

## **South Asian Association for Regional Co-operation (SAARC): Prospects for Development**

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Recently, the South Asian Association for Regional Co-operation (SAARC) completed two decades of its existence. The heads of states or governments of its member countries, viz. Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka, once again would meet in Dhaka and reaffirm their faith in the organisation and its charter. Considering the political reality within the individual SAARC nations, and especially the relationship between the two biggest members of the association, one could feel satisfied that the association has survived so far. But its movement in terms of achieving the objectives for which it was formed has been slow and it is criticised as a house of cards or a house built on sand, which can fall apart any time. There is a big stress in the interrelationship between neighbours.

Founded with the objectives, among others things, of promoting the welfare of the peoples of south Asia and improving their quality of life; promoting active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields; and strengthening cooperation among themselves (member countries) on matters of common interests, the association has identified a number of areas of cooperation among its member nations to achieve these objectives.

The areas identified for cooperation among the member nations are: agriculture and rural development; health and population; women, youth and children; environment and forestry; science and technology; and metrology, transport and human resource development. In addition, working groups have been established in the areas of information and communication technology and biotechnology, intellectual property rights, tourism and energy.

Under the auspices of the association, various regional centres covering agriculture, tuberculosis, documentation, meteorological research and human resource development are working from different SAARC capitals. In addition, three new regional centres covering culture, coastal zone management and information are being established.

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Beyond official linkages, it has been observed that SAARC has encouraged and facilitated cooperation in private sector through the SAARC Chamber of Commerce and Industry (SCCI), which is a SAARC apex body. Other such bodies are SAARC LAW and the South Asian Federation of Accountants (SAFA). In addition, according to the SAARC, it has recognised and accorded professional status to various professional groups in south Asia, including architects, management development institutions, university women, town planners, cardiologists, dermatologists, teachers, writers, insurance organisations, diploma engineers, radiological and surgical care societies status as SAARC bodies. Similarly, the association of speakers and parliamentarians enjoy special recognition by heads of state or government.

So far, the heads of state or government have met twelve times since the formation of the SAARC twenty years ago. If referred to the resolutions approved at such meeting, it becomes evident that the heads of state or government not only took note of all the problems the member countries were or are facing and but also agreed to join their hands in resolving them.

The heads of the state or government have agreed to work together in many areas. Some of the areas in which they committed to work together and agreed for, increased participation of women in activities at regional level, launching of the South Asian Broadcasting Programme, establishment of a SAARC Documentation Center, South Asian Food Reserve, South Asian Commission on Poverty Alleviation, South Asian Development Fund, the SAARC Award, and launching of SAARC Chairs, Fellowships and Scholarships. There exists SAARC Convention on Narcotic Drugs and Psychotropic Substances 1990, SAARC Convention on Preventing and Combating the Trafficking in Women and Children for Prostitution, and SAARC Convention on Regional Arrangements for the Promotion of Child Welfare in South Asia 2002, SAARC Plan of Action on Poverty Alleviation, 2002, SAARC Regional Convention on Suppression of Terrorism 2004, and a SAARC Social Charter 2004.

In the economic sector, especially in the trade and commerce the SAARC first decided to have South Asian Preferential Trading Arrangement (SAPTA) and then South Asian Free Trade Area (SAFTA). The proliferation of regional trade agreements is fundamentally altering the world trade landscape. Today more than one third of global trade takes place between countries that have some form of reciprocal regional trade agreements. Trade agreements usually go beyond slashing tariffs to include measures to reduce trade impediments associated with standards customs and border crossings and services regulations as well as broader rules that improve the overall climate. The regional trade agreements can help motivate and reinforce broader reforms in domestic policy; they can be designed to contribute to a political environment that is more conducive to stability, investment and growth. The SAFTA has to be developed and strengthened on these lines.

Removing strong trade policy barriers to intra-regional trade, SAFTA could lead to expansion of intra-regional trade substantially. Some even conservative estimates show that it may help in trebling of the proportion of intra-regional trade, making it look more respectable compared to a marginal 4-5 percent as of now. By making it possible to trade directly rather than through third countries, it could also lead to savings of substantial value for the region. The new interest in regional trade arrangements the world over is about exploiting the potential of efficiency-seeking restructuring of the industry to take advantage on a pan-regional basis. These efficiencies again could lead to generation of income and hence could be valuable drivers of growth in South Asia. The experience of the European Union suggests that the formation of the Single European Market led to a substantial restructuring of industry on a pan-European basis and hence enabled it to exploit the economies of scale, scope and specialisation. They also by creating additional incentive for investment led to large amount of foreign direct investment. Hence, the formation of trade blocs has been followed by tariff jumping FDI inflows, and mergers and acquisitions as outside MNEs have attempted to secure their access to the markets. Hence, the share of regional trade arrangements in global FDI inflows has gone up. Therefore, regional trade arrangements are not only about trade as such but at the same time they are real vehicles of investment expansion and industrial restructuring. The SAFTA has to be geared to that direction for sustainable growth and poverty reduction in a rapid way where large chunk of population remains in the abject poverty.

From the list given above, one should not feel dissatisfied at the progress made by an association whose birth was not easy as the biggest nation of the association, initially, had apprehensions about its creation and had considered the very idea of south Asian association as nothing but an effort to gang up against it by the smaller nations and secondly the rivalry that still exists between the two bigger powers within the association. Nevertheless, the association did not collapse despite the inability to hold annual summits in the years 1989, 1992, 1994, 1996, 1999-2001 and 2003 due to problems in the relationship between its member nations itself shows that the leaders and civil society members are committed to maintain its existence.

### **Issues**

Except these, when considered from the perspective of the progress did not make so far in the different fields the Group of Eminent Persons in their report nor had the political decision makers with whom this contributor had the opportunity of interacting expressed satisfaction with its achievement. Nor do they feel that they have been able to take common stand at different international fora. During the interaction with the board members of the South Asia Centre for Policy Analysis (SACEPS) in November 2004, the incumbent Prime Minister of Pakistan, Saikat

Aziz, while reaffirming the commitment of the Government of Pakistan towards the SAARC and its objectives feels that there was a need to make the summit much more productive.

Due to the large market in India of more than one billion population and her fast growing economy, she has become the main contributing factor for having more investment in the countries of the region, especially in the least developing countries of the region, from her private sector and as well as from outside the region. Similarly, Prof. Rehman Sobhan feels that an opportunity exists within the region for having both horizontal and vertical integration with plants located across the region. In this context, the decision of the heads of the government and state to have a south Asian development bank is a welcome one. But so long as the political landscape in the countries of the region does not improve, the possibility of investment from within the region is not likely to improve. Similarly, so long as the ongoing Maoist insurgency remains a problem in Nepal and her investment climate continues to be constrained by bureaucratic hassles and rigid labour as well as the transportation cost to the nearest sea port remains high, there would be less interest for investors to invest in this country.

Indeed, the agreement to move from SAPTA to SAFTA if implemented as envisaged would integrate the countries of the region economically. It would help them to develop their economy in a complementary manner. But the fact remains that market of the bigger economies is still restricted to the products of the smaller economies, including those of Nepal. Also, the tendency to deal with the neighbouring countries in a bilateral manner is still there. This, I consider, is a major limiting factor in achieving the goals of the SAFTA.

All the summits have emphasised the importance of the people-to-people contact, which had the members nations pursued, would have helped to lessen whatever suspicion and doubts they had towards each other. But when the ground reality is considered, the member nations have to travel a long way with regard to developing people-to-people contact in true spirit. Except for the movement of the peoples of Nepal and India in one another's country, for others the movement across the member nations is still not easy because of the bureaucratic hassles one has to undergo to procure the travel visa. Furthermore, all the capitals are yet to be air linked with one another. One has to travel to non-SAARC countries to come to SAARC capitals. I, too, had to make a detour to come to Islamabad from Kathmandu.

The countries of the region suffer from is the unease of the existing surface links and restrictions in the easy movement goods and services. Except for Bhutan, Nepal and other countries of the sub-continent enjoy the wide network of surface transportation – both road and rail networks, which after the partition of the British India got fractured and artificial political barrier, came into existence. As a result, the transportation of goods from Nepal to countries such as Pakistan, the cargo has to

travel via Singapore and Colombo, then only to the Karachi port, whereas they could have been easily transported to the nearest city in Pakistan through rail network in India. Similarly, goods from Karachi to Dhaka have to travel through Colombo. These are areas in which SAARC has to make a real breakthrough in an age when the traditional rivalry in European countries have become the story of the past in terms of economic relationship. As far as Nepal is considered, the Birgung Dry Port, which was built to cut down the transportation cost of her export and import, has sadly been unable to provide benefits to Nepal so far due to the virtual absence of virtual rail links within in the region.

The leaders of the member nations are aware of the transit problem between the countries. But, when proposed to take the concrete step to connect the rail and road networks, the response was 'not yet ready'. Rather it was proposed that sea link was established between Dubai and ports in Bangladesh through Karachi, Mumbai, Colombo, Kolkotta. This is an indication of the mindset which we the region still have.

The ninth summit held at Male in 1997 had constituted a group of eminent persons from the member countries (one representative from each country) 'to undertake a comprehensive appraisal of SAARC, and identify measures including mechanisms to further vitalise and enhance the effectiveness of the Association in achieving its objectives. 'The group had also been mandated to develop a long range vision and formulate a perspective plan of action, including a SAARC Agenda for 2000 and Beyond, which will spell out the target that can and must be achieved by the year 2020. 'The Group's report was submitted to the tenth summit held in Colombo in 1998. But according to Prof. Rehman Sobhan, one of its members, it was never fully discussed nor endorsed by the SAARC summit, but its recommendations and suggested road map for future cooperation in South Asia have found expression in the agenda of subsequent summits and are adopted, to some extent, by the Islamabad Summit'.

Energy cooperation could have benefited the countries of the region. Nepal has immense hydro potentiality. Although within Bangladesh its capacity to export natural gas to other countries is being debated, it is one of the resources on which it could cooperate with India and Nepal. However, although energy has been identified as one of the areas of cooperation among the member nations, there has been no smooth sailing in their relationship with regard to the cooperation in this sector. It's mainly due to the insistence of the bigger economy to deal with the neighbours at a bilateral level. This has been the major cause for the non-movement of the cooperation effort initiated by the South Asian Regional Initiative of the United States Government or that of the South Asia Growth Quadrangle (SAGQ).

Bilaterally on the Nepal front, while Nepal's interest on hydropower may dovetail with India's interest on water, there are other major issues of concern: would India want to be hostage with Nepal's huge hydro-power potentiality? Would

Nepal get 'right' price of electricity? Would the displaced Nepalese get the 'the land for land' compensation and be guaranteed that the 'quality of life' would be as good, if not better, than their previous displacement? These are the major issues without whose solution; the People of Nepal would not like to have the cooperation in the energy sector between and among the member nations of the SAARC no matter what ever is being agreed upon for the cooperation in this sector at the regional level.

The member nations could be broadly divided into the bigger and smaller economies. Naturally, India and Pakistan belong to the first category. Nepal falls under the second category. However, despite the fact that all the member nations of the SAARC have been considered as equal and without the consent of all no decision can be taken, the fate of the SAARC is dependent upon the relationship of its bigger economies with each other. The relationship between the two countries seems to be more congenial than it ever was in the past. Because of the fact both are nuclear powers and seem to be aware of the consequences of the nuclear war, they may not resort to war. But even after the formation of the SAARC, there have been ups and downs in their relationship due to historical legacy and the contentious issue which so far they have not been able to sort out. It has already been observed in the past that they could make the SAARC hostage when they are not on good terms. For example, had the Pakistani head of state not taken the Chinese air route to travel to Kathmandu to attend the 11<sup>th</sup> summit, this summit would have not taken place at all. Similarly, despite the requirement for the heads of the state or government to meet annually, they have met only thirteen times mainly due to the ups and downs in the relationships between the member nations. Further the association is barred from taking up bilateral and contentious issues. There are about 100,000 Bhutanese refugees of Nepali origin languishing in various refugees camps in Nepal, whose case SAARC could not take. Because of this provision, the SAARC summits are also criticised as a *talking shop* rather than a problem solving one. Therefore, time has come for the people of South Asia to really think whether we want an Association that has remained more or less a talking shop or make it a forum that can contribute to the resolution of bilateral issue. We should not feel shy to accept that so long the member nations continued to have one other contentious issue with each other, SAARC would not be an effective instrument for promoting well being of the people of the region.

No doubt, a number of organisations outside of the government have emerged under the banner of SAARC. They are contributing to bring the people and respective sections of society of the member nations together in different fora held at the regional level. But the annual summits of the heads of state or government have still remained a prerogative of the government for the representation of the member nations. When other organisations outside of the government are contributing towards the cause of the SAARC, why cannot they be brought on board during the annual summits, which would really contribute to further the relationship among the different sections of the member nations.

Indeed, the SAARC has a secretariat with a Secretary General, who is assisted by a team of seven directors who are on deputation from members states. First of all, so far the respective governments have been sending the bureaucrats. Second, they have a three-year tenure unless re-nominated for appointment. Further, the Secretary General has no option except to accept whosoever has been nominated for the post. The Secretary General also comes from sitting or retired bureaucrats. There is nothing wrong to have bureaucrats as the Secretary General or directors. But their capacity, especially the professional capacity, would have been much more effective had a team of professionals supported them. But due to the absence of this, according to knowledgeable sources and which some political decision-makers of the member nations also agreed that the secretariat is in need of upgrading its professional skills. To deal with this problem, the Group of Eminent Persons, in their report, had recommended initiation of a system of 'appointing the Secretary General and directors on the basis of merit, with due regard to equitable representation of member states'.

### **Future and Challenges**

No doubt, the SAARC member nations through its annual summits, have made several pledges to cooperate with each other and different task forces were formed to explore new areas of cooperation and pursue what were agreed upon or adopted. But when actual implementation is considered one could hardly feel satisfied. There was need for being selective in areas of cooperation such as poverty alleviation, trade and commerce and human resources development, etc. and emphasis on implementation through vigorous supervision and monitoring of implementation. One could notice the gap between promises and achievements.

The Group of Eminent Persons in their report highlighted this issue. The heads of state or government have realised the weakness in the implementation process, too, during the 11th summit. It is stated in the declaration that the heads of state or governments:

'...solemnly renewed their pledge to strengthen the Association and make it more *cohesive, result oriented, and forward looking, by adopting clearly defined programmes and effective implementation strategies in line with popular expectations*'. (Declaration 1).

The association is no longer in its infancy. Therefore, the main challenge before the association is to prove its effectiveness in terms of bridging the gap between the promises made and achievements, contribute to reducing poverty in the member nations and take concrete steps for easy access to the people of one country to the other and easy flow of goods and services within the region so that a win-win situation is created from all the member nations. Above all, the association has to make substantial contribution to lessening the suspicions and doubts one member

may have towards the other. In addition, despite the realisation of the gap between the promises and achievement, the Twelfth Summit, held in Pakistan in 2004, has itself drawn up a long list of promises, which I think are the new challenges before the Association. The promises made, to recapitulate, are:

- (i) Providing momentum to the South Asian Free Trade Area (SAFTA).
- (ii) Reaffirming the commitment to the creation of a South Asian Economic Union (SAEU).
- (iii) Strengthening the transportation, transit and communication links across the region.
- (iv) Accepting the need for harmonising standards, simplification of custom procedures as well as cooperation between central banks.
- (v) Agreement to promote South Asia as a tourism destination, inter alia, by improved air links.
- (vi) Safeguarding the collective interests of the member states in multilateral forums through discussions, coordination and exchange of information to adopt a common position.
- (vii) Acceptance of poverty alleviation as the overarching goal of all SAARC activities.
- (viii) Acceptance to make the SAARC Food Security Reserve more effective.
- (ix) Agreement for the strengthening of the SAARC Secretariat.

In addition, the heads of state or government have agreed for exploring the possibility of establishing an South Asian Development Fund (SAFD), creating a South Asian Energy Cooperation, including an Energy Ring, to authorise the reconstituted Independent South Asian Commission for Poverty Alleviation to play the advocacy role and have reaffirmed their commitment to the SAARC Regional Convention on Suppression of Terrorism.

No doubt, every year the officials have been meeting in one or other forms and do not fail to reiterate their commitment to the SAARC, the resolutions approved and commitments made. But when considered from the point of view of actual implementation, one could hardly feel satisfied. Therefore, what is required now is greater emphasis on implementation than proposing new proposals and resolutions during summits. Thus the main challenge before the SAARC is how to meet the old and new challenges rather than adopting new resolutions.

To conclude, in the context of SAARC moving at a very slow pace, whether or not it would be able to meet challenges set for itself and within what time frame, only time will tell. Above all, there has to be suitable political and economic environment within the region, without which SAARC would not be able to achieve these challenges. We who are involved in the policy dialogues and research activities should join our hands and work together towards the creation of a suitable political and economic environment so that SAARC becomes a vibrant regional organisation

and can make substantial contribution towards the well being of more than one billion people of South Asia, whose social and economic condition is still marred by poverty.

Considering the fact that the heads of state of government have drawn their attention to almost all the issues and problems the member nations have confronted with, what is also needed for organisations (research organisations) to which we belong to join hands to make an in-depth analysis of all the declarations or press statements to make the objective analysis of the contribution of the SAARC on the lives of the people of its member nations, i.e. South Asia which, according to IFPRI, generates less than 2 percent of world income, supports 22 percent of world population and is a home for 44 percent of the world's poor who earn less than a dollar a day.