

## ***The Future of Regional Co-operation: A South Asian Perspective***

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The future of regional cooperation is of considerable importance for all of us as we advance further into the 21st Century. Despite the many disappointments and setbacks that have dogged the South Asian Association for Regional Cooperation (SAARC) since its inception, it nevertheless offers an invaluable platform for building a stable and prosperous neighbourhood in South Asia.

The foreign policy of India has three major objectives:

- 1) The preservation of the political sovereignty and territorial integrity of the country;
- 2) The widening and deepening of the process of socio-economic development of our people: and
- 3) Ensuring that India's position is duly reflected in all global/regional decisions which concern it.

India's involvement in SAARC is of critical significance in the pursuit of all the three goals.

### **Origin of SAARC: Objectives and Organs**

In the closing years of the 1970s – a decade of great turmoil and conflict in South Asia and the world – the late President Ziaur-Rahman of Bangladesh mooted, for the first time, the creation of a trade bloc consisting of seven South Asian countries: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. Extensive discussions among the Foreign Ministers and Foreign Secretaries of these seven countries between 1980 and 1985 finally led to the

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establishment of the South Asian Association of Regional Cooperation (SAARC) on 8 December 1985 at the first Summit of the organization in Dhaka, when its Charter was formally adopted by the Heads of State/Government of all the seven founding members. Afghanistan joined as the eighth full member of SAARC in 2007.

Given the huge disparities in the size and economies of the member countries, the SAARC Charter provides that decisions in all its fora are taken on the basis of unanimity; that bilateral and contentious issues are explicitly excluded from its deliberations; and that cooperation is based on sovereign equality, territorial integrity, political independence and non-interference in one another's internal affairs. The goals of SAARC are to promote the welfare of the people of South Asia; to improve their quality of life, to accelerate economic growth, social progress, collective self-reliance and cultural development in the region; and to contribute to mutual trust and active collaboration in the economic, social, cultural, technical and scientific fields. It also seeks to strengthen cooperation with other developing countries as well as with international and regional organisations with similar aims and purposes.

SAARC's decision making mechanism is multi-tiered. The proposals for regional cooperation are first mooted within the framework of the Integrated Programme of Action by Technical Committees currently overseeing eleven agreed areas: Agriculture, Rural Development, Telecommunications, Meteorology, Health and Population Activities, Transport and Tourism, Postal Services, Science and Technology, Energy, Education and Sports, Arts and Culture. Their proposals are reviewed in ascending stages by the Programming Committee comprising the Heads of SAARC Divisions, the Standing Committee comprising the Foreign Secretaries, and the Council of Ministers comprising the Foreign Ministers of the Member States, all of whom meet at least twice a year. The final policy decisions are made by the Summits of SAARC Heads of State/Government which are meant to be annual but for various reasons have been less frequent. In the twenty-nine years of its existence, SAARC has so far held only seventeen summits, the last being in Maldives in November 2011 – nearly three years ago.

The Eighteenth Summit is expected to be held in November this year in Kathmandu, if things proceed according to plan.

The SAARC Secretariat located in Kathmandu is headed by a Secretary General appointed from and by the Member States by rotation for a three-year term, and assisted by one Director from each member country. The

Secretariat coordinates and monitors the implementation of activities, services meetings, and acts as a channel of communication between the Association and its Member-States as well as other regional organisations.

The Secretariat is supported by eleven regional centres including the SAARC Agricultural Information and Meteorological Research Centres in Bangladesh, the Forestry Centre in Bhutan, the Documentation and Disaster Management Centres in India, Coastal Zone Management Centre in Maldives, Tuberculosis and Information Centres in Nepal, Human Resources Development and Energy Centres in Pakistan, and Cultural Centre in Sri Lanka. In addition, the SAARC Development Fund based in Bhutan and six Apex Bodies – the SAARC Chamber of Commerce & Industry, the South Asian Association for Regional Cooperation in Law, the South Asian Federation of Accountants, the South Asia Foundation, the South Asia Initiative to end violence against Children, and the Foundation of SAARC Writers and Literature are also engaged in wide-ranging cooperative activities involving businessmen, economists, lawyers, accountants, educationists, social workers, writers and poets of the region. And finally, there is the Delhi-based South Asian University which has been fully operational since 2010, and currently boasts of over 350 students and 55 faculty members.

There are presently nine observers in SAARC: China, EU, Iran, Republic of Korea, Australia, Japan, Mauritius, Myanmar and the USA. Petitions for observer status are currently pending from Turkey and the Commonwealth Secretariat in view of a moratorium on the admission of new observers since 2008.

Over the years, the SAARC Secretariat has been also authorized to sign cooperation agreements with a number of international and regional organisations such as the UNCTAD, ESCAP, UNICEF, UNDP, the Colombo Plan and ITU.

### **Salience of SAARC in South Asia's Economic Future**

In their contribution to the publication, 'SAARC: Building Bridges in the South Asian Region' (Foundation for Peace and Sustainable Development 2011), Pankaj Bhan and R. N. Srivastava have identified the foundation of SAARC in December 1985 as being a direct outcome of the developmental process of South-South Cooperation in the second half of the twentieth Century. Faced with adverse terms of trade as well as the scarcity and high cost of financial assistance offered by the industrialised West, the newly decolonised countries of Asia, Africa and the Caribbean as well as the older decolonised countries of

Latin America have been obliged to form themselves into international and regional groupings which focus on their shared economic and political concerns, some of which are often at variance with those of the developed world. Such cooperative efforts have led to the formation of both global/trans-regional bodies like the NAM, the UNCTAD and the Group of 77 on the one hand, and regional organisations such as the ASEAN, SAARC, MERCOSUR and the CARICOM on the other. The remarkable European experiment at regional integration that transformed the European Coal and Steel Community of the early 1950s to the present day European Union has been the obvious role model for many developing countries desperately seeking an end to the centuries' old animosities that continue to cleave their own regions, and in finding workable developmental strategies for meeting the needs of their teeming millions.

Following the end of the Cold War and the demise of the Soviet Union in the early 1990s, the concept of globalisation came to dominate the discourse of economic development. However, the triumphal western proponents of the so-called Washington Consensus were the ones to draw up the blue print of the process that included, inter alia, the lowering of both tariff and non-tariff barriers, the liberalising of domestic exchange controls, the freeing of domestic labour markets, and the general opening up of national economies to external trade and investment, including capital movements. After the excitement over the supposed gains of creating a level-playing field for both domestic and foreign investors died down, many developing countries came to rue the fact that they were often ill-prepared to deal with the consequences of dramatically reduced domestic controls that often gave a field day to foreign speculators. In the late 1990s, several countries in South-East Asia, Sub-Saharan Africa and Latin America as well as post-communist Russia, fell victim to unmanageable currency fluctuations which disrupted their economies and gave rise to severe social tensions.

The Bretton Woods institutions like the IMF and the World Bank did offer to help out the affected developing countries; but they did so with conditionalities that often did not appear to be in the latter's national interests. This led to a number of sovereign debt defaults and, in the memorable words of the Nobel Laureate Joseph Stiglitz, the general discrediting of the IMF's 'one size fits all' solution for global economic ills.

At the same time, the Doha Round of Trade liberalisation talks under the auspices of the WTO started to lose steam – especially after the Cancun meet of 2003 – on account of sharp differences over agricultural subsidies, market access, intellectual property rights, besides environmental, health and sanitary

concerns between the developed and the developing worlds. The growing economic crisis was further exacerbated by the USA's ill-conceived war on terror following the Twin Tower bombing on 9/11/2001, the subprime mortgage crisis of 2007 – 2009, and the sovereign debt crisis affecting a number of EU countries thereafter. These developments added a sense of urgency to the cooperative efforts of regional organisations.

Indeed, the rapid succession of crises in the first decade of the 21<sup>st</sup> century – a period vividly described by the *Economist* as the 'decade from hell' – revealed severe systemic flaws in the West's ability to direct the future economic destiny of the world all by itself. However, for a while the same period witnessed new buoyancy in the emerging market economies, foremost among whom were China and India, though several others such as Brazil, Russia, South Africa, Egypt, Indonesia, Turkey, Bangladesh, etc. all achieved significant growth rates. In our SAARC region, most countries – barring Nepal and Afghanistan which were caught up in domestic turmoil – saw commendable economic growth, collectively reaching six per cent per annum until the downturn of the past two years. The consequent shift in the global economic and political centres of gravity from the Atlantic to the Western Pacific and the Indian Ocean regions has brought Asia back to the world's centre stage once again – a position it had last enjoyed in the early 18th century, according to the late Cambridge economist, Angus Madison.

### **The Constraints of SAARC**

With a combined landmass of 5.12 million square kilometres, a total population exceeding 1.65 billion – more than half of whom are under the age of twenty five – and an aggregate GDP of US \$5.5 trillion in PPP terms, the eight member SAARC grouping is currently poised to play a critical role in the new Asian century, provided, of course, if it does not get perennially distracted by problems of poor domestic governance, sporadic outbursts of ethnic, communal and sectarian conflicts, and unresolved border issues that are primarily the legacies of its colonial past. The fact that India overwhelmingly dominates the SAARC region and, thanks to its central location, has common land/sea borders with six of the seven other members, places it in an unquestionable leadership role. Unfortunately, however, given the problems enumerated above, India also often becomes the inevitable target of real and imagined differences with its SAARC neighbours. In particular, the single biggest obstacle to SAARC's efficacy as a regional body has been the frequent stand-offs between its two largest members, India and Pakistan, which between

them control 80 per cent of its land area, over 85 per cent of its population, and over 90 per cent of its GDP. With the western military presence expected to be sharply curtailed in Afghanistan by the end of 2014, the dangers of this most recent of SAARC members – already a victim of continuous strife for the past thirty five years – becoming an active centre of competition (if not of conflict) between India and Pakistan remains a distinct possibility. Such an unfortunate development certainly does not augur well for the future of SAARC. Indeed, the Association has been living proof of how bad politics can drive out good economics and prevent much-needed social change, thus consigning hundreds of millions of the region's poor to endless and needless suffering.

As we have seen, in the almost three decades of its existence, SAARC has made commendable progress in institution building, and has been fairly even handed in ensuring that all member countries are beneficiaries of SAARC related activities. The interest taken by the outside world in the Association is further evidence of its potential. And yet, a full eight years after the promulgation of SAARC's most valued initiative, the SAARC Free Trade Area (SAFTA) in 2006, today intra-regional trade accounts for around 5 per cent of the aggregate global trade of its member countries. This compares rather poorly with the EU's achievement of 67% per cent, the NAFTA's 40 per cent and the ASEAN's 26 per cent.

The realities of as many as five of the eight members of SAARC being LDCs – three are land locked and two are island nations – continue to be significant impediments to economic integration. The narrow basket of goods and services that virtually all SAARC members – barring India – can offer to one another as well as the absence of complementarities and weak or non-existent connectivity, remain serious drags on developing an effective trade regime, notwithstanding significant cuts – and even outright abolition of numerous tariff lines – for the LDC members by India and Pakistan in recent years.

Broadly speaking, the factors preventing SAARC from being a meaningful organisation can be enumerated as follows:

1. The asymmetries existing between India, its largest member, and the rest of the membership in terms of resources and capacities and exaggerated apprehensions of India often prevent the smaller members from taking full advantage of the vast market opportunities it offers, and place undue restrictions on the movement of goods, capital and people – all so absolutely essential for regional integration.
2. The centrality of India involves unresolved border issues, as well as split

ethnic communities along borders drawn by former colonial rulers. South Asian borders are porous for terrorists, smugglers and illegal immigrants, but a great hindrance for the law-abiding denizens of the region.

3. The poor quality of governance in many of the member states, despite the fact that democracy has finally gained ground in the region as a whole, poses yet another major challenge.
4. Non-state actors, often heavily armed, operating in difficult terrains, with or without the encouragement of State agencies, frustrate developmental and cooperative activities. At times, they even succeed in disrupting normal inter-state relations and in sabotaging well-intentioned initiatives.
5. Lastly, pervasive and widespread poverty, exacerbated by inadequate educational and health facilities is a major hindrance. It is indeed regrettable that well over 30 per cent of South Asia lives in dire poverty, often in conditions worse than in sub-Saharan Africa.

### **India as the Engine of SAARC**

Recognising that SAARC has been long on promises and short on performance, the twelfth SAARC Summit in Islamabad in 2004 grandiosely announced that the declaratory phase of the organisation was over, and that it would gradually and irreversibly move to one of implementation. As the largest member, India took this assertion seriously and committed itself to discharging its share of responsibilities in an asymmetric and non-reciprocal manner. For instance, within the framework of SAFTA, India sought to open up its market in a significant manner so as to reduce regional trade imbalances. In 2008, it unilaterally reduced its sensitive list of imports from LDCs from 744 tariff lines to 480 tariff lines, and in 2011 reduced that number further to a mere 25 tariff lines. In fact, the only products on the restricted list for import from SAARC LDCs are tobacco and liquor. Even the SAARC Agreement on Trade and Services – which came into force in November 2012 – provides for intra-regional investment and production opportunities in the services sector on a preferential basis for the LDCs in the region.

India remains steadfast in its support to SAARC and its related processes. Since the fourteenth summit in New Delhi in 2007, India has pumped in more than US\$ 530 million in funds to SAARC. This is over and above its assessed contributions for the socio-economic development of the region, and has driven important projects such as the SAARC Development Fund and the SAARC Food Bank. Additionally, India has extended assistance to several

regional projects in the fields of tele-medicine, tele-education, solar electrification of rural areas, rain-water harvesting, seed-testing, etc. All these projects are presently in various stages of implementation in different member countries.

Outside the purview of SAARC, India has taken a number of initiatives to improve bilateral relations with all member countries without exception. India's historic free trade arrangements with Bhutan and Nepal have been expanded to include a FTA with Sri Lanka as well as significant liberalisation of market access for Bangladesh's principal exports, namely textiles. India extended the MFN status to Pakistan way back in 1996, and has been patiently awaiting Pakistan's grant of Non-Discriminatory Market Access to it. It is risible that official trade between SAARC's two largest members should be a mere US\$ 2.5 billion when the potential is for tens of billions of dollars more. India is committed to the economic development of Afghanistan, and already has allocated US\$ 2 billion on important infrastructure projects in the energy and highway sectors, among others. The denial of transit access by Pakistan to Afghanistan has obliged India to develop the Chabahar Port facility in Iran for accessing both Afghanistan and the Central Asian Republics. It is a fact that India spends more on developmental assistance to Nepal, Bhutan, Bangladesh, Afghanistan and the Maldives than on all the Indian Embassies and Consulates abroad as well as on the offices of the MEA in India.

### **Road Ahead: Role of Modi Government.**

The coming to power of the new NDA government in May 2014 can be a great fillip to regional cooperation under SAARC. The presence of all the SAARC leaders at the swearing-in ceremony of Prime Minister Narendra Modi was an unprecedented, heart-warming event that resonated positively across the globe. The new Prime Minister has made it clear that making the region peaceful, stable and prosperous is one of his main objectives. He has also emphasised the desirability of all SAARC countries working together for ending the endemic poverty in the region. He has already been on successful visits to Bhutan and Nepal even as his External Affairs Minister has reaffirmed strong bilateral ties with the Sheikh Hasina Government in Bangladesh. Parallel regional initiatives – like the BIMSTEC and the BCIM – are expected to inject synergies into the SAARC cooperation process by associating other neighbours of India (like China and Myanmar) along with SAARC members like Bangladesh, Bhutan, Nepal and Sri Lanka. A similar cooperative arrangement with Pakistan, Afghanistan, Iran and the Central Asian Republics can simply transform the

region, only if Pakistan were to allow its overwhelming warrior mind set to be tempered by that of the industrialist and the businessman.

The optimist views South Asia as a half-full glass while the pessimist views it as half-empty. The realist, however, drinks the water in the glass, and wisely quenches his thirst. If we remain stuck in a quagmire of despondency over runaway population growth, grinding poverty of a huge section of the population, and endless squabbles over historic wrongs, the future looks grim. But, if we think of the region as overwhelmingly youthful, charged with vitality and a can-do mentality, well-integrated into the global economy thanks to its large diaspora, brilliantly positioned between the energy rich West Asia and the manufacturing hub of East and South-East Asia, and fully committed to inclusive developmental goals, then South Asia can be the region of the future. Let us not forget that the great periods of South Asia were the Indus Valley civilisation, the empires of the Mauryas, the Kushanas, the Guptas, the Cholas and the Mughals. During their eras, the region dominated the global economy; merchants, scholars, pilgrims and adventurers from all over the world flocked here in search of wealth and knowledge. India alone accounts for the third largest GDP in the world in PPP terms today. By the mid-2050s, India is projected to take over the USA and, eventually, even China by 2080. If the rest of South Asia joins hands, this glorious destiny can be reached even faster. Today, SAARC stands at the cross roads of momentous change.

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