becomes key to development. But, the realisation of the importance of regional trade cooperation came late to SAARC in the form of SAARC Preferential Trading Arrangement (SAPTA) in 1995.¹ Later, at the 1997 Male summit, the SAARC countries initiated the regional approach of free trade area (FTA)² in South Asia. The leaders, then, decided to establish SAFTA by 2001. However, it was not until 2004 that the framework agreement of SAFTA was signed. Finally, on 1 June 2006, SAFTA came into force and thereby became the first FTA implemented in South Asia. SAFTA has six core elements, namely, trade liberalisation programme, rules of origin, institutional arrangements, safeguard measures, special and differential treatment for LDCs, and dispute settlement mechanisms.

SAFTA stipulates trade with zero customs duty of almost all products in South Asia by 2016 (See Table 1). The 'big economies'³,

¹ R. S. Kher, *SAARC: Political and Economic Aspects*, New Delhi: Dominant Publishers and Distributors, 2004, p. 39.

² A free trade area is a group of nation who agree to remove all tariffs (and at least some other non-tariff barriers to trade) on trade amongst themselves. See David Gowland, *International Economics*, New Jersey: Barnes and Noble Books, 1984, p. 54.

³ India, Pakistan and Sri Lanka.

following the SAFTA agreement, will reduce tariff to 20 per cent in the first phase. On the other hand, the least developed countries⁴ in the region will reduce to 30 per cent, if the existing tariff rates are higher than this limit. However, for the developing countries, there will be a 10 per cent annual reduction on a margin of preference basis, while the LDCs will reduce 5 per cent per annum on actual tariff rates for each of the two years, if the actual tariff rates are below this limit. In the second phase, it will take 5 years for the developed nations to reduce tariff to 0-5 per cent. Sri Lanka, nonetheless, will take an additional year to decrease tariff to same level. The least developed nations will reduce tariff within 8 years. Nonetheless, the member states are encouraged to adopt reduction in equal annual instalment, but not less than 15 per cent annually.⁵

Table 1: Schedule of Tariff Reduction under SAFTA

Countries	Existing Tariff Rates	Tariff Rates Under SAFTA Agreement	Time Schedule
SAFTA First Phase			
India, Pakistan and Sri Lanka	More than 20%	Reduce to 20%	2 Years
	Less than 20%	Annual reduction of 10%	2 Years
Bangladesh, Bhutan, Maldives and Nepal	More than 30%	Reduce to 30%	2 Years
	Less than 30%	Annual reduction of 5%	2 Years
SAFTA Second Phase			
Pakistan and India	20% or below	0-5%	5 Years
Sri Lanka	20% or below	0-5%	6 Years
Bangladesh, Bhutan, Maldives and Nepal	30% or below	0-5%	8 Years

Source: Sharif M. Hossain and Ishtiaque Selim, "Regional Cooperation in South Asia: Future of SAFTA", *BISS Journal*, Vol.28, No. 2, November 2007, p. 397.

⁴ Bangladesh, Nepal, Bhutan, Maldives and Afghanistan (Protocol of accession of Afghanistan to SAFTA is signed in the 15th SAARC summit).

⁵ Sharif M. Hossain, "Bangladesh and the Free Trade Area: Regional and Bilateral Routes", *BISS Journal*, Vol. 26, No.3, July 2005, pp. 396-397.

During the 15th SAARC summit, the Heads of States of South Asia recognised the need to address the major barriers standing in the way of effective trade liberalisation in the region.⁶ The barriers include sensitive lists of items and non-trade barriers. In order to implement SAFTA, the SAARC leaders also directed SAFTA Ministerial Council (SMC) to revise sensitive lists giving special consideration to LDCs of this regional body. Besides, due importance was given to resolve issues such as Non Tariff Measures (NTM) and Para Tariff Measures (PTM) for facilitating and enhancing trade under SAFTA. Furthermore, the SAARC leaders called for creating regional customs union by 2012 and economic union by 2020 in a planned and phased manner to accelerate the process of free trade regime under the framework of SAFTA. In that regard, the need for taking some concrete measures was underscored in form of adopting common tariff nomenclatures and harmonizing customs procedure. Further to this, the SAARC leaders approved decision on starting negotiation on Framework Agreement on Trade in Services (FATS) under SAFTA to facilitate and enhance intra-SAARC trade. This framework agreement could set up a consultative mechanism, and identify bottlenecks and suggest-practical ways to move the process of trade liberalisation. The summit, also, accepted the Sri Lankan offer of preparing a Concept Paper and a Working Paper on national and regional strategies for maximising positive trade.

2.2 Food Security

Shortage of food grain supply and its high prices have already challenged global food security. Also the surging price of oil, which in turn affects the costs of fertiliser and electricity, does not help the cause either. This scenario prompts grain-exporting countries to curtail exports in order to suppress domestic food inflation. At the same time, liberalisation of global agricultural trade along with domestic drawbacks in production makes food grain costlier for net importing countries and thus worsens their food security. The region of South Asia has also felt the heat. Declining productivity of grains

⁶ "15th SAARC Summit: Colombo Declaration", available at www.saarc-sec.org/data/summit15/summit15declaration.htm, accessed on 05 August 2008.

and inadequate food reserve have compelled most of the South Asian countries to depend on imported grains. SAARC countries are therefore vulnerable to face the challenge of food security.

Food prices in India are about 14 per cent higher than a year ago. The food price hike in India adversely affects the households, which normally spend roughly 33 per cent of their family budget on food consumption. Food price surge, across the border in Pakistan, is much more severe than that of India. Between May 2007 and May 2008, the country experienced 28 per cent rise in food price.⁷ Pakistan, a net wheat exporter, recently had to buy wheat at a cost of US \$800 million from the international markets to meet its domestic demand. As a result, Pakistan's spending on food imports has grown by 25 per cent in 2008. To manage the food crisis and keep the food inflation under control, both the governments of India and Pakistan have imposed ban on export of rice and wheat respectively. Nepal, another SAARC country, has 2.5 million people in immediate need of food assistance. According to a report published by the United Nations, rising food prices may compromise some 3.9 million people's welfare in this land locked country.⁸ Bangladesh in 2007, had witnessed one of its worst natural calamities in the form of cyclone *Sidr*. The natural disaster disrupted the production of rice, the most important staple crop in Bangladesh. Price of rice, consequently, increased in Bangladesh and its import soared by 300 per cent in the last year.⁹ Besides, global price hike has taken a heavy toll on the overall food price level in Bangladesh. Bangladeshi consumers are increasingly under pressure to fulfill their consumption needs. Also, sufferings of the Afghan people in terms of food price hike have created concern in the country. Wheat price in Afghanistan, the new entrant of SAARC, has become so high that many Afghans cannot afford to buy flour to make breads. The daily life of Afghan people is further affected by the Pakistan's policy of

⁷ Krishna Sutaria and Jonathan Robins, "Running on Empty: South Asia's Food and Fuel Crisis", *South Asia Monitor*, No. 121, August 2008, available at www.csis.org/media/csis/pubs/sam121.pdf accessed on 09 August 2008.

⁸ Lea Terhune, "South Asia faces food crisis despite India's high productivity", *The Financial Express*, 08 August 2008.

⁹ Krishna Sutaria and Jonathan Robins, *op. cit.*

banning its wheat exports. In a couple of weeks this export embargo doubled the prices of bread and flour doubled in Afghanistan.

It is in this backdrop, the SAARC leaders during the 15th summit recognised the region-wide food crisis for ensuring food security. It has been discerned from the adoption of a separate statement on food security, namely, "Colombo Statement on Food Security". The statement, among others, called for an Extra-ordinary Meeting of the Agriculture Ministers of the SAARC Member States to be held in New Delhi, India in November 2008. This meeting aimed to evolve and implement a short to medium term regional strategy for ensuring food security in South Asia. The strategy would lead to:¹⁰

- Increase in food production;
- Investment in agriculture and agro-based industries;
- Agriculture research and prevention of soil health degradation;
- Development and sharing of agricultural technologies;
- Sharing of best practices in procurement and distribution;
- Management of the climatic and disease-related risks in agriculture.

Besides, South Asia's Heads of States put emphasis on early drawing up of the SAARC Agriculture Perspective 2020. The SAARC leaders also stressed on early operation of the SAARC Food Bank with an initial food reserve of over two million tons of rice and wheat.¹¹ It may be noted here that the decision to establish a food bank in South Asia could be traced back to the third SAARC summit, held in Kathmandu in 1987. An agreement was signed by the Heads of States, during the Kathmandu summit, to create a South Asian Food Security Reserve. The reserve would provide a cushion against food shortages and scarcity situations in the region.¹² This agreement on food reserve came into force on 12 August 1988, but

¹⁰ Ministry of Foreign Affairs, Government of Sri Lanka, "15th SAARC Summit-Colombo Statement on Food Security", available at www.slmfa.gov.lk/index.php?option=com_content&task=view&id=1349&Itemid=86 accessed on 12 August 2008.

¹¹ See, A. N. M. Nurul Haque, "SAARC food bank imperative for the region", *The Daily Star*, 09 August 2008.

¹² R. S. Kher, *op. cit.*, p. 127.

could not make much headway. It was during the 12th summit in 2004, when SAARC Food Bank's paper concept was prepared. In the next SAARC Summit, held in Dhaka in 2005, the paper concept was formalised. And on 2 April 2007, meeting of the SAARC Council of Ministers finalised the deal to establish a regional food bank.

The SAARC Food Bank is created to extend cooperation among the SAARC member countries in meeting emergency food crisis due to destruction of crops by natural calamities or other such reasons. SAARC food bank is to initially start off with the reserve of 241,580 tonnes of food grains. This amount would then be increased gradually. Among SAARC members, Bangladesh and Pakistan will contribute 40,000 tonnes of food grain each to the food bank. The contributions of Sri Lanka and Nepal, on the other hand, will be 4,000 tonnes each, while Maldives' and Bhutan's contributions will be 200 tonnes and 180 tonnes to the food bank respectively. India will be the largest contributor with 153,200 tonnes of food grains.¹³

2.3 Energy

Ever since the OPEC (Organisation of Petroleum Exporting Countries) embargo on oil exports in 1973, energy has become one of the major global security concerns.¹⁴ But with the recent increase in oil price, the issue turns out more critical than ever. For the first seven months of 2008 prices of oil soared steadily (See Table I). The impact of this price hike has been felt in the South Asian countries, which are mainly dependent on imported oil and where the per capita energy production capacity is only 0.1 kilowatt.¹⁵

¹³ A. N. M. Nurul Haque, *op. cit.*

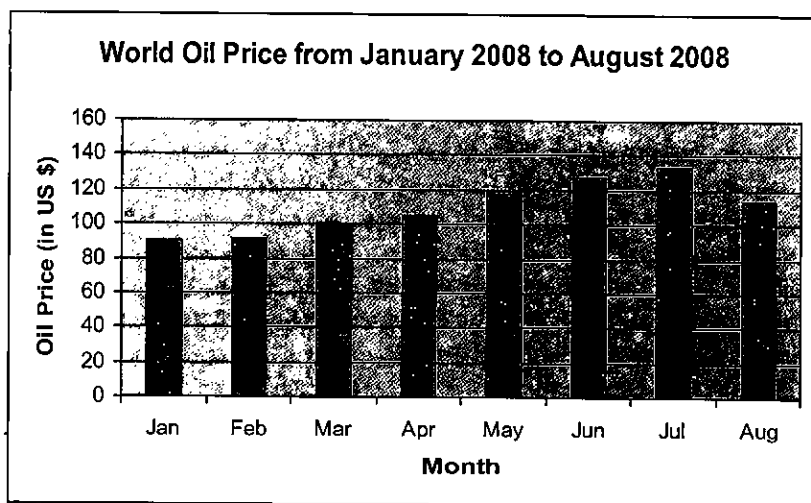
¹⁴ The conventional concept of energy security takes issues like demand and supply of energy as well as geopolitics, market structures and institutions into consideration. However, this concept is much broader in the twenty first century as it includes infrastructure security, supply diversity, investment regime, price, access to new reserves, revenue security etc. See for details, Razia Sultana, "Quest for Energy Security in Bangladesh: Challenges and Prospects", *BISS Journal*, Vol. 29, No. 1, January 2008, pp. 72-74.

¹⁵ *The Independent*, 06 August 2008.

Table I: Global Oil Price from January 2008 to August 2008

<i>Months</i>	<i>Oil Price (in US \$/barrel)</i>
January	89.86
February	90.82
March	100.5
April	105
May	118.93
June	128.06
July	133.52
August	113.97

Source: Energy Information Administration (EIA), Official Energy Statistics from the US Government available at: tonto.eia.doe.gov/dnav/pet/xls/pet_pri_wco_k_w.xls accessed on 01 September 2008.

Chart I

Although oil remains a secondary source of energy in India and Pakistan, it has been intensively used in transportation and modern areas of economy. However, due to bigger size of economy, demand for energy in those two countries is on the higher side. India, for instance, daily consumes 2, 700, 000 barrels of oil against daily production of 900, 000 barrels of oil. This leaves India with a daily

oil deficit of 1, 800, 000 barrels. As a consequence, India imports roughly 67 per cent of its oil from the international market, two-third of which comes from Middle East.¹⁶ Now, as international oil price has been increased, India witnesses price hike of basic fuels, such as, petrol, diesel, and kerosene. This might disrupt an otherwise robust economic growth in India. Likewise, the case of Pakistan is not good for it purchases around 80 per cent of its oil, mostly from Persian Gulf. Hence, Pakistan is also likely to experience further economic downturn due to higher oil price. At the same time, India's energy crisis has created an impact on the energy situation of one of its South Asian neighbors, Nepal. The recent world oil price hike forces Indian Oil Corporation (IOC), which supplies all of Nepal's oil, to cut supplies to the latter country by almost half in response to unpaid debts. The Nepalese government, thus, increased domestic fuel price by almost 25 per cent.¹⁷ Other South Asian countries including Bangladesh have also been severely hit by higher fuel prices. Not well endowed with considerable amount of non-renewable as well as renewable energy, for Bangladesh, energy security becomes one of the key policy concerns. As far as non-renewable energy is concerned, natural gas is its dominant source, followed by coal and oil. On the other hand, hydropower, biomass, solar energy are the sources of renewable energy in Bangladesh. However, variations in gas reserve calculation, growing demand for oil against its limited production, crisis and mismanagement in energy distribution and cost factor involved in production of renewable energy, have made Bangladesh ever more vulnerable to energy security.¹⁸

Against such backdrop, the energy security issue now emerges as one of the key priorities in regular meetings of SAARC. Since its inception in 1985, the regional body has been trying to work as a platform emphasising on energy cooperation. Trans-border energy cooperation, therefore, has become an idea in economic discourse within SAARC. In the 12th SAARC summit, steps were taken to reinforce intra-SAARC energy cooperation under SAARC Integrated Programme of Action (SIPA). Besides, the SAARC leaders commissioned a study on creating a South Asian Energy

¹⁶ Krishna Sutaria and Jonathan Robins, *op. cit.*

¹⁷ *Ibid.*

¹⁸ Razia Sultana, *op. cit.*, pp. 66 & 74-76.

Cooperation. The ministers for energy of the SAARC countries, in a meeting held in October 2005 in Islamabad, recommended establishing the SAARC Energy Center (SEC). In the 13th SAARC summit, the Heads of SAARC countries approved the establishment of SEC. The goals of this centre are to develop energy resources through promoting regional energy trade, developing renewable and alternative energy resources, and enhancing energy efficiency in the region. Later on, the SAARC leaders during the 14th summit acknowledged the growing demand for energy in South Asia. They also stressed on the use and development for renewable energy such as hydropower, bio-fuel, solar and wind.

The issue of global oil price surge received due attention during the last SAARC summit. The leaders of South Asia recognised that the higher price of oil would pose threat to energy security and thereby, disrupted the region's economic growth. To tackle the challenge, the leaders stressed on the concerted effort for conserving the use of conventional energy and building up of renewable energy resources. The SAARC Heads, during the summit, also gave importance to the development of regional and sub-regional energy resources in an integrated manner for tapping potential in this sector. In this regard, they suggested for sharing of expertise, capacity building, and technology transfer and infrastructure development in this sector. The 15th summit, at the same time, called for developing and sharing of regional hydroelectric potentiality, grid connectivity and gas pipelines, and urged for commissioning a definite survey to determine actual quantum of energy resources, and devise a way in which energy could be used for maximum benefits of member states. The SAARC leaders also envisaged a network of trans-regional oil and gas pipelines. Possibility of evolving an appropriate inter-governmental framework could facilitate such endeavours, and create an environment for regional cooperation within SAARC to conclude regional framework agreement for energy cooperation.

3. Assessment of the 15th SAARC Summit

In the eighties, SAARC was created to achieve economic integration for mutual prosperity in South Asia. But this regional block, unlike some other associations, has not emerged as close-knit

communities.¹⁹ SAARC has not yet accrued anything in tangible terms either on political or economic front.²⁰ Bilateral disputes coupled with mistrust and suspicion, stand on the way of harmonising SAARC as an effective organization. However, it cannot be denied that this regional grouping has not at least ceased to function against the backdrop of hostilities among the SAARC members. Over the last twenty-three years, this regional body offers the leaders of South Asia a platform to discuss and raise issues of common interest. SAARC has already placed regional economic cooperation in the wider context of the South-South cooperation by mooted the ideas of SAPTA and SAFTA. Also, this association focuses on key issues to accelerate the pace of regional socio-economic growth. With spirit of enhancing cooperation in South Asia, 15th summit of SAARC has again emphasised on important matters as mentioned in the opening part of this article. Here the article tries to assess the last summit in terms of SAFTA, food security and energy.

SAFTA was supposed to reduce trade protection, improve competitiveness, and increase efficiency and productivity in the SAARC countries. In reality, however, South Asia still remains one of the least integrated economic regions in the world. While intra-regional trade is 62 per cent in EU, 55 per cent in North American Free Trade Area (NAFTA) and 35 per cent in Association of South East Asian Nations (ASEAN), it is only 4 per cent in SAARC.²¹ It is worth mentioning here that intra-SAARC trade has been on rise, but the pace of growth is not encouraging.²²

¹⁹ Atiur Rahman, "SAARC: Not yet a Community", in Jim Rolfe (ed.), *The Asia-Pacific: A Region in Transition*, Asia-Pacific Centre for Security Studies, 2004, p. 133.

²⁰ Moudud Ahmed, *South Asia, Crisis of Development: The Case of Bangladesh*, The University Press Limited, 2002, p. 229.

²¹ Abhishek Raman, "South Asian Union: Divided We Stand", *IPCS Issue Brief*, No. 78, July 2008 available at www.ipcs.org/IB78-Abhishek-SAARC.pdf accessed on 08 August 2008.

²² Intra-SAARC trade in 2002, as percentage of South Asia's global trade, increased to 2.46 per cent from 2.36 per cent in 1990. The change clearly depicts a mere rise of 0.10 per cent in intra-SAARC trade. See *Holiday*, 08 August 2008.

Also, SAFTA is lagging far behind other such trading arrangements in terms of comparative advantage and trade complementarities. The South Asian countries currently enjoy comparative advantage in a relatively narrow range of products with the exception of India and Sri Lanka.²³ At the same time, the region is suffering from low level of trade complementarities.²⁴ Besides, long sensitive lists under SAFTA (See Annex III) and stringent Rules of Origin are considered as stumbling blocks to the progress of SAFTA.

During the 15th summit, the SAARC Heads of States pledged to implement SAFTA through withdrawing the trade barriers, which are currently hindering the beneficial effects of trade liberalisation. Previous summits also put due emphasis on the trade barriers. Nonetheless, little has been achieved in terms of removing these hurdles. And, in the 15th summit no specific plan of action was formulated to remove the trade barriers. Also, the SAARC leaders reiterated to move the process of trade liberalisation towards customs union and finally to economic union in a gradual and phased manner. To form a customs union, however, member states need to impose a common external tariff. In addition to this, it is essential for the member countries to agree on a common trade policy towards the rest of the world.²⁵ On the other hand, an economic union clubs those countries, which have agreed on common policies on such matters as regulation and macroeconomic policy.²⁶ Therefore, it seems that SAARC nations, with asymmetric level of development and political mistrust, still have some distance to go before it can successfully form a customs union and thereafter an economic union.

Nevertheless, some positive developments were evident in the summit vis-à-vis SAFTA. Regional connectivity among the SAARC

²³ A. R. Kemal, "SAFTA and Economic Cooperation", Paper Presented at SAFMA Regional Conference, 20-21 August 2004, available at: www.southasianmedia.net/conference/Regional_Cooperation/safta.htm accessed on 12 July 2004.

²⁴ Nihal Pitigala, "What Does Regional Trade in South Asia Reveal about Future Trade Integration? Some Empirical Evidence", *World Bank Policy Research Working Paper 3497*, February 2005, p. 28.

²⁵ David Gowland, *op. cit.*, p. 54.

²⁶ *Ibid.*, p. 55.

countries, for instance, featured in the discussions of 15th SAARC summit. That physical connectivity spurs economic cooperation within a region cannot be overlooked. As intra-SAARC connectivity is currently not at a satisfactory stage, transit and transport facilities under the regional multi-modal transportation system become one of the main priorities for the countries of South Asia. During the 14th summit of SAARC, its leaders proposed a Regional Multimodal Transport Study (RMTS). The study outlined a corridor between Dhaka and Kabul to enhance transport connectivity in this region. The Colombo summit focused on projects and programs, which would improve connectivity not only within the region but also between South Asia and the rest of the world. In this regard, the SAARC Heads of States stressed the requirement of fast-tracking projects. If regional connectivity improves in South Asia, it would undoubtedly foster trade and economic links among the SAARC members. However, political willingness on the part of Indian and Pakistani leaders and political stability will hold the key with respect to this issue.

Apart from that, the SAARC leaders' approval to initiate negotiation on the Framework Agreement on Trade in Services was important. It shows the SAARC leaders' recognition of the potential of service sector, which has surfaced as the most dynamic sector in South Asia with an annual growth rate of more than eight per cent. Besides, it is the sector that accounts for a significant portion of economies of South Asian countries. The agreement, if finalises, would liberalise trade in service sector in the region and thus improve efficiency and competitiveness in this sector. It may be mentioned here that delegations from SAARC countries will participate in a meeting, scheduled to be held in Kathmandu on 6-7 November 2008, to discuss on Agreement on Trade in Services.

Amid growing concern about the looming food crisis world wide, 15th summit's urgency on the operationalisation of SAARC Food Bank and adoption of a separate statement on food security were timely steps. The issue of food security might spark political unrest in South Asia, where most of the people living on less than one dollar a day. Hence, one can assume that launching of the SAARC Food Bank could help South Asian countries in meeting the challenge of unforeseen food crisis. Also, this food reserve would

likely to build confidence in the mind of people of SAARC members that South Asia at least has the in-built capacity to fulfil the food requirement in crisis period.

One of the widely debated issues, climate change, is linked with food security. And, South Asia could be most vulnerable in this regard as the region has been consistently witnessing recurrence of flooding, droughts, cyclones, and erratic weather conditions. In fact, Food and Agriculture Organisation (FAO) in one of its reports predicts that climate change would lead to severe crisis in agriculture sector in South Asia.²⁷ Besides, a UN funded research organisation, the Inter-governmental Panel on Climate Change (IPCC) suggests that climate change would affect Bangladesh agriculture most adversely. The production of rice and wheat in Bangladesh, the IPCC report mentions, may be reduced by 10 per cent and 33 per cent respectively due to climate change.²⁸ The Chief Adviser to the Caretaker Government of Bangladesh Dr. Fakhruddin Ahmed underscored on the importance of collective initiative among South Asian nations to effectively fight this critical issue. At the same time, the SAARC leaders stressed the need to intensify cooperation within an expanded regional environmental protection framework to deal with climate change. Furthermore, to increase food production the leaders of South Asia urged to boost agriculture investment and promote research and development in agriculture sector. But no precise plan for implementing these objectives has been evident from the 15th SAARC summit. To yield a higher production, often genetically modified (GM) seeds are used in South Asian agriculture. However, these GM varieties are criticised for having long-term negative consequence on economy and ecology. Dr. Manmohan Singh, the Indian Prime Minister, called for a Second Green Revolution in order to increase production in South Asia's agriculture.²⁹ Dr. Singh, however, did not indicate how South Asia would go about for that revolution in agriculture. It may be noted here that the so-called First Green Revolution did not yield much dividend for the agriculture sector in most of the SAARC nations. Green Revolution was introduced in Bangladesh's agriculture in

²⁷ A. N. M. Nurul Haque, *op. cit.*

²⁸ *The Daily Star*, 30 September 2007.

²⁹ Lea Terhune, *op. cit.*

1960. Nevertheless, it resulted in ever-higher dependence on fertilizer, chemical pesticides and water. All these, in turn, degraded the environment, reduced soil fertility and literally destroyed the local varieties of seed in Bangladesh. If the Second Green Revolution, mentioned by the Indian Premier, becomes similar to its first version, then South Asian governments need a thorough appraisal before adopting it.

On score of growing fuel crisis and energy insecurity, the Colombo summit raised a host of issues, ranging from renewable energy resources to development of infrastructure in energy sector. Also, the leaders accorded emphasis on finding avenues for sharing energy among the SAARC members. In that regard, the potentialities of hydroelectricity, grid connectivity and gas pipeline were mentioned. Especially, the issue of hydroelectricity merits a lot of attention for it can be an important source of energy in South Asia in the face of growing energy demand. In terms of hydroelectricity potential, Nepal is currently one of the richest nations. And, hydropower contributes significantly to the total electricity supply of Bangladesh. Also with mountainous terrains India, Pakistan and Bhutan have hydropower potential. To reap the benefits of hydroelectricity potential, an integrated market needs to be developed in South Asia. Likewise, regional gas pipelines could also be beneficial for the region. But, such gas pipelines require transit through more than one country. To implement this project, SAARC leaders need to display strong political will as transit has become a political issue in South Asia. On the other hand, grid connectivity among the SAARC countries can enhance energy cooperation within the region by providing energy to deficit areas from surplus areas. Already, India has grid interconnection with Nepal and Bhutan. Now, there is need for feasibility study for having grid connectivity among the South Asian nations.

One can recall that previous summits of SAARC also identified issues like energy conservation, renewable energy, hydropower development etc. However, those issues had hardly been effectively addressed. This requires collective regional energy planning immediately and adequate attention and actions in relation to conservation and optimum utilisation of energy and development of vital sources of energy.

4. Conclusion

Although no breakthrough was achieved in the 15th summit in relation to SAFTA, energy and food crisis, it is worth mentioning that the summit at least stressed a lot of important key issues. Cooperation among the SAARC members in these three areas, no doubt, would steer the South Asian countries in the path of prosperity. If the SAARC leaders are able to implement SAFTA then it will generate employment and higher wage rates for this labour surplus region. Empirical study suggests that successful launching of SAFTA will have positive impact on GDP, balance of trade, and employment in South Asia.³⁰ On the other hand, decision to commence operation of the SAARC Food Bank and foster cooperation in energy sector are all good signs. What SAARC needs is to materialise these ideas soon as this bloc, with 1.5 billion people, is considered to be among the worst affected by food crisis and oil price hike.

Often in South Asia, national interest of a state overweighs collective interest of two or more nations and thereby disrupts integration process in SAARC.³¹ At the same time, it has been witnessed that tensions in political arena and lack of mutual trust, especially between India and Pakistan, have overshadowed some crucial agendas mooted in SAARC. However, issues like SAFTA, food security and energy are too important to ignore. Now, one of the challenges in front of SAARC remains to develop a working formula, setting aside the disputed affairs among the countries, to make headway in deepening cooperation in these areas. In this regard, one can cite the examples of Sino-India, China-Japan and Japan-South Korea economic relations. Past animosity took a back seat in developing those relationships. Hence, India and Pakistan can take inspiration from these ties. Otherwise, it would become difficult for the SAARC countries to take a concerted effort to address the issues involving in trade, energy and food security.

³⁰ Sharif M. Hossain and Ishtiaque Selim, *op. cit.*, p. 178.

³¹ Ameen Izzadeen, "Can SAARC take a Balanced Path to Regional Integration", *The Bangladesh Observer*, 04 August 2008.

Annexure

Annex I: Share of Bilateral/Regional Export as a Percentage of World Export in 2006

	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka	Afghanistan
Bangladesh	-	0.03	1.15	0.00	0.01	0.50	0.08	0.008
Bhutan	0.00	-	75.31	0.00	0.00	0.48	0.00	0.00
India	1.60	0.10	-	0.06	1.09	0.64	1.88	0.14
Maldives	0.00	0.00	0.76	-	0.00	0.00	11.81	0.00
Nepal	0.39	0.00	67.83	0.00	-	0.31	0.003	-
Pakistan	1.52	-	2.66	0.02	0.01	-	1.10	7.65
Sri Lanka	0.23	0.00	9.32	0.45	0.00	0.58	-	0.03
Afghanistan	0.96	0.00	22.00	0.00	0.00	21.02	0.49	-

Source: Authors' calculation from International Monetary Fund (IMF), *Direction of Trade Statistics, Yearbook 2007*.

Annex II: Share of Bilateral/Regional Import as a Percentage of World Import in 2006

	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka	Afghanistan
Bangladesh	-	0.07	12.49	0.00	0.01	0.94	0.06	0.01
Bhutan	0.00	-	69.08	0.00	0.00	0.17	0.01	0.00
India	0.07	0.06	-	0.00	0.33	0.10	0.34	0.03
Maldives	0.00	0.00	11.18	-	0.00	0.38	5.65	-
Nepal	0.60	0.00	61.75	0.00	-	0.11	0.03	-
Pakistan	0.28	0.00	2.39	0.01	0.01	-	0.24	0.22
Sri Lanka	0.09	0.00	19.55	0.22	0.00	1.22	-	0.00
Afghanistan	0.02	0.00	5.06	0.00	0.00	37.50	0.07	-

Source: Authors' calculation from International Monetary Fund (IMF), *Direction of Trade Statistics, Yearbook 2007*.

Annex III: Sensitive Lists Among the SAFTA Members

Country	Total Number of Sensitive List			Coverage of Sensitive List as % of Total HS Lines		
	For LDCs	Non-LDCs	For LDCs	For LDCs	Non-LDCs	For LDCs
Bangladesh	1254		1249	24.0		23.9
Bhutan	157		157	3.0		3.0
India	865		744	16.6		14.2
Maldives	671		671	12.8		12.8
Nepal	1335		1299	25.6		24.9
Pakistan	1191		1191	22.8		22.8
Sri Lanka	1079		1079	20.7		20.7

Source: Selim Raihan and M. A. Razzaque, "Welfare Effects of South Asian Free Trade Area (SAFTA), Regional Trading Arrangements (RTAs) in South Asia: Implications for Bangladesh Economy", Paper presented in a conference on *Trade Liberalization and SAFTA: Opportunities, Concerns and Challenges*, Rawalpindi, Pakistan, January 2007, p.2. -