

**Ki-Kwan Yoon**

Chungnam National University  
International Trade, Trade, South Korea  
E-mail: kkyoon@cnu.ac.kr

**So-Sun Lim**

Chungnam National University  
International Trade, Trade, South Korea  
E-mail: exodus1215@naver.com

**Iqbal Bhuyan**

Chungnam National University  
International Trade, Trade, South Korea  
E-mail: iqbal.bba@daffodilvarsity.edu.bd

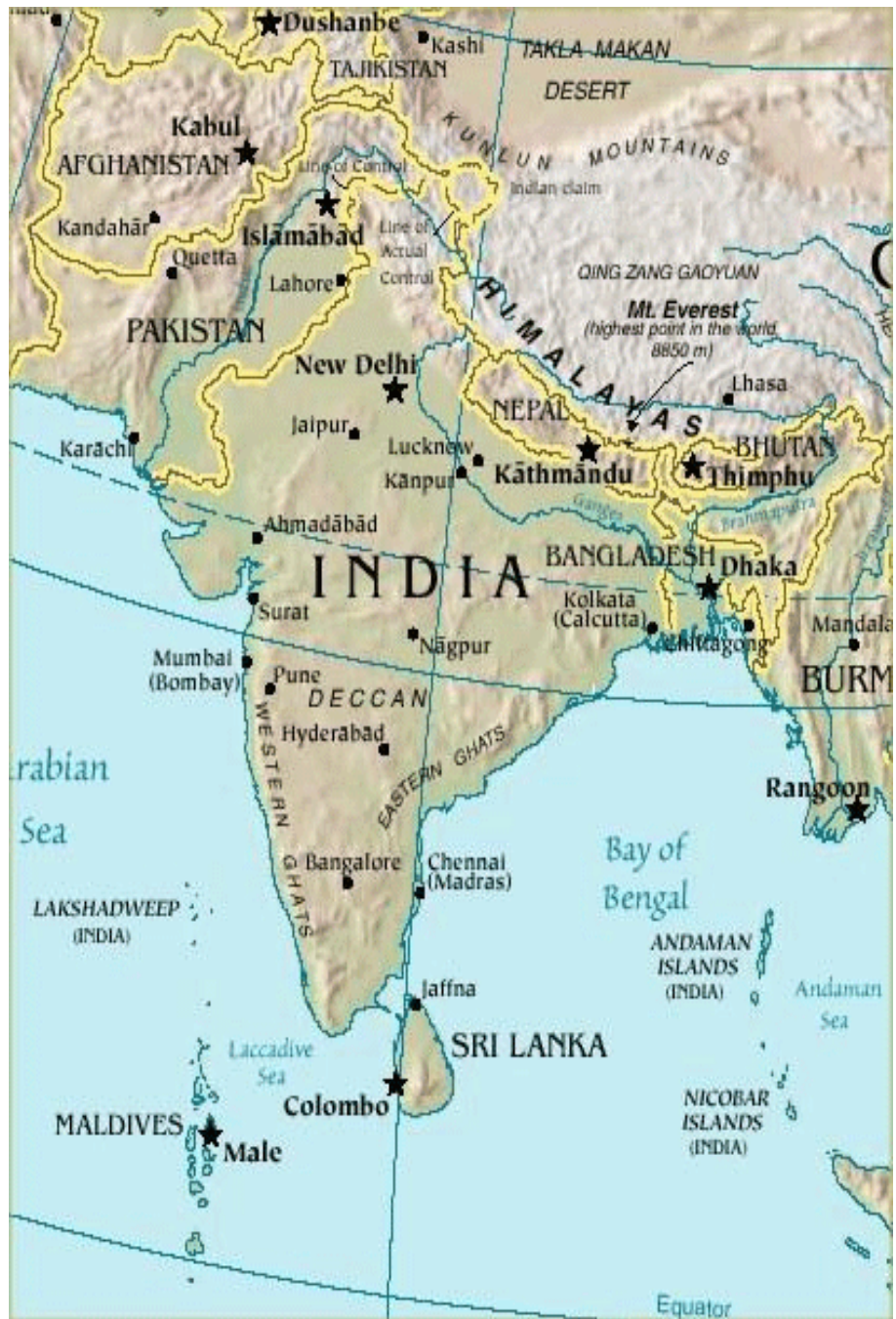
**ANALYSIS AND ESTIMATION ON KOREA-SAARC  
PARTNERSHIP SEMINAR**

JEL classification: F0, F1, O2, O5

***Abstract***

*SAARC was formed in 1985 with the objective of exploiting “accelerated economic growth, social progress and cultural development in the region” for the welfare of the peoples of South Asia. In 1995, its corresponding RTA (SAPTA) came into force. South Asian Free Trade Agreement (SAFTA) has been ratified and entered into force in mid-2006. As its importance echoes around the world over the time, there has been a growing interest among many countries and organizations to be associated with SAARC as Observers and to engage with SAARC in collaborative endeavours. Especially, Korea, as an observer, has opened “Korea –SAARC Partnership Seminar” in Seoul, Korea every year since 2010. For preparing 6<sup>th</sup> Seminar agenda to be opened on December this year, the authors analyzed its activity during last 5 years and estimated to draw the concrete strategies for co-prospects mutually. As a result, the authors proposed to conclude “Korea-SAARC FTA” linking Korea’s ODA, KSP and FTA.*

***Key words:*** SAARC, SAPTA, SAFTA, ODA, DAC, FTA



## 1. INTRODUCTION

### 1.1. Background

As we know well, the ever-growing number of regional trade agreements (RTA)<sup>1</sup> and preferential trade arrangements (TPA)<sup>2</sup> is a prominent feature of international trade. WTO members participating in these agreements are encouraged to notify the WTO when new agreements are formed. Regional trade agreements (RTAs) have become increasingly prevalent since the early 1990s. As of 7 April 2015, some 612 notifications of RTAs (counting goods, services and accessions separately) had been received by the GATT/WTO. Of these, 406 were in force. These WTO figures correspond to 449 physical RTAs (counting goods, services and accessions together), of which 262 are currently in force.

- What all RTAs in the WTO have in common is that they are reciprocal trade agreements between two or more partners. Information on RTAs notified to the WTO is available in the RTA Database. The WTO also receives notifications from WTO members regarding preferential trade arrangements (PTAs). In the WTO, PTAs are unilateral trade preferences. Information on PTAs notified to the WTO is available in the PTA Database.

The South Asian Association for Regional Cooperation (SAARC), which is based in Kathmandu, Nepal, is an economic and geopolitical organization of eight countries that are primarily located in South Asia or Indian subcontinent. The combined economy of SAARC owing to India is the 3rd largest in the world in the terms of GDP (PPP) after the United States and China and 5th largest in the terms of nominal GDP. SAARC nations comprise 3% of the world's area and contain 21% (around 1.7 billion) of the world's total population and around 9.12% of Global economy as of 2015. India makes up over 70% of the area and population among these eight nations.

During 2005-10, the average GDP growth rate of SAARC stood at an impressive 8.8% p.a., but it slowed to 6.5% in 2011 largely because of economic slowdown in India, which accounts for nearly 80% of SAARC's economy. But driven by a strong expansion in India, coupled with favorable oil prices from the last quarter of 2014 South Asia once again become the fastest-growing region in the world.

The idea of regional, political, and economical cooperation in South Asia

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<sup>1</sup> In the WTO, regional trade agreements (RTAs) are defined as reciprocal trade agreements between two or more partners. They include free trade agreements and customs unions. Information on RTAs notified to the WTO is available in the RTA database (<http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx>)

<sup>2</sup> Preferential trade arrangements (PTAs) in the WTO are unilateral trade preferences. They include Generalized System of Preferences schemes (under which developed countries grant preferential tariffs to imports from developing countries), as well as other non-reciprocal preferential schemes granted a waiver by the General Council. Information on PTAs notified to the WTO is available in the PTA Database (<http://ptadb.wto.org/?lang=1>)

was first raised in 2 May 1980 by Bangladesh President Ziaur Rahman and the first summit was held in Dhaka on 8 December 1985, when the organisation was established by the governments of Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. Since then the organization has expanded by accepting one new full member, Afghanistan, and several observer members.

The SAARC policies aim to promote welfare economics, collective self-reliance among the countries of South Asia, and to accelerate socio-cultural development in the region. The SAARC has developed external relations by establishing permanent diplomatic relations with the EU, the UN (as an observer), and other multilateral entities. The official meetings of the leaders of each nation are held annually whilst the foreign ministers meet twice annually. The 18th SAARC Summit was held in Kathmandu from 26–27 November 2014

SAARC was formed in 1985 with the objective of exploiting “accelerated economic growth, social progress and cultural development in the region” for the welfare of the peoples of South Asia. In 1995, its corresponding RTA (SAPTA) came into force. South Asian Free Trade Agreement (SAFTA) has been ratified and entered into force in mid-2006.<sup>3</sup>

As SAARC, SAPTA and SAFTA’s economic, social and political importance become over the time, there has been a growing interest among many countries and organizations to be associated with SAARC as observers and to engage with SAARC in collaborative endeavours. Especially, Korea, as an observer, has being opened <Korea –SAARC Partnership Seminar> in Seoul, Korea every year since 2010.

## 1.2. Objective

Under this background, with 6<sup>th</sup> Seminar around December this year, the authors try to analyze and estimate its activity during last 5 years to draw the concrete strategies for co-prospects in the near future mutually. As a result, we proposed to conclude <Korea-SAARC FTA> linking Korea’s ODA, KSP and FTA.

## 1.3. Methodology

As this paper is theoretical and political in essence, we search, review and estimate the related materials from SAARC home page (<http://saarc-sec.org>), related paper, and text for SAARC, SAPTA and SAFTA, Korea Institute for International Economic Policy (KIEP), and Ministry of Foreign Affairs of Korea

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<sup>3</sup> RTAs refer to agreements involving regional partners. Free Trade Agreements (FTAs) refers to agreements that includes the full elimination of tariffs and trade barriers while Preferential Trade Agreements (PTAs) s refer to agreements involving partial tariff elimination. For example, SAPTA is South Asia’s PTA and SAFTA is South Asia’s FTA. (Ki-Kwan Yoon, *Modern International Trade and Commerce*, Gungmedia (Daejeon, Korea), 2015 and *FTA Business Strategy*, Gungmedia (Daejeon, Korea), 2014.

(MOFA) for Korea-SAARC Partnership Seminar.

## **2. COMPARATIVE ANALYSIS ON SAARC, SAPTA, AND SAFTA**

### **2.1. SAARC**

#### **2.1.1. Adopting Charter for establishing SAARC**

The Heads of State or Government of originating members of SAARC agreed to establish an organization to be known as SAARC with the following objectives and principles.

##### *Objectives*

The objectives of the SAARC shall be a) to promote the welfare of the peoples of SOUTH ASIA and to improve their quality of life; b) to accelerate economic growth, social progress and cultural development in the region and to provide all individuals the opportunity to live in dignity and to realise their full potentials; c) to promote and strengthen collective self-reliance among the countries of SOUTH ASIA; d) to contribute to mutual trust, understanding and appreciation of one another's problems; e) to promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields; f) to strengthen cooperation with other developing countries; g) to strengthen cooperation among themselves in international forums on matters of common interests; and h) to cooperate with international and regional organizations with similar aims and purposes.

##### *Principles*

Cooperation within the framework of the SAARC shall be based on respect for the principles of sovereign equality, territorial integrity, political independence, non-interference in the internal affairs of other States and mutual benefit. Such cooperation shall not be a substitute for bilateral and multilateral cooperation but shall complement them and shall not be inconsistent with bilateral and multilateral obligations.

#### **2.1.2. SAARC Summit**

The Charter (Article III) provides that the Heads of State or Government “shall meet once a year or more often as and when considered necessary by the Member States”. However, the Summit has generally been convened at an interval of one and half year or so. Summit Declarations provide directives and mandate for regional co-operation.<sup>4</sup>

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<sup>4</sup> First SAARC Summit, Dhaka, 1985, Second SAARC Summit, Bangalore, 1986, Third SAARC Summit, Kathmandu, 1987, Fourth Summit, Islambad, 1988, Fifth SAARC Summit, Male', 1990,

### 2.1.3. Regional Centers

The SAARC Secretariat is supported by following Regional Centers established in Member States to promote regional cooperation. These Centers are managed by Governing Boards comprising representatives from all the Member States, SAARC Secretary-General and the Ministry of Foreign/External Affairs of the Host Government. The Director of the Centre acts as Member Secretary to the Governing Board which reports to the Programming Committee. < Table 1>

Table 1

#### Regional Centers by Sector

SAARC Agricultural Centre (SAC), Dhaka
SAARC Meteorological Research Centre (SMRC), Dhaka
SAARC Tuberculosis Centre (STC), Kathmandu
SAARC Documentation Centre (SDC), New Delhi
SAARC Human Resources Development Centre (SHRDC), Islamabad
SAARC Coastal Zone Management Centre (SCZMC), Maldives
SAARC Information Centre (SIC), Nepal
SAARC Energy Centre (SEC), Pakistan
SAARC Disaster Management Centre (SDMC), India
SAARC Forestry Centre (SFC), Bhutan
SAARC Cultural Centre (SCC), Sri Lanka

Source: [http://saarc-sec.org/Regional-Centers/12\(as of May 10, 2015\)](http://saarc-sec.org/Regional-Centers/12(as%20of%20May%2010,%202015))

## 2.2. SAPTA

In December 1991, the Sixth Summit held in Colombo approved the establishment of an Inter-governmental Group (IGG) to formulate an agreement to establish a SAARC Preferential Trading Arrangement (SAPTA) by 1997. Given the consensus within SAARC, the Agreement on SAPTA was signed on 11 April 1993 and entered into force on 7 December 1995 well in advance of the

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Sixth SAARC Summit, Colombo, 1991, Seventh SAARC Summit, Dhaka, 1993, Eighth SAARC Summit, New Delhi 1995, Ninth SAARC Summit, Male', 1997, Tenth SAARC Summit, Colombo, 1998, Eleventh SAARC Summit, Kathmandu, 2002, Twelfth SAARC Summit, Islamabad, 2004, Thirteenth SAARC Summit, Dhaka, 2005, Fourteenth SAARC Summit, New Delhi, 2007, Fifteenth SAARC Summit, Colombo, 2008, Sixteenth SAARC Summit, Thimphu, 2010, Seventeenth SAARC Summit, Addu City, 2011 and Eighteenth SAARC Summit, Kathmandu, 2014

date stipulated by the Colombo Summit. The Agreement reflected the desire of the Member States to promote and sustain mutual trade and economic cooperation within the SAARC region through the exchange of concessions.

The basic principles underlying SAPTA are:

1. overall reciprocity and mutuality of advantages so as to benefit equitably all Contracting States, taking into account their respective level of economic and industrial development, the pattern of their external trade, and trade and tariff policies and systems;
2. negotiation of tariff reform step by step, improved and extended in successive stages through periodic reviews;
3. recognition of the special needs of the Least Developed Contracting States and agreement on concrete preferential measures in their favour; and
4. inclusion of all products, manufactures and commodities in their raw, semi-processed and processed forms.<sup>5</sup>

Four rounds of trade negotiations have been concluded under SAPTA covering over 5000 commodities. Each Round contributed to an incremental trend in the product coverage and the deepening of tariff concessions over previous Rounds.

## **2.3. SAFTA**

### **2.3.1. Objectives**

The Objectives of this Agreement are to promote and enhance mutual trade and economic cooperation among Contracting States by, inter-alia:

- a) eliminating barriers to trade in, and facilitating the cross-border movement of goods between the territories of the Contracting States;
- b) promoting conditions of fair competition in the free trade area, and ensuring equitable benefits to all Contracting States, taking into account their respective levels and pattern of economic development;
- c) creating effective mechanism for the implementation and application of this Agreement, for its joint administration and for the resolution of disputes; and
- d) establishing a framework for further regional cooperation to expand and enhance the mutual benefits of this Agreement.

### **2.3.2. Principles**

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<sup>5</sup> AGREEMENT ON SAARC PREFERENTIAL TRADING ARRANGEMENT (SAPTA), Article – 3(Principles)

SAFTA shall be governed in accordance with the following principles:

a) SAFTA will be governed by the provisions of this Agreement and also by the rules, regulations, decisions, understandings and protocols to be agreed upon within its framework by the Contracting States;

b) The Contracting States affirm their existing rights and obligations with respect to each other under Marrakesh Agreement Establishing the World Trade Organization and other Treaties/Agreements to which such Contracting States are signatories;

c) SAFTA shall be based and applied on the principles of overall reciprocity and mutuality of advantages in such a way as to benefit equitably all Contracting States, taking into account their respective levels of economic and industrial development, the pattern of their external trade and tariff policies and systems;

d) SAFTA shall involve the free movement of goods, between countries through, inter alia, the elimination of tariffs, para tariffs and non-tariff restrictions on the movement of goods, and any other equivalent measures;

e) SAFTA shall entail adoption of trade facilitation and other measures, and the progressive harmonization of legislations by the Contracting States in the relevant areas; and

f) The special needs of the Least Developed Contracting States shall be clearly recognized by adopting concrete preferential measures in their favour on a non-reciprocal basis.

### **2.3.3. Instruments**

The SAFTA Agreement has been implementing through the following instruments:

1. Trade Liberalization Program
2. Rules of Origin
3. Institutional Arrangements
4. Consultations and Dispute Settlement Procedures
5. Safeguard Measures
6. Any other instrument that may be agreed upon

### **2.3.4. National Treatment**

Each Contracting State shall accord national treatment to the products of other Contracting States in accordance with the provisions of Article III of GATT



1994.<sup>6</sup>

### 2.3.5. Components

SAFTA may, inter-alia, consist of arrangements relating to:

- a) tariffs;
- b) para-tariffs;
- c) non-tariff measures;
- d) direct trade measures

### 2.3.6. Trade Liberalization Program

Contracting States agree to the following schedule of tariff reductions:

The tariff reduction by the Non-Least Developed Contracting States from existing tariff rates to 20% shall be done within a time frame of 2 years, from the date of coming into force of the Agreement. Contracting States are encouraged to adopt reductions in equal annual installments. If actual tariff rates after the coming into force of the Agreement are below 20%, there shall be an annual reduction on a Margin of Preference basis of 10% on actual tariff rates for each of the two years.

The tariff reduction by the Least Developed Contracting States from existing tariff rates will be to 30% within the time frame of 2 years from the date of coming into force of the Agreement. If actual tariff rates on the date of coming into force of the Agreement are below 30%, there will be an annual reduction on a Margin of Preference basis of 5 % on actual tariff rates for each of the two years.

The subsequent tariff reduction by Non-Least Developed Contracting States from 20% or below to 0-5% shall be done within a second time frame of 5 years, beginning from the third year from the date of coming into force of the Agreement. However, the period of subsequent tariff reduction by Sri Lanka shall be six years. Contracting States are encouraged to adopt reductions in equal annual installments, but not less than 15% annually.

The subsequent tariff reduction by the Least Developed Contracting States from 30% or below to 0-5% shall be done within a second time frame of 8 years beginning from the third year from the date of coming into force of the Agreement. The Least Developed Contracting States are encouraged to adopt

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<sup>6</sup> National Treatment Principle of giving others means the same treatment as one's own nationals. GATT Article 3 requires that imports be treated no less favourably than the same or similar domestically-produced goods once they have passed customs. GATS Article 17 and TRIPS Article 3 also deal with national treatment for services and intellectual property protection.

reductions in equal annual installments, not less than 10% annually.

The above schedules of tariff reductions will not prevent Contracting States from immediately reducing their tariffs to 0-5% or from following an accelerated schedule of tariff reduction.

Contracting States may not apply the Trade Liberalization Program as in paragraph 1 above, to the tariff lines included in the Sensitive Lists which shall be negotiated by the Contracting States (for LDCs and Non -LDCs) and incorporated in this Agreement as an integral part. The number of products in the Sensitive Lists shall be subject to maximum ceiling to be mutually agreed among the Contracting States with flexibility to Least Developed Contracting States to seek derogation in respect of the products of their export interest.

The Sensitive List shall be reviewed after every four years or earlier as may be decided by SAFTA Ministerial Council (SMC), established under Article 10, with a view to reducing the number of items in the Sensitive List.

The Contracting States shall notify the SAARC Secretariat all non-tariff and para-tariff measures to their trade on an annual basis. The notified measures shall be reviewed by the Committee of Experts, established under Article 10, in its regular meetings to examine their compatibility with relevant WTO provisions. The Committee of Experts shall recommend the elimination or implementation of the measure in the least trade restrictive manner in order to facilitate intra SAARC trade.

Contracting Parties shall eliminate all quantitative restrictions, except otherwise permitted under GATT 1994, in respect of products included in the Trade Liberalization Program.

Notwithstanding the provisions contained in paragraph 1 of this Article, the Non-Least Developed Contracting States shall reduce their tariff to 0-5% for the products of Least Developed Contracting States within a timeframe of three years beginning from the date of coming into force of the Agreement.

### **2.3.7. Safeguard Measures**

If any product, which is the subject of a concession under this Agreement, is imported into the territory of a Contracting State in such a manner or in such quantities as to cause, or threaten to cause, serious injury to producers of like or directly competitive products in the importing Contracting State, the importing Contracting State may, pursuant to an investigation by the competent authorities of that Contracting State conducted in accordance with the provisions set out in this Article, suspend temporarily the concessions granted under the provisions of this Agreement. The examination of the impact on the domestic industry concerned shall include an evaluation of all other relevant economic factors and indices having a bearing on the state of the domestic industry of the

product and a causal relationship must be clearly established between "serious injury" and imports from within the SAARC region, to the exclusion of all such other factors.

Such suspension shall only be for such time and to the extent as may be necessary to prevent or remedy such injury and in no case, will such suspension be for duration of more than 3 years.

No safeguard measure shall be applied again by a Contracting State to the import of a product which has been subject to such a measure during the period of implementation of Trade Liberalization Programme by the Contracting States, for a period of time equal to that during which such measure had been previously applied, provided that the period of non-application is at least two years.

All investigation procedures for resorting to safeguard measures under this Article shall be consistent with Article XIX of GATT 1994 and WTO Agreement on Safeguards

Safeguard action under this Article shall be non-discriminatory and applicable to the product imported from all other Contracting States subject to the provisions of paragraph 8 of this Article.

When safeguard provisions are used in accordance with this Article, the Contracting State invoking such measures shall immediately notify the exporting Contracting State(s) and the Committee of Experts.

In critical circumstances where delay would cause damage which it would be difficult to repair, a Contracting State may take a provisional safeguard measure pursuant to a preliminary determination that there is clear evidence that increased imports have caused or are threatening to cause serious injury. The duration of the provisional measure shall not exceed 200 days, during this period the pertinent requirements of this Article shall be met.

Notwithstanding any of the provisions of this Article, safeguard measures under this article shall not be applied against a product originating in a Least Developed Contracting State as long as its share of imports of the product concerned in the importing Contracting State does not exceed 5 per cent, provided Least Developed Contracting States with less than 5% import share collectively account for not more than 15% of total imports of the product concerned.

### **2.3.8. Rules of Origin**

Rules of Origin shall be negotiated by the Contracting States and incorporated in this Agreement as an integral part.

### **2.3.9. Intra-Regional Trade**

At present, South Asia combines a low level of regional integration—especially among its largest members—and the presence of relatively high trade barriers. The proportion of trade originating in the region has increased in the last decade but still lags behind ASEAN levels. While Bangladesh, India and Pakistan sustain 5 percent of their exports and 2½ percent of their imports with regional partners, the At present, South Asia combines a low level of regional integration—especially among its largest members—and the presence of relatively high trade barriers.

The proportion of trade originating in the region has increased in the last decade but still lags behind ASEAN levels. While Bangladesh, India and Pakistan sustain 5 percent of their exports and 2½ percent of their imports with regional partners, the smallest members (Bhutan, Nepal, Maldives, and Sri Lanka) exhibit a higher reliance on local trade relations averaging 20 percent and 9 percent for imports and Exports, respectively.<sup>8</sup> In terms of trade barriers the region has undertaken an overall liberalization program with India reducing its average tariff level by around 20 percentage points during the last 8 years. However, there is significant room for further liberalization given that all seven countries still impose higher tariff barriers than ASEAN and Plus3<sup>7</sup>.

SAPTA advanced the region's commitment to deeper integration with limited success. The implementation of the agreement was characterized by sequential rounds of negotiations in which trade preferences were granted on a product-by-product basis. When SAPTA entered into force in December 1995, it imposed rules of origin that were too restrictive for most of its members and were subsequently lowered in 1999, and trade facilitation measures were implemented on a limited scale. Only least developed countries (LDCs) countries obtained significant trade preferences while most of the trade among the largest countries was still subject to considerable trade barriers (Baysan, and others, 2006; SAARC Secretariat, 2006c).

SAFTA builds on the provisions of SAPTA. SAFTA extends the scope of SAPTA to include trade facilitation elements and switches the tariff liberalization process from a positive to a negative list approach. A special consideration in SAFTA is the compensation for revenue losses for small countries in the event of tariff reductions (Baunsgaard and Keen, 2005). For these countries SAFTA proposes that “until alternative domestic arrangements are formulated to address this situation, the Contracting States agree to establish an appropriate mechanism to compensate the Least Developed Contracting States...” (SAARC Secretariat, 2006b).

SAFTA is expected to increase regional trade (trade creation) but may do so at the expense of trade flows from more efficient non regional suppliers (trade diversion). Baysan and others (2006) argue that it is unlikely that the most efficient suppliers of the member countries are within the region. Based on that

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<sup>7</sup> Plus 3 is used to denote the group consisting of China (including Hong Kong), Japan and Korea

and on the restrictiveness of SAFTA's sensitive lists and rules of origin, it concludes the economic merits of SAFTA are "quite weak." Using the static general equilibrium methodology, Bandara and Yu (2003) find that the full elimination of trade barriers between South Asian countries would increase the welfare level of India (by 0.2 percent) and Sri Lanka (by 0.03), but decrease the welfare level of Bangladesh (by 0.1 percent).<sup>9</sup> Extending the agreement to ASEAN would decrease welfare of all South Asian countries, but would increase it for an extension to NAFTA or EU (except for the rest of South Asia, which loses if it is extended toward EU). Srinivasan (1994) also forecasts the effects of SAFTA. It uses total (exports plus imports) bilateral trade flows as the dependent variable. Given data restrictions, the analysis is limited to Bangladesh, India, Nepal, Pakistan, and Sri Lanka. It concludes that Bangladesh and Nepal would gain the most from the full elimination of tariffs among South Asian members. India, Pakistan, and Sri Lanka would have only marginal benefits but would enjoy larger gains if there were a liberalization agreement with the European Economic Community.<sup>8</sup>

### **3. ESTIMATION ON KOREA-SAARC FORUM**

#### **3.1. Cooperation with Observers**

Over the years, there has been a growing interest among many countries and organizations to be associated with SAARC as Observers and to engage with SAARC in collaborative endeavours. Since the Thirteenth SAARC Summit (Dhaka, 12-13 November 2005), the requests by a number of countries and one intergovernmental organization to be associated with SAARC as Observers<sup>9</sup> was welcomed by the Heads of State or Government of SAARC.

Since the Fourteenth SAARC Summit (New Delhi, 3-4 April 2007), Observers have been invited to participate in the inaugural and closing Sessions of SAARC Summits. SAARC's engagement with its Observers is based on the Guidelines for Cooperation with Observers adopted by the Fifteenth SAARC Summit (Colombo, 2-3 August 2008). The Fifteenth SAARC Summit also decided to impose a moratorium on the admission of new Observers.

With the admission of Observers to SAARC, a number of proposals have been made by some Observers to engage in mutually beneficial cooperation and some of the proposals are currently under implementation.

#### **3.2. Japan-SAARC Symposium**

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<sup>8</sup> Jose Daniel Rodríguez-Delgado, "SAFTA: Living in a World of Regional Trade Agreements", IMF Working Paper, WP/07/23, 2007

<sup>9</sup> Today, there are nine Observers to SAARC as follows: Australia, China, European Union, Iran, Japan, Republic of Korea, Mauritius, Myanmar and USA

All 9 observers including Republic of Korea recognized the near future importance on SAARC from 2010 when SAARC was established and participated as observers.

South Asian countries are under immense social and political compulsions to secure reliable, sustainable and affordable energy supply to meet the fast growing demand for commercial energy to fulfill aspirations of the people and economic growth of the region. In order to address social equity and development objectives, the Governments in the region endeavour to provide electricity to all, but the fact is that the gap between supply and demand is widening. It has been estimated that primary commercial energy demand of South Asia will increase from primary commercial energy supply of 655 million tonnes of oil equivalent in 2011 to more than 2,200 million tonnes of oil equivalent by 2030. The Intra- and Inter- regional energy trade and energy cooperation is one of the key options to fill the huge supply and demand gap.

Much needed energy cooperation in the SAARC region got formal recognition in 2004 through the Islamabad Declaration of the 12<sup>th</sup> SAARC Summit when its leaders directed to conduct a study by Working Group of Energy on the concept of a South Asian Energy Ring and constituted Ministerial level Energy Forum. The Working Group in its first meeting proposed establishment of a SAARC Energy Centre to realize the concept of the regional energy ring. This proposal was supported by the Energy Ministers in their first meeting in October 2005. The 13<sup>th</sup> SAARC Summit, held at Dhaka in November 2005, approved the establishment of SAARC Energy Centre to serve as the focal point for increasing energy cooperation. The Centre is not only driving intra-regional energy cooperation within South Asia but also serving as a platform for international and inter-regional energy cooperation with neighbouring regional blocks in West Asia, Central Asia, East Asia and South-East Asia.

In order to contribute towards materializing the concept of energy ring the SAARC Energy Centre has developed its Strategic and Operational Plan. The Plan identified five thematic areas of programme activities focusing on: (i) Energy Trade, (ii) Technology Transfer and sharing best practices, (iii) Energy and Environment, (iv) Energy Efficiency and Fuel Substitution, and (v) Rural Energy Accessibility.

According to the great concerns and needs of SAARC on energy, Japan-SAARC Symposium was organized by Bangladesh University of Engineering and Technology (BUET) in collaboration with the SAARC Secretariat, under the Japan-SAARC Special Fund. This was a follow up of the previous three symposia. The 1st Japan-SAARC Symposium was held in Dhaka in 2006, which focused on the possible Japan-SAARC cooperation in various fields including disaster prevention, improvement of regional infrastructure, youth exchange and capacity-building. The 2nd symposium titled 'Energy and Connectivity' was held in 2008 in Islamabad, Pakistan. The 3rd one titled 'Promoting Energy Cooperation in South Asia' was held in 2010 in Delhi, India, Each of the

symposia came up with a set of recommendations for the consideration of the governments in the region. The 4th symposium focused on Regional cooperation in Energy Efficiency and Renewable Energy<sup>10</sup>. The speakers emphasized on the importance of knowledge sharing, regional cooperation, financial and regulatory reforms for successful implementation of energy efficiency and renewable energy projects. The discussions were followed by draft recommendations to be submitted to the respective governments for implementation.

The 6<sup>th</sup> Japan-SAARC Energy Symposium was organized by the Ministry of Foreign Affairs, Government of Japan in partnership with the Nepal Electricity Authority (NEA) on March 6-7, 2013 in SoalteeCrownePlazza, Kathmandu, Nepal. The theme of the symposium was “Commercially Viable Energy Networking in the SAARC Region, with Emphasis on Energy Grid Structure”. The symposium was inaugurated by Mr. Leela Mani Paudyal, Chief Secretary Government of Nepal and Chairman NEA. In addition to the participants from Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal and Sri Lanka, the symposium was attended by the SAARC Secretariat, SAARC Energy Centre, Asian Development Bank, USAID, Ambassadors and diplomats from the SAARC Member Countries and other organizations based in Kathmandu. Presentations were made by the experts from the SAARC Member countries, SAARC Energy Centre, the ADB, USAID and SN Power Holdings Singapore Pte. Ltd. during the four sessions held over the period of two days.</p>

The aim of this symposium was to discuss the possible cooperation among SAARC member countries and also between Japan and SAARC member countries, with focus on subjects of common interest of energy of energy and subsequently recommend future activities. Relevant organization in India, Pakistan, Bangladesh and Sri Lanka have hosted previous round of this symposium.

The benefits of regional resource development and grid integration for electricity trade to enhance reliability, security and affordability of supply to the end-users was clearly brought out during the various deliberations in the symposium. The symposium acknowledged the contribution of the Government of Japan and requested them to continue with the Japan-SAARC Energy Symposia

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<sup>10</sup> The 4th Japan-SAARC Symposium on Regional Cooperation in Energy Efficiency and Renewable Energy organized by Center for Energy Studies (CES) was held during 30-31 March 2011, at Bangladesh University of Engineering and Technology (BUET), Dhaka, Bangladesh. Brigadier General (Rtd.) Mohammad Enamul Haque, MP, Honble State Minister of the Ministry of Power, Energy and Mineral Resources, Government of the People's Republic of Bangladesh, graced the opening ceremony as the Chief Guest. On the concluding day of the program, Dr. Dipu Moni, MP Hob'ble Minister, Ministry of Foreign Affairs, Government of the People's Republic of Bangladesh graced the occasion as Chief Guest, Mr. Takanori Uehara, Charge d' Affairs, Embassy of Japan was present as the Special Guest. Prof. Dr. S. M. Nazrul Islam, Vice-Chancellor, was the Chief Patron of the program and presided over the ceremonies. Prof. Dr. Aminul Hoque, Chairman of the organizing committee also addressed the audience. About fifty foreign and local delegates participated in the program to share their valuable knowledge and experience on the related subjects.

initiative for enhanced regional energy cooperation in South Asia. Ministry of Foreign Affairs, Government of Japan in consultation with the SAARC Energy Centre may plan and implement the future Japan-SAARC Energy Symposia in collaboration with relevant local institution of the member countries.

On March 10, 2015 Japan opened 8<sup>th</sup> Japan-SAARC Energy symposium to enhance co-operation among the SAARC countries to address their energy problems. It has been said that The Japan-SAARC energy symposium had played a meaningful role in setting the direction for co-operation among the regional countries in energy sector.

This event has been every year organized by Japan Embassy in collaboration with the SAARC Energy Centre (SEC) and the National University of Sciences and Technology (NUST). The symposium had been tasked with the important role of producing an outcome document having medium-term vision for energy connectivity in the SAARC region. The document would be distributed among high-level members of each SAARC member state through respective Japanese embassies.

Japan has been playing very proactively for many years in advancing co-operation with the SAARC member states in the power sector to minimize their challenges. Some countries had surplus power generation capacity, while others suffered shortage. "Similarly, some countries face severe power transmission and distribution losses, while others need environment-friendly energy sources and some nations need to implement institutional reforms in power sector".

Japan was committed to offer tailor-made assistance to appropriately respond to the needs of each member state. On the institutional side, Japan supported Pakistan's efforts to reform its power sector. Japan was promoting co-operation with India and Bangladesh for the construction of high efficiency coal-fired power plants using Japanese technology, adding his country was providing assistance to Nepal for the construction of a hydro-power plant. Sri Lanka and Bhutan are being provided assistance for development of transmission and distribution grid whereas Japan is also extending co-operation to Afghanistan for solar power generation.

JICA and other Japanese implementing agencies would continue to engage with individual projects to strengthen energy connectivity within SAARC, referring to the "Medium-term Vision" to be completed at this symposium. In future, Japan hopes that region-wide mechanisms for solving common challenges will be put into place including a scheme to transmit power from an energy-surplus country to an energy-deficient country. It is said that Japan will extend co-operation from a new point of view that Japan connects 'dots' of assistance that has been extended in the bilateral context to draw 'lines' which can eventually be linked to create a 'face' of region-wide co-operation.

There has never been a more right time than today to strengthen regional co-operation among the SAARC member states. Last the 18th SAARC Summit was convened for the first time in three years, on the occasion the Kathmandu Declaration was adopted. Also signed at this summit meeting was the SAARC Framework



Agreement for Energy Co-operation, which was proposed at the second and third SAARC Energy Symposia. This is a major step forward as it laid the foundation to advance energy co-operation in the SAARC region. Japan believes that each SAARC state now needs to accelerate the development of respective supporting mechanism.

The symposium was attended by energy policy experts, professionals and academia from Japan and all SAARC member states. The symposium aims at complementing the efforts of individual SAARC member states in terms of energy self-sufficiency by wrapping up the seven Japan-SAARC Energy Symposiums in the past and making consensus on recommendations for Medium-term Vision for Energy Connectivity in the SAARC region. Recommendations to be finalized will be shared with all the SAARC member states for their consideration.<sup>11</sup>

### 3.3. Partnership Seminar Korea-SAARC

As 1<sup>st</sup> project, Korea decided to cooperate climate exchange, public administration, anti-terror field mainly with SAARC from 2011 to 2013. These projects consist of 6 programs which invite 2 officers per one country and total 16 persons.

Korea has opened “Korea-SAARC Partnership Seminar” on SAARC’s concerns agreed with SAARC since 2011 and has discussed a variety of cooperative plans between Korea and SAARC through inviting SAARC secretariat and SAARC members’ concerned high level officers

- 1<sup>st</sup> seminar was opened in SAARC secretariat (Kathmandu) on November 11, 2010 and discussed Korea-SAARC exchange promotion, economic cooperation feasibility, and cooperation plans with SAARC members etc. From the 2<sup>nd</sup> Seminar, South Korea is regularly hosting this seminar in Seoul since 2011.

- In 2<sup>nd</sup> seminar (December 14, 2011), Korea invited SAARC secretariat executive, India, Pakistan, Afghanistan, Sri Lanka, Bangladesh, Nepal, Bhutan, and Maldives representative. They discussed a development situation and future of SAARC and the concrete plans for expanding Korea-SAARC Cooperation such as social and economic development, development cooperation, environment and human security etc. The seminar had a brainstorming opportunity for drawing some plans to deepen multilateral cooperation through the SAARC together with regional and bilateral cooperation between Korea and SAARC.

- 1<sup>st</sup> and 2<sup>nd</sup> seminar was organized by Ministry of Foreign Affairs (MOFA) of Korea. Korea Institute for International Economy Policy (KIEP) has been organizing from 3<sup>rd</sup> seminar up to now. 3<sup>rd</sup> seminar (2012) discussed intensively the infrastructure building issue for strengthening intra-SAARC connective networks and Korea’s cooperation plan for this project and furthermore promotion plan to raise up Korea-SAARC development cooperation effectiveness.

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<sup>11</sup> Business Recorder Reporter( March 11, 2015)

- 4<sup>th</sup> seminar (2013) titled “Energy Sector in SAARC and the Role of Korea”, discussed energy cooperation field which is considered as the future promising cooperation field in SAARC region and was already discussed in Japan-SAARC Forum in 2012. The Asia Development Bank (ADB) experts was especially invited in the seminar.

- 5<sup>th</sup> seminar (2014) titled “New Cooperation for the Next Decade”, dealt with new cooperative project excavation as a key seminar issue. Although Korea is acting as an observer of SAARC since 2006, it is high time for South Korea to prepare new decade’s collaborative plan for mutual prosperity by estimating last decade’s experience with SAARC.

- What theme will 6<sup>th</sup> seminar (2015) deal?

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#### ROK-SAARC Partnership Seminar

Title	Topic/Theme	Year	Venue
Fifth ROK-SAARC Partnership Seminar	“New cooperation for the next decade”	December 08, 2014	Seoul, South Korea
Fourth ROK-SAARC Partnership Seminar	“Energy cooperation within SAARC and ways to promote the ROK-SAARC cooperation”	September 27, 2013	Seoul, South Korea
Third ROK-SAARC Partnership Seminar	“Strengthening regional connectivity in SAARC and Korea-South Asia development cooperation”	November 15, 2012	Seoul, South Korea
Second ROK-SAARC Partnership Seminar	Finding specific ways for the ROK and SAARC to work more closely together in the fields of socio-economic development.	December 14, 2011	Seoul, South Korea
First ROK-SAARC Partnership Seminar	Exchange of information and seek out areas of substantive cooperation with the ROK and SAARC.	November 2010	Nepal

Source: MOFA and KIEP

#### 4. NEW PARADIGM ON KOREA-SAARC PARTNERSHIP

#### **4.1. SAARC's Concerned Field and Concrete Needs**

It is observed that SAARC shows interest in agriculture and rural, biotechnology, culture, economy and trade, education, energy, environment, finance, funding mechanism, infrastructure, communication, media, poverty alleviation, science and technology. The more concrete needs are as follows.

Rural Agriculture: SAARC veterinary officer, Meeting of SAARC Agriculture, Food Ministers, Technical Committee on Agriculture and Rural Development.

Culture: SAARC Agenda for Culture.

Economy and Trade: Economy and Trade Meeting-held and announced, Status Note on Eco&Fin Cooperation as on 22 January 2015, SAFTA TLP Note, Cooperation and Standard, SAARC agreement on Trade in Service, Cooperation in Avoidance of Double Taxation and Customs Cooperation etc.

Education: Establishment of South Asian University, SAARC Chair-Fellowship and Scholarship Scheme, Open and Distance Learning, Committee of Heads of University -Grants Community-Equivalent Bodies, Culture, and Education etc.

Energy: 4<sup>th</sup> Meeting of SAARC Energy Ministers

Environment: COP Meeting and South Asia Environment Outlook (SAEO) 2009.

Finance: Financial Cooperation, SAARC Finance, and Best Prices and Key Economic Indicators.

Poverty Alleviation: Regional Poverty Pros

#### **4.2. Korea's Current Situation on Trade and Investment with SAARC**

Korea exported 12,654 billion (2011), 11,922 billion (2012), and 11,376 billion (2013) to India respectively and main exports were auto parts, iron and steel and synthetic resins etc. Korea imported 7,894 billion (2011), 6,924 billion (2012), and 6,180 billion respectively and main imports was petroleum products, vegetable materials, alloy iron, pig iron and crap iron etc.

But Korea's trade volume with the remaining 7 countries records extremely small. <Table 2>

Table 2

## Korea's trade volume with SAARC

Unit: thousand US

		Afghanistan	Bangladesh	Bhutan	Maldives	Nepal	Pakistan	Sri Lanka
2011	EX	119,912	16,28	15,838	5,069	37,842	815	344
	IM	117	244	13	190	2,237	737	82
2012	EX	143,167	1,459	7,387	3,915	19,045	847	320
	IM	48	295	7	284	1,738	776	72
2013	EX	63,840	1,427	3,270	3,674	17,013	819	299
	IM	142	332	382	380	1,537	522	85

### 4.3. Korea's ODA Policy

Official development assistance (ODA) refers to the flow of financial resources from the central and/or local governments of donor countries and multilateral agencies to developing countries. ODA is intended to promote the economic development and to improve the quality of life in developing countries. In other words, ODA can be described with the following three key questions.<sup>12</sup>

<b>By whom</b>	Central and local governments of a donor country or other public, international agencies
<b>To whom?</b>	<i>A developing country in the list of ODA recipients, provided by the OECD-Development Assistance Committee (DAC)</i>
<b>How?</b>	Providing grants* or concessional loans** for the recipient country in order to promote its economic development and welfare improvement

A grant refers to a “free” form of assistance in cash, goods, and/or services provided without stipulations of repayment or redemption. Certain types of costs or expenses involved in implementing given projects of assistance may fall into the category of grants. A loan refers to funding provided either in cash or goods with stipulations of liabilities for repayment. Concessional loans made as part of ODA are more favorable to the recipient country than other commercially available loans in terms of interest rates, maturity, and grace periods. In order to count as ODA, a concessional loan must have a grant element of 25% or greater.

As a DAC/OECD, Korea's Country Partnership Strategy(CPS)<sup>13</sup> involves Bangladesh, Nepal, Pakistan, Sri Lanka In accordance with the Framework Act (Article 8.2.3) and the Strategic Plan, the Korean government formulated integrative Country Partnership Strategies (CPS) for each priority partner country to maximize synergy effects and to improve ODA effectiveness through strategic concentration. In 2010, the Korean government selected 26

<sup>13</sup> CPS means 26 developing countries which support Official Development Assistance (ODA) intensively as a DAC/OECD and this is grant.

priority partner countries out of 130 partner countries based on their income, political situation, diplomatic relationship with Korea, and economic potential. Priority partner countries are composed of 11 Asian countries, 8 African countries, 4 in Central and South American countries, 2 Middle East and CIS countries and 1 country in Oceania. Then, the PMO, MOFA, and MOSF had taken part in formulation of the CPS since 2011 and completed it in 2013.

The CPS includes ODA volume, focus sectors, and implementation plans for each partner country based on Korea's ODA strategy and the national development plans of the partner country. The implementation of country specific ODA will be successful if the CPS includes comprehensive understanding on the partner country's diplomatic strategies and needs. The CPS is revised every three to five years for a better alignment with the national development plans of partner countries. If required, CPS can be modified within three years through the CIDC's deliberation and decision. The CPS enables ODA agencies to implement policies coherently and to improve project performances reflecting the needs of partner countries.<sup>14</sup>

Focus Sectors of 26 Priority Partner Countries are as follows.

Asia (11 countries)	Nepal	Vocational Training / Health and Medical Care / Agriculture / Electricity
	East-Timor	Education Training / Health and Medical Care / Social Infrastructure
	Laos	Water Resources and Electricity / Human Resource Development / Health and Medical Care
	Mongolia	ICT-based Public Administration / Urban Development / Agriculture Development
	Bangladesh	Water Resources and Electricity / Health / Education / Public Administration
	Vietnam	Environment and Green Growth / Vocational Training / Transportation Infrastructure
	Sri Lanka	Basic Infrastructure / Human Resource Development / Public Administration
	Indonesia	Public Administration / Economic Infrastructure / Environment and Resource Management
	Cambodia	Rural and Agriculture Development / Transportation and Green Energy / Human Resource Development / Health and Medical Care
	Pakistan	Industrial Energy / Education / Health and Medical Care
	Philippines	Transportation Infrastructure / Agriculture

<sup>14</sup> Countries with the CPS : 2011(3 countries : Vietnam, Ghana, Solomon island ), 2012(11 countries : Bolivia, Sri Lanka, Indonesia, Mongolia, Azerbaijan, Ethiopia, DR Congo, Cambodia, Bangladesh, the Philippines, Uzbekistan), and 2013(12 countries: Lao, Mozambique, Peru, Cameroon, Colombia, Nepal, East Timor, Rwanda, Uganda, Paraguay, Pakistan)

#### **4.4. Korea's EDCF aid**

Korea has supported Economic Development Cooperation Fund (EDCF) for Afghanistan (2011 and 2013), Bangladesh (2009, 2010, 2011, and 2014), Nepal (1996 and 2008), Pakistan (1995, 1997, 2007, 2011, and 2012) and Sri Lanka (2009)

#### **4.5. New Partnership Paradigm Linking <ODA(EDCF)-KSP-FTA>**

Korea implements ODA project with Bangladesh, Nepal, Sri Lanka and Pakistan and also EDCF project with Afghanistan Bangladesh, Nepal, Pakistan and Sri Lanka. Also Korea promotes KSP project with 40 and more developing countries.

<Korea-India CEPA> puts in force but both countries need to upgrade it. Also 8 countries including India implement SAFTA and Korea searches industry sector to cooperate with SAARC since Korea participated as an observer of SAARC in 2006. Furthermore, OECD/DAC requires to increase ODA's effectiveness to DAC members and Korea, as a DAC member, Korea obligates to do now.

As Park's government promotes to conclude FTA with main countries all over the world, FTAs with 49 countries (11 FTAs) put in effect as of May 30, 2015 and we hope that 2 FTAs with China and Vietnam will be done around end of this year. Also we expect that the remaining some FTAs on the way will be finalized until February 25, 2017 which the incumbent government expire.

We hope that the following conditions will be adopted in year's Seminar (6<sup>th</sup> Korea-SAARC Partnership Seminar).

First, Korea should invite the representatives to have the right of decision in all member countries differently from last seminars.

Second, Korea should organize the permanent committee to discuss concerned sectors by country.

Third, Korea should make efficient use of ongoing ODA, EDCF, and KSP project.

Fourth, Korea should approach the seminar in view of political and humanistic level rather than economic level.

Lastly, Korea should enforce real and deep cooperation relationship with India which plays a role as a leader in SAARC.

## **5. CONCLUSION**

### **5.1. Summary**

The political and economic potential of South Asia has been growing over the years. Expectations for South Asia's potential are becoming even greater as South Asian countries are strengthening cooperation through SAARC, the one and only regional cooperation body in the region. Realizing the importance of SAARC, South Korea is acting as an observer since 2006. Ever since it was admitted in SAARC as an observer in 2006, Korea has vastly improved its economic and political engagement with the SAARC countries. Since 2011, South Korea has regularly been hosting Korea-SAARC Partnership Seminar in Seoul. The 6<sup>th</sup> Korea-SAARC Partnership Seminar will be held this year (2016). This seminar is playing a vital role to engage policy makers and researchers in an in-depth discussion on ways to enhance cooperation between Korea and South Asia.

Through the Official Development Assistance (ODA) program, South Korea is currently contributing to promote the economic development and to improve the quality of life of four SAARC countries such as Bangladesh, Nepal, Pakistan, and Sri Lanka. Korea has also supported Economic Development Cooperation Fund (EDCF) for several countries of the region. In 2004, the Republic of Korea launched the Knowledge Sharing Program (KSP) which is considered a new paradigm of development cooperation with partner countries. Among the SAARC Countries, Bangladesh, Pakistan, and Sri Lanka are the partner countries of South Korea under the KSP. To foster the trade relation with India, Korea has signed the Comprehensive Economic Partnership Agreement (CEPA) which came into force on January 1, 2010. The authors believe that "Korea-SAARC FTA" is now the demand of time which will set the future trajectory of Korea-SAARC cooperation. The policy makers of both Korea and SAARC countries should come forward to sign the agreement and to ensure a better socio-economic relations among the countries.

### **5.2. Policy Suggestion**

Along with Korea-SAARC Partnership Seminar, the authors' proposition is to establish "Korea-SAARC Campus Forum". This campus forum would be composed of academicians and students who will discuss the important issues, support and propel the activity of Korea SAARC Partnership Seminar. In addition, "SAARC Study Center" as a full-fledged research institute could be established under any university of South Korea. This study center might continue research activities in collaboration with KIEP.

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