



Recommendations
to
The Fourteenth SAARC Summit
(New Delhi, April 3-4 2007)

Submitted by
South Asia Centre for Policy Studies (SACEPS)
105/3 Majur Margh, Baluwatar
Kathmandu, Nepal

Recommendations *to* **The Fourteenth SAARC Summit**

The South Asia Centre for Policy Studies (SACEPS)* has the pleasure in submitting to the member states of SAARC a series of important decisions that the 14th SAARC Summit in New Delhi, India, may wish to incorporate in its final Declaration to strengthen and enhance the process of cooperation in South Asia. This input for the Summit is based on a number of studies conducted by SACEPS over the years and incorporates some of the key recommendations that were taken at the Pre-Summit Regional Conference jointly organized by SACEPS and Research and Information System for Developing Countries (RIS), in New Delhi, on 19th March 2007.

South Asian Free Trade Area (SAFTA) and Beyond

SAFTA has a substantial potential in increasing intra-regional trade and efficiency-seeking restructuring of industry and creating supply capacities in relatively lesser developed members, judging from the encouraging experiences of India-Sri Lanka FTA and other experiments in trade liberalization in the region. By exploiting the locational advantages of the member countries, it may lead to emergence of regional hubs for instance, Sri Lanka for rubber-based industries; Bhutan for forest-based industries; Bangladesh for energy-intensive industries. In anticipation of the SAFTA, Tata group of India has already proposed a US\$ 3 billion investment in Bangladesh in gas based fertilizer, power and steel plants. With growing regional specialization, intra-regional trade will grow many folds. However the present SAFTA Treaty suffers from several limitations that may not allow exploitation of its full potential such as a too slow Trade Liberalization Programme (TLP), its restricted scope due to long negative lists and lack

* See *Annexure* for a list of SACEPS Board Members.

of MFN from Pakistan to India, coverage not extending to services trade, no attempt to eliminate NTBs, among others.

The member states of SAARC need to consider some decisive measures to realize gains that are possible from an agreement of this nature. To do so the 14th SAARC Summit may wish to undertake certain steps within and beyond the SAFTA framework.

1. *Within SAFTA:*

- (a) Reduce the period (from 2013-2016 to 2010-2013) by which the free trade regime should be established.
- (b) Initiate a fast track according to which duty free entry can be given with immediate effect for products which do not create much problem. Also extend unilateral free trade concession to the least developed countries, as soon as possible.
- (c) Improve the Dispute Settlement Mechanism by reducing the stipulated time frame for disposing of a case.
- (d) A time limit should be set for identifying and eliminating non-tariff barriers (NTBs).
- (e) A time limit should also be set for phasing out the negative lists.
- (f) More developed member nations should undertake to provide technical assistance to the least developed member countries.
- (g) More developed member States should assist the least developed countries in enhancing their export production capacity.
- (h) Agreement should be reached on putting in place a mechanism for the coordination of the macro-economic policies of the member countries.
- (i) A suitable mechanism should be created at the government, business and non-governmental expert level, to analyse global economic issues on a continuing basis and formulate the common positions of member countries on these issues.

2. Going beyond SAFTA:

- (a) Commitment should be undertaken for trade facilitation measures, including simplification and harmonization of customs procedures and harmonization of standards related to trade, transit and transport.
- (b) Time bound commitment should be undertaken to ensure seamless transit of goods and services across the borders of the member countries.
- (c) A separate mechanism should be created under SAFTA to negotiate agreements on co-operation in the field of transport.
- (d) Extend the scope of SAFTA to cover trade in services. While a study has been launched on extending its scope to cover Trade in Services, SAFTA treaty should also be complemented by a Regional Investment Protection and Promotion Agreement, and a Regional Double Taxation Avoidance Agreement.
- (e) Create a mechanism for negotiating measures for intra-regional investment liberalization on a positive list basis.

A Road Map for South Asian Community

The South Asian Heads of State/Government should adopt a Charter declaring their resolve to establish a South Asian Community, defining the broad scope of the Community, and indicating the time limit and marking the milestones on the path for reaching the goal. The Charter could also provide for an over-all institutional arrangement to oversee the progress in the negotiations on the various components of the Community.

Actions Needed To Strengthen Connectivity Among SAARC Countries

Although present level of intra- sub regional trade in South Asia is limited to 5-6%, there is great potential for its growth, once there is a change in the political mind set and greater commitment to enhance economic cooperation among SAARC countries. Around 55%-60% of the current trade among SAARC countries is taking place along land routes. But the transaction costs (transport and logistics) of such trade over land are very high, and ranges between 10% to 80%. There is an urgency to bring down this cost so that international trade becomes more competitive. To enhance growth in intra-subregional trade and tourism, and to promote people to people contact, there is an urgency to establish efficient transport connectivity among SAARC countries. A number of recent studies, including SAARC Regional Multimodal Transport Study (SRMTS) have established the fact that transport infrastructure for such overland transport connectivity more or less exist in the mainland countries of SAARC, but these are fragmented at the moment.

One of the most crucial barriers for seamless overland movement across the borders appears to be lack of transport and transit agreements among SAARC member states. As a result, goods moving overland are required to be transhipped at the border which has considerable cost implication. There is also a lack of compatibility among the rolling stock in use in different railways in SAARC region. For a smooth movement across Bangladesh, there is a need to rationalize the railway gauge differences. In order to put in place a SAARC Regional Multimodal Transport System, only nominal investments would be needed to achieve substantial improvements in regional transport connectivity. Many of the 'building blocks' are already in place, and SAARC can assist in creating an environment where these blocks can be combined to support an efficient regional transport system. To facilitate smooth movement of trade across the border, it is necessary to encourage more and more containerized movement.

In the light of the possibilities indicated above, it is necessary to take certain actions both at the national level by the respective SAARC member states, and at the subregional level by several countries together. Some of the most crucial and urgent actions that the 14th SAARC Summit, which is devoted to the theme of connectivity, can take are indicated below:

1. Actions at the National Level

a) Road Corridors

- Construction of a bridge at Dawki (India) to enable fully loaded trucks to move across from Bangladesh and there by improve regional connectivity for the North Eastern States of India.
- A “Fast Track” road between Kathmandu and Birgunj to drastically reduce transit distances, travel times and costs within Nepal.
- Strict enforcement of restrictions on overloading of vehicles in each of the SAARC member states in order to reduce road damage.

b) Rail Corridors

- Reduction in running time of container trains between Kolkata port and Birgunj to make the service more competitive and reduce inventory costs for Nepalese traders.

c) Maritime Gateways

- Strengthen the professional management capability and encourage private sector involvement in port development and operations at Chittagong for both national and regional traffic.
- Procure modern container handling and other cargo handling equipments to replace old ones at several ports in the sub-region.
- Port capacity needs to be expanded, especially container terminals particularly at Colombo (as the regional hub), as well as at Chittagong, Kolkata, Haldia, Karachi and Male.
- Planning and augmentation of the rail and road connectivity together with adequate supply of suitable railway rolling stocks and trucks, especially those serving the landlocked countries to improve their accessibility to their key ports.

d) Aviation Gateways

- Improvements in cargo handling facilities, together with efficient facilitation measures, at Dhaka, Indian and Pakistani airports and Male.
- Development and redesign of international terminal complex, especially at Kathmandu, Thimphu and some Indian airports.
- Reduce inspection procedures and install green channels for cargo at Dhaka and Indian airports.
- Encourage private sector involvement in development and management of airports.

2. Bilateral/Sub-regional Level actions

a) Road Corridors

- Develop and adopt *bilateral transport agreements* between Bangladesh and India and also between India and Pakistan as well as *transit agreement between SAARC member states*.
- Adoption of modern trade facilitation measures, including simplified customs and transparent inspection procedures for efficient clearance of goods across the border points.
- Develop or construct modern border crossings facilities (on both sides), including immigration, parking and cargo handling facilities, between India and its neighbours.
- Provision of 24 hours and 7 days customs services at all major border crossing points. For other border crossing points, a mutually agreed but synchronized timing could be adopted.

b) Rail Corridors

- Development and adoption of a multilateral agreement by SAARC member states to facilitate seamless travel across the region.
- Introduction of air braked rolling stock by Bangladesh and Pakistan to facilitate movement of specialized bulk and container traffic across India, that presently has to travel by road at higher costs.
- Completion of missing links between Jogbani – Biratnagar, Akhaura – Agartala, Jiribam – Tupul and restoration of rail sections between Kulaura – Shahbazpur and Medawachchiya – Talaimannar to make the respective rail corridors operational.
- Rationalization of gauge differences between Indian and Bangladesh Railways so as to achieve seamless movement of intra-regional freight and passenger trains.
- Simplification and standardization of documentation and procedures, elimination of double customs checks, and introduction of IT enabled data transfer facilities so as to enhance efficiency in border crossing.

- Development of a transshipment hub at a convenient location in Bangladesh to handle containerized intra-regional traffic across the Jamuna Bridge, where there is no restriction for such movement. This could improve the movement and viability of rail freight between India and Bangladesh, as well as between Nepal/ N-E India and Bangladesh.
- Argumentation of sectional capacity between Delhi – Mughalsarai, between Sungauli and Muzaffarpur, Mausi and Katihar and between Tungi and Akhaura to enable handling more international trains.

c) IWT Corridors

- The existing inland waterways protocol between Bangladesh and India should be renewed, each time, for longer periods, say up to 3 years.
- Joint assessment should also be made by Bangladesh and India for efficient development of the IWT corridors.
- More ports of call in Bangladesh should be allowed under the bilateral agreement.
- Extensive and regular dredging to be carried out to maintain navigable depth along both IWT corridors and navigational aids provided along the entire route for 24 hour travel.

d) Maritime Gateways

- Improve port and trade facilitation measures through simplification of procedures and introduction of EDI/IT to reduce dwell times at all ports.
- Permit off-dock Container Freight Stations (CFS) to handle import cargoes at Chittagong, to reduce container yard congestion.

e) Aviation Gateways

- Widen the scope of existing SAARC visa exemption scheme to facilitate smooth border crossing by citizens of the SAARC member states.
- Establish more bilateral agreements with emphasis on direct capital-to-capital air connections.
- Move towards a regional aviation agreement for open skies for passengers and freight transport, to promote more air services.

SAARC Social Charter and Citizen’s Social Charter

One of the major achievements of the SAARC over the past decades has been the creation of the SAARC Social Charter which commits government in the region to achieve targets “in the areas of poverty eradication, population stabilization, the empowerment of the women, youth mobilization, human resource development, the

promotion of health and nutrition and the protection of children.” These are noble goals that make governments in South Asia accountable to the welfare of its peoples and must be achieved in the region.

The South Asian Heads of State/Government may wish to incorporate the paragraph below in its Declaration to systematize the process of monitoring and implementation of the Charter at both the national and regional level.

“The SAARC Heads of Government/State attach great importance to the implementation of the Social Charter adopted by them at the Islamabad Summit in 2004. They are, in particular, concerned with the arrangements made both at the national and regional level for the monitoring of the implementation of the Charter. They call upon the Governments of the member countries to prepare a report on the work done on the Social Charter in their respective countries since January 2004. These reports should reflect the achievements in each country in the social sector especially in the areas of food security, poverty eradication, education, health and nutrition, safe drinking water and sanitation, child development, gender equality, youth mobilization and human resource development. The SAARC Secretariat should prepare a regional report based on the national reports. The regional report should present a perspective of social development of the SAARC region as a whole, indicate the arrangements made by each member government for the implementation of the Social Charter and for the monitoring of implementation, and bring out the extent to which the process of monitoring is transparent, broad based and participatory. Initiatives taken by the civil society in South Asia to realize the common vision in the social field, by formulating Citizens' Social Charter at the country and regional levels should also be reflected in these regional and country reports. The regional report should be reviewed by an expert committee constituted for this purpose and its comments along with the report should be submitted to the next meeting of the Heads of Government/State through the Standing Committee and the Council of Ministers.”

LIST OF SACEPS BOARD MEMBERS

Bangladesh

1. Prof. Rehman Sobhan, Chairman, Centre for Policy Dialogue (CPD)
2. Prof. Mohammad Yunus, Nobel Laureate and Managing Director, Grameen Bank
3. Dr. Kamal Hossain, President, Gono Forum and Former Foreign Minister, GOB
4. Mrs. Laila Rahman Kabir, Chairman, Social Marketing Company Ltd. and Managing Director, Kedarpur Tea Co. Ltd.
5. Amb. Farooq Sobhan, President, Bangladesh Enterprise Institute (BEI), Former Foreign Secretary and Co-Chairman, CASAC

Bhutan

1. Lynpo Dago Tshering, Ambassador of Bhutan to India

India

1. Prof. Arjun K. Sengupta, Co-Chairperson of SACEPS, Chairman, (In the rank of Cabinet Minister) of the National Commission on Enterprises in the Unorganized/ Informal Sector, and Centre for Development and Human Rights (CDHR), and Former Member Secretary, Planning Commission of India
2. Prof. Muchkund Dubey, President, Council for Social Development and Former Foreign Secretary, Government of India
3. Mr. Arun Bharat Ram, Former President, CII and Member of the World Economic Summit, India Advisory Council and Co-Chairman, Indo-German Consultative Group, Government of India
4. Dr. Nagesh Kumar, Director General, Research and Information System for Developing Countries (RIS)

Maldives

1. Mr. Ibrahim Hussain Zaki, Former Minister for Planning and National Development, Republic of Maldives.

Nepal

1. Dr. Mohan Man Sainju, Vice Chairperson, Poverty Alleviation Fund and Member, Governing Council and Former Chairman, Institute for Integrated Development Studies (IIDS) and Former Deputy Chairman, Planning Commission, Nepal
2. Dr. Bhekh Bahadur Thapa, Former Minister of Foreign Affairs, Former Minister of Finance
3. Ms. Rita Thapa, Coordinator, Tewa and Chief Executive Officer, Nagarik Awaaz

4. Mr. Binod K. Chaudhary, President, Confederation of Nepalese Industries (CNI), President & Managing Director Chaudhary Group Nepal
5. Dr. Dwarika N Dhungel, Executive Director, Institute for Integrated Development Studies (IIDS), Kathmandu, Nepal
6. Prof. Sridhar K. Khatri, Executive Director (SACEPS), Former Executive Director, Regional Centre for Strategic Studies (RCSS) Colombo, Sri Lanka

Pakistan

1. Dr. Syed Babar Ali, Co-Chairperson (SACEPS), Pro-Chancellor, Lahore University of Management Sciences (LUMS) and Former President, World Wild Life Fund
2. Dr. Syed Akmal Hussain, Managing Director, Syed Engineers Ltd, Pakistan; Member of the Economic Advisory Board, Government of Pakistan; and Senior Fellow, Pakistan Institute of Development Studies.
3. Ms. Khawar Mumtaz, Senior Coordinator, Shirkat Gah, Lahore
4. Dr. Humayun Khan, Former Foreign Secretary, Pakistan and Former Director, Commonwealth Foundation, London

Sri Lanka

1. Dr. Saman Kelegama, Executive Director, Institute for Policy Studies (IPS), Sri Lanka
2. Dr. Godfrey Gunatilleke, Executive Governor, Marga Institute

EXECUTIVE COMMITTEE MEMBERS

1. Prof. Arjun K.Sengupta (Co-Chairperson)
2. Dr. Syed Babar Ali (Co-Chairperson)
3. Prof. Rehman Sobhan
4. Dr. Saman Kelegama
5. Dr. Mohan Man Sainju
6. Mr. Ibrahim H. Zaki
7. Prof. Sridhar K. Khatri (Executive Director)

INTERNATIONAL ADVISERS

1. Professor Amartya Sen, Nobel Laureate, Master, Trinity College, Cambridge University
2. Professor Nurul Islam, Emeritus Professor, IFPRI and Former Deputy Chairman, Bangladesh Planning Commission
3. Mr. Rafeuddin Ahmed, Former Associate Administrator, UNDP, New York
4. Mr. K. K. Bhargava, Former Secretary General, SAARC
5. Dr. Mohammad Latheef, Permanent Representative of the Maldives to the United Nations, New York and Former Minister of Education, Maldives
6. Dr. Gowher Rizvi, Director, Ash Institute for Democratic Governance and Innovation, Harvard University