

Making Sense of Regional Cooperation: SAARC at Twenty

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Abstract

The South Asian Association of Regional Cooperation (SAARC) completed two decades of its existence in 2005. Yet it has only made modest progress in achieving its regional goals. The reasons for this are many. Successful regionalism requires a shared faith in collective gains and a vision for long-term cooperation that has been missing. There has been a visible lack of trust among some of the principal actors, a preponderance of domestic political consideration and a strong sensitivity towards sovereignty that has prevented collective action and gains from cooperation. Some of the states have followed an enemy construct against their regional neighbours in shaping their respective identity. This has inevitably resulted in suspicion, mistrust and divergent security objectives. SAARC as a result has not been able to attain its objectives as defined in the Charter. However, a rapidly changing international environment, globalisation and new security challenges underline the necessity for regional cooperation, especially for the smaller states.

Introduction

Cooperation in the South Asian region predates the setting up of the South Asian Association for Regional Cooperation (SAARC). With a common cultural heritage and historical legacy, the ties among the people of the region have been extensive and deep-rooted. The birth of SAARC is only an official recognition of this commonality by the new post-colonial states. SAARC was conceptualised as an organisation that would accelerate economic growth, gradually bring about the formation of a unified market, promote a regional transportation network, and bring about social development in the region. Yet after twenty years of existence much remains to be done in creating mutual trust necessary for collective action as indicated by repeated postponement of various SAARC summits. Clearly

national political interests have taken precedence over collective economic interests that would have at the same time brought security gains.

The SAARC Charter clearly lays down that cooperation among member-states will be based on sovereign equality, territorial integrity, political independence and non-interference in internal affairs. The Charter further states that such cooperation will not be an obstacle to other bilateral or multilateral cooperation or be inconsistent with them. Nonetheless, a major hurdle before the organisation has been the failure of some of the member countries – especially Pakistan and Bangladesh – to overcome their proclivity to pursue political goals and limited national agendas within the regional framework. The initiative for regional cooperation was mooted by Bangladesh and the other geographically smaller neighbours of India were equally enthusiastic about it. But it is the smaller states that have in practice resisted regional integration in many ways over the past two decades. India, the largest and the core country within the regional organisation, is now a part of multilateral initiatives other than SAARC. If SAARC remains stymied and the smaller states do not actively engage in regional cooperation, India's other options such as the BIMSTEC (The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) organisation that seeks to integrate the region with its immediate Southeast Asian neighbours) and the emerging East Asia Community initiative would become far more policy relevant and meaningful. The smaller states that have everything to gain from the opening of the large and growing Indian economy would have the most to lose if SAARC does not take off. In the emerging global and regional context there is a need to reorient approaches to focus on economic, transportation and environmental goals. The entry of China, Japan, the United States and South Korea as observers in SAARC indicates the growing significance of India in global economy and security and the keen interest of these major states to profit from a larger regional economy that SAARC can create. The states in the region need to grasp this change.

Background: The Need for Regional Cooperation

Partition and the memories associated with it still dominate the political landscape of South Asia. The countries of South Asia, which under British colonial rule, functioned like a composite whole that had both transport linkages and economic inter-dependence, are now trying to function as autonomous economic units with protective trade regimes that are often

detrimental to their growth and well being. Such policies are influenced by the fear among some of the smaller states around India that interdependence will lead to the erosion of political autonomy and undermine their leverages for securing 'honourable' settlement of bilateral differences and at times disputes with India. Though at the core of regional cooperation, as defined by its objectives, are the people of South Asia, SAARC has remained essentially a government initiative. Business and industrial groups have not been actively involved. State-centric interests have dictated the scope of regionalism. The smaller South Asian states are apprehensive about popular movements in their countries supporting regional cooperation. They fear these may overwhelm the exclusive power of the government to hold multilateral cooperation hostage to the settlement of bilateral disputes (for example, in Pakistan). The involvement of people in the form of a civil society group either in influencing the agenda or in its implementation is limited. It is evident from the various summits that the states are not pursuing cohesive economic and political goals, and SAARC has become a tool in the hands of its members to further their foreign policy objectives.

From the very beginning foreign policy goals have been the unstated driver behind SAARC. The motivations of the regional states in creating the regional organisation were driven by foreign policy considerations though SAARC Charter kept bilateral disputes beyond the purview. Smaller countries like Nepal and Bhutan had great expectations from SAARC. Geographical imperative has made both the countries dependent on India including their foreign policy orientation, whereas India's security interests have compelled it to take care of their economic interests. In the case of Bangladesh the motivating factor is mutual economic dependency. The motive of these three countries to join SAARC was shaped by the consideration of greater visibility in regional affairs and wide ranging interaction among South Asian countries, especially between those that do not share borders. It was believed that SAARC would help them diversify their Indo-centric foreign policy in order to bargain with India in a unified manner.¹ At the same time, countries like Nepal felt that joint ventures with other countries need India's cooperation and goodwill for transportation and marketing.² For the smaller countries, SAARC not only gave them greater opportunity in regional development but also positioned them at par with India. For example, Nepal, which had difficulties with India on various issues, clearly felt that the regional forum would provide

the space for articulating its views and enable it to play a larger regional role. On the issue of water resources, Nepal wanted multilateral cooperation rather than a bilateral arrangement with India, though its waters flowed only into India. In effect, Nepal's desire to join SAARC was conditioned by several political considerations: attainment of individual and collective regional security necessary for economic development, preventing India from supporting anti-monarchy political groups, securing regional support for Nepal's zone of peace proposal and raising the political profile of Nepal in the region.³ Harnessing Nepal's river water was one of the key considerations. Nepal wanted to diversify technical cooperation on hydroelectricity with other countries as it sought to avoid dependence on India in harnessing the potential of Nepal's rivers, and key initiatives such as the Karnali multipurpose project.

In the case of Bangladesh, the post-Mujib phase witnessed General Zia-ur Rehman's efforts to diversify the country's external relations. Zia saw himself as a pioneer who could play an important role in the region. During Mujib's time, Bangladesh's foreign policy was Indo-centric and a Treaty of Peace and Friendship had been signed in 1972. The new leadership was suspicious of India and believed that the establishment of SAARC would give Bangladesh more say in regional affairs and act as a security guarantee. At that time Bangladesh had serious problems with India on the issue of the sharing of the Ganga water. It was envisioned that SAARC would provide a forum for settlement of some of these issues and help Bangladesh emerge as one of the important regional players in the region. Its basic approach towards India was not given up even after the Ganga water issue was settled favourably.

Sri Lanka, eager to look towards the South East Asia as its economic hub, was initially reluctant to join SAARC. However, due to its own ethnic crisis it became interested in the association expecting it would help assuage some of its apprehensions regarding India. Pakistan had only one goal – it believed that the forum would enable greater interaction with other Indian neighbours and it could be used to counter India's influence.

Setting the Agenda

Given the apprehensions and reservations by the member states, SAARC was hesitant to take up bold initiatives particularly in the field of economic cooperation – though this recently has become its principal

goal. This was amply reflected in the first preparatory meeting attended by the Foreign Secretaries of the South Asian countries in Colombo in 1981. The meeting chose to concentrate on non-controversial issues rather than forge broader cooperation. The areas that were identified for cooperation were: rural development, agriculture, meteorology, telecommunication, health and population, science and technology, transport and posts & telegraph services. Later, in the third meeting, sports, arts and culture, planning and development were also incorporated. The delineation of such areas of cooperation demonstrates that the SAARC members did not want to include anything on the agenda that would be controversial. In fact, little was achieved in regional terms in these areas since many of the subjects did not have a regional imperative.

The Integrated Programme of Action (IPA) was endorsed in a Foreign Secretary meeting in August 1982 in Dhaka. It once again reflected the inability to take purposeful initiatives and only talked of identification of projects, funding and coordination.⁴ It endorsed areas of cooperation only on social issues with scant attention to issues of trade. It is much later that issue like trade and communication found a place on the SAARC agenda. With the end of the Cold War and the disintegration of the Soviet Union, SAARC members had to take a relook at economic and other non-military issues from a developmental perspective rather than through the security lens. The impact of globalisation, the negotiations under GATT, emerging regional trade blocs elsewhere, to an extent influenced the outlook of the member-states.

SAARC prudently kept bilateral contentious issues out of the scope of the regional cooperation. It was believed that the inclusion of bilateral issues would hamper multilateral initiatives. SAARC was not set up as a bilateral dispute settlement mechanism. For a country to act as a facilitator in a regional setting for resolving bilateral problems it has to be accepted as a neutral player. But in the case of South Asia, due to its socio-cultural linkages and a prickly political history, it is difficult to consider any country as neutral. Some of the countries are seen as part of the problem than the solution. Other than India, none have the economic or diplomatic clout and geographical advantage to play any important problem-solving role in third country issues.⁵

India too did not want any bilateral dispute to find a place in SAARC. Nepal too was aware of the fact that bilateralism could derail the entire

edifice of multilateral initiatives.⁶ Nepal's stance initially was that "its major economic interests rest with India and therefore, the fulfilment of this interest needs special efforts vis-à-vis other countries; India is less complicated therefore easier to tackle".⁷ Bangladesh was also supportive of the idea of keeping bilateral issue out of the purview of SAARC. While Sri Lanka was against bilateralism since it did not want India to use the forum to censure its military actions against the Tamil population.⁸ Yet over the years the multilateral forum has been held hostage to bilateral problems by a few of the states. The members need to adhere to the Charter if regional cooperation needs to succeed.

SAARC has of course provided a forum for bilateral discussions on the sidelines especially when there has been an absence of formal interaction between the Heads of States. For example, the 1991 SAARC summit was an opportunity for the meeting between Nepalese Prime Minister and Bhutanese king to defuse the refugee crisis; the Male summit in May 1997 enabled the Indian and Pakistani Prime Ministers to meet and this paved the way for Foreign Secretary level meetings. The Colombo SAARC summit set the stage for a meeting between the Prime Ministers of India and Pakistan in the aftermath of the 1998 nuclear tests, and the Kathmandu summit in 2003 became significant in the background of the terrorist attack on the Indian parliament.

Over the past 20-years SAARC has gradually expanded its area of cooperation from ineffective social and developmental issues to closer economic cooperation. This shift reflects that the organisation is trying to adjust to new geo-strategic and economic developments in the period of globalisation. Some of the initiatives taken by the SAARC countries in the 2005 summit in Dhaka hold the prospect of a more meaningful regional cooperation. These are South Asian Free Trade Area (SAFTA), the SAARC convention on terrorism, cooperation on the issue of trade and transit, energy cooperation and lastly the issue of the admission of new member (Afghanistan) to SAARC and granting of observer status to China and Japan. However, these new initiatives are still at the level of intention and do not necessarily mean that they would be successfully implemented given the past record. Meanwhile, some members of SAARC too are engaged in multilateral initiatives beyond the South Asia region.⁹ The future of SAARC is clearly one filled with challenges.

South Asia Free Trade Agreement (SAFTA)

South Asian countries in general have competitive economies. The trade structure is mostly tilted towards primary goods. The countries of the region in general target their finished goods to foreign markets. SAFTA is projected as a model of integration that would ultimately lead to the formation of South Asia Economic Union once the zero tariff regimes is implemented. As per the terms of SAFTA, the more developed countries of the region (India, Pakistan and Sri Lanka) need to reduce their tariff to 20 per cent in the next two years and in the next seven years, by 2012, they would strive to bring it down to zero tariffs. The Least Developed Countries (LDCs) Nepal, Bangladesh, Bhutan and Maldives will get an additional 5-year by 2017 to bring down the tariff to zero per cent.

The agreement lays down preferences that are to be given under bilateral and multilateral arrangements under SAFTA. Similarly some of the clauses of agreement give protection under the GATT (both 1947 and 1994 Uruguay rounds) to the member countries for preserving some of the trade restriction (Article 7, Clause 5). The clause related to security consideration under SAFTA allows a member country to withdraw concession to another member. Protection is also provided to the domestic industries from “unfair” competition and a member-country can withdraw concession taking advantage of this clause (Article-16).

It is expected that SAFTA would bring much of the illegal trade in the region to the official level boosting all-round regional trade figures. Due to the lowering of tariff many of the high custom duty items that are smuggled would become part of official trade. Moreover, the SAFTA process could entail larger benefit if it works in harmony with other regional and sub-regional groupings like the BIMST-EC (which focuses on trade and investment, technology, transport and communication, energy, tourism and fishery) and the South Asia Growth Quadrangle (SAGQ) initiative under SAARC, though it is yet to take off.¹⁰ SAGQ, when it was still under consideration, became a critical factor in the domestic politics of some of the participating countries, particularly Bangladesh and Nepal. The ruling Awami League was accused by the then opposition Bangladesh National Party (BNP), whose founding leader Zia ur Rahman pioneered SAARC, of conspiring to sideline SAARC through this sub-regional cooperation.¹¹ Nepal, which took a lead in initiating SAGQ, also had a lot of explaining to do to the domestic opponents. India too was a little suspicious about the

role of the Asian Development Bank that did the feasibility study of the project.

SAFTA may appear attractive but the volume of trade in actual terms could be very small for sometime. The countries of South Asia have long negative lists¹² and their protective trade regimes inhibit free flow of goods. This would hinder the evolution of a common market. Such obstacles and restrictions have given rise to smuggling and unofficial trade. Unless the countries let the market forces to decide the list of imports and exports the governments would lose substantial revenues. With porous borders such protective trade regime are not sustainable.

The LDCs have been demanding revenue compensation be made effective from the third year of SAFTA's enforcement until the final year of tariff liberalisation programme.¹³ The Non-Least Developed Countries (NLDC) finally agreed to compensation to be given to the LDC for revenue losses for four years instead of eight as was demanded by Bangladesh. Bangladesh earlier wanted compensation for revenue losses against lowering of the customs and value addition duties and other charges. It finally agreed on compensation to be given by the more developed countries of the region against losses in customs duty only.¹⁴

The 'rule of origin' is also problematic unless there are efficient mechanisms to monitor and certify goods originating from the member countries. A unified agency is required to certify whether agreed standardisation of not more than 40 per cent value addition has been ensured as per the rule of origin principle mentioned under Article 8 of the SAFTA charter.¹⁵ Harmonisation of standards would be the most controversial issue since each state is at a different stage of development. This apart, free trade would include simplification and harmonisation of customs clearance procedure; harmonisation of national customs classification based on HS coding system; cooperation to resolve disputes at custom entry points; simplification and harmonisation of import licensing and registration procedures, simplification of banking procedures for import financing; transit facilities for efficient intra-SAARC trade, especially for the land-locked contracting parties; removal of barriers to intra-SAARC investments; macroeconomic consultations, rules for fair competition and the promotion of venture capital; development of communication systems and transport infrastructure, etc. The list is ambitious but necessary for the success of SAFTA. To make the dream of

regional free trade come true a lot will depend on the political leaderships and sincerity of each country to overcome their narrow domestic interests. Article 10 of SAFTA delineates an institutional arrangement for the successful implementation of free trade with the constitution of the SAFTA Ministerial Council (SMC).

SAFTA clearly mentions that any concession given to one member-state under the free trade agreement is automatically extended to other members. Like India, Pakistan is set for bilateral free trade agreement with some of the SAARC countries. A bilateral free trade agreement with Sri Lanka has already been signed and such an agreement with Bangladesh is under consideration. Pakistani Prime Minister in his speech at the Dhaka summit urged "SAARC countries for joining the Asian mainstream of development". Pakistan ratified SAFTA on February 14 but has clearly stated that it would not allow imports of Indian products under SAFTA and would have limited bilateral trade with India under the existing arrangement.¹⁶ It is because of the slow process of regional economic cooperation and Pakistan's objection to enhancing economic ties that has forced India to forge bilateral free trade agreement with its other neighbours — Nepal, Bhutan and Sri Lanka. India is at the centre of economic activity and the neighbouring countries realise this. Sri Lanka can benefit immensely from bilateral free trade since some of the commodities that the country imports from outside are available in India; it signed the free trade with India.¹⁷ India has called for a bilateral FTA with Bangladesh to bridge the huge trade surplus that it enjoys with Dhaka. Bangladesh is opposed to such an agreement with India but is considering a similar proposal from Pakistan. There is a fear that in case Pakistan does not fully implement SAFTA, India would block its trade with Nepal and Bhutan. SAGQ proposal has grown out of concerns of some of the member states regarding economic cooperation. It would be pertinent to quote the Indian Foreign Secretary's speech on February 14, 2005 at the Institute for Defence Studies and Analyses (IDSA), New Delhi, "Economic integration in the sub-continent must restore the natural flow of goods, peoples and ideas that characterised our shared space as South Asians, and which now stands interrupted due to political divisions". The bilateral FTAs are going to compliment SAARC.

There are certain clauses in SAFTA that would hinder regional economic integration or slow the process. At the same time these clauses have their

own significance. It provides security sensitive countries certain flexibility and options. Article 14 of SAFTA allows the countries of SAARC to adopt measures that they feel are necessary for the protection of 'national security'. This is subject to the requirement that this would not lead to arbitrary or unjustifiable discrimination between countries where similar 'conditions' prevail or should not be a disguised restriction on intra-regional trade. This clause would provide scope for political interpretation of what constitutes 'national security' and the 'conditions' where national security of a particular state is threatened. In the past some of the states have shown little inclination to dilute their nationalistic agenda while pursuing regional goals.

SAFTA also gives protection to those countries having balance of payment problem; however it is silent on how to improve the export basket of the least developed countries. Each of the countries is not equally dependant in terms of their imports from within the region. It would have been significant if SAFTA had clubbed the service sector along with trade so that the balance of payments in some countries improves. A common investment policy that could enhance trade is necessary. Coupled with this, transport facilities, improvement of communication network and port facilities need to be developed.

Additional Protocol to the SAARC Convention on Terrorism

The purpose of the Additional Protocol as defined under Article 1 of the Convention is to strengthen the 1987 convention on suppression of terrorism adopted by SAARC. The additional protocol deals with "collection and acquisition of funds for the purpose of committing terrorist acts and taking further measures to prevent and suppress financing of such acts" for which the cooperation of the states is needed. Apart from the exchanges of information; measures to suppress and eradicate the financing of terrorism; extradition of terrorists and promoting technical cooperation among member-countries have been mooted. The Protocol was signed in the Islamabad summit by the foreign ministers of SAARC and came in the backdrop of the post-9/11 developments. It needs to be noted that terrorist financing and the support structure is not new to subcontinental politics. This Protocol was hammered out to meet the obligations of the UN Security Council Resolution 1373 (2001).

However, the hurdles to actual cooperation in this area remain. The

definition of terrorism has been contested by the member-countries. The Indian Prime Minister Dr Manmohan Singh in his speech at the Dhaka summit emphasised that countries must stop “Harbouring hostile insurgent groups and criminal elements” and put a stop to cross-border terrorism. He stressed on zero tolerance to terrorism. The definitional complexity can be gauged from the fact that Pakistan in the Kathmandu summit had made a distinction between ‘acts of legitimate resistance and freedom struggle’ and ‘acts of terrorism’. To quote Pakistan’s Foreign Secretary Riaz Khokar, “We are not in the business of building bridges if there is a gap (in the definition of terrorism), all are welcome to keep their interpretation on the subject”.¹⁸ In fact, the draft Protocol that was proposed by Colombo in May 2003 did not have Islamabad’s approval. Islamabad proposed that the language of the Protocol be changed and suggested that the formulation approved by the 13th NAM Summit in February 2003 be adopted instead.¹⁹ In fact due to the pressure from Western countries, Pakistan finally agreed to the adoption of the additional protocol at the Kathmandu SAARC summit. But the duality in its policy remains in place. Again to quote Khokar, “We are mindful of our obligations of combating terrorism in all its form and manifestation, we will not compromise on our *vital national interests*” (emphasis author’s). This clearly indicates the limitation of the SAARC protocol and problems of implementation.

Another problematic area is Article 17 of the Protocol, which talks of non-discrimination while considering a request for extradition. It clearly states that “the member countries are not under obligation to extradite or provide legal assistance if the requested state party has substantial ground to believe that extradition has been requested for the purpose to punish a person for his race, religion, nationality, ethnic origin or political opinion and the request would cause prejudice to that person’s position for any of these reasons.” In South Asia where several groups are engaged in separatist movements, the above definition almost leaves them out of the purview of terrorism. Since states in the region accuse each other of harbouring terrorists and providing shelter, there is reluctance to facilitate extradition requests. The Protocol is ambiguous in this regard. For example, both India and Pakistan have different position on Jammu and Kashmir. Pakistan repeatedly makes assertion of ‘freedom struggle’ in Jammu & Kashmir and of providing ‘moral political and diplomatic support’. For India, Pakistan is abetting cross-border terrorism in Jammu and Kashmir. Despite huge internationally recognised evidence of terrorist and militant groups

continuing to operate from Pakistan occupied Kashmir, Islamabad as a routine denies that this is happening. Since states have their own interpretation of terrorism, it is inconceivable how a comprehensive protocol on terrorism can prevent state from sponsoring terrorism or giving protection to terrorists. Article 18 states: “state parties shall carry out their obligations under this Additional Protocol in a manner consistent with the principles of sovereign equality and territorial integrity of states and that of non-intervention in the domestic affairs of the states”. Given the lack of a definitional consensus on terrorism the Additional Protocol is going to be another piece of legislation that is likely to remain ineffective, as some of the clauses are ambiguous in definition and meaning.

Reciprocal Transit Facility

Reciprocal transit facility to the countries of the region and outside would compliment regional economic integration in terms of transport linkages. It was suggested in the speech of the Indian Prime Minister that such an initiative would link up the region to South East Asia and this transit route would be extended to the Gulf and Central Asian region. This compliments the Pakistan Prime Minister’s proposal to make South Asia more outward looking in terms of linkages and cooperation with other regional groupings. Such broad framework of inter-linking the region and beyond would significantly help overcome resistance inherent in a bilateral set up where the trading country perceives the issue of transit as largely benefiting India and therefore is a reluctant partner. Bangladesh is a case in point. It is uncomfortable with bilateral transit arrangements in spite of studies by Bangladeshi scholars that have revealed positive aspects of such arrangement.²⁰ India’s announcement to provide reciprocal transit facility would help Bangladesh, which is demanding access to Nepal and Bhutan. Yet the opposition in Bangladesh remains strong. Similarly, India’s request for transit facility to Afghanistan can enhance greater regional cooperation as Afghanistan is poised to be a member in the next SAARC summit. Bangladesh has shown its eagerness to provide port facility to Nepal and Bhutan but denies the same to India. Thus, South Asia’s traditional strong connectivity and trade routes that were disrupted by the drawing of new boundaries and creation of new states remain blocked and a victim of politically guided decision.²¹

The proposed Asian Highway will integrate the region to Southeast Asia. The 1,360 km of trilateral transport connectivity announced in

Yangon in April 2002 will connect Moreh in Manipur to Mae Sot town in Northern Thailand through Bagan in Central Myanmar. "It would provide a land corridor to India connecting its Northeast with Thailand and Myanmar. India has already built a road link between Manipur and Yangon, capital of Myanmar, which has a land boundary with Thailand. This would eventually be part of the proposed Asian Highway.²² Dhaka in the last minute did not sign the Asian Highway network as it was against the current route that enters Bangladesh in Benapole and Banglabandh and exits in Tambil into India. Dhaka wants the Dhaka-Yangon highway to be a part of the Asia Highway therefore preventing the route to enter into India again from Tambil.²³ Clearly, Bangladesh fears that its obduracy to use the transit and the transshipment issue as a foreign policy tool would weaken once the Asian Highway facilitates greater integration. If member-countries are reluctant to facilitate transit rights among themselves, it would be difficult to promote greater trade or gain from SAFTA.

In the case of India and Pakistan, over the past two years bus and train services have reopened along some of the old railway lines and roads. In the case of Bangladesh there are also buses from both Kolkata and Agartala to Dhaka. Recently, Bangladesh Prime Minister in her visit to India agreed to provide transshipment of Indian goods through its territory – which would help in strengthening bilateral relations. In fact, for making SAFTA a reality, transport communications becomes an important part and not surprisingly is also extremely politicised. Pakistan, for example, has refused to extend transit facility to India for its trade with Afghanistan. Trucks that are coming from Afghanistan with goods return empty.

Energy Issues

Energy cooperation is a crucial area that needs to be enhanced through regional collaboration. "It is evident that during periods of high inflation of energy resources, energy imports lead to negative effects on output, terms of trade, debt and even income distribution."²⁴ A scholar commented, "...it would make sense for South Asia to move away from conceiving of its energy security as a national project and to redefine its market in regional term".²⁵ There has been initiative by few countries within and out of the region to seek energy cooperation. The Iran-Pakistan-India pipeline and the Myanmar-Bangladesh-India pipeline are under consideration – though they face political uncertainties. Bangladesh has linked the pipeline project to getting transit facility to Nepal and Bhutan, and in purchasing electricity

from these countries before agreeing to the pipeline passing through its territory. India and Myanmar have gone ahead with one round of negotiations to consider a different route for the pipeline bypassing Bangladesh's territory. However, after the intervention of the former Petroleum Minister of India, Bangladesh remains a part of this project.

Pakistan and India in 1997 had agreed on transmission of 400-500 MW of power from Lahore to India because necessary infrastructure already existed and a small expenditure was required to revive it. However, pricing of electricity became a problem. The negotiations completely broke down due to the Kargil conflict. Nepal and Bhutan have water resources that are yet to be fully exploited for electricity needs of the region. The western zone of Bangladesh can purchase electricity from the eastern zone of India and re-export it to the North-East region. According to an estimate, Bhutan could be trading over 1600 million units annually to the tune of US\$ 53 million with India after the recent hike up to 3.3 cents per unit.²⁶ Recently, Nepal has signed an agreement with India on power trade. Given the potential of both Nepal and Bhutan in the area of hydropower generation, the establishment of a SAARC power grid becomes important. The present inter-regional power transfer capacity is 5,500 mw, which is 5.5 per cent of total capacity.²⁷ India has the capacity to form a regional grid and is in the process of interconnecting its five regional grids, which could trade the surplus power among the regions, as well as facilitate intra-regional trade with Nepal, Bhutan, India and Bangladesh.

Broadening SAARC: Issue of Membership

The issue of extending membership of the SAARC has been one of the important questions. Afghanistan that was originally an applicant for SAARC membership when the Association was formed is again an applicant. Pakistan was earlier opposed to Afghanistan becoming a member of SAARC, it has now agreed. Similarly, China, Japan, the US and South Korea are to be admitted to SAARC as observers. China is an increasingly important trade partner of the regional states. Japan is the major development assistance provider to the South Asian countries, and an important investor. SAARC-Japan Fund has already been established to enhance economic cooperation.²⁸ Likewise, both the US and South Korea have strong and growing economic ties in the region. Observer status allows these countries to participate in the meetings, shape its thinking through their interactions, but not be part of decision-making. The meeting

scheduled for July 2006 is going to discuss and frame specific obligations and rights that would be extended to the countries that seek observer status in SAARC. The coming in of the Observers may help remove some of the apprehensions of the smaller states and overcome many of the obstacles to regionalism.

Does membership in other regional organisations hamper the member-states' commitment to SAARC? There are two views. First, some feel that it would impinge on the progress of SAARC to a certain extent because the focus on the region would get diluted. However in the period of globalization it becomes difficult for the countries to remain confined to regional groupings. Second, it also compliments diversification of economic opportunities. Other regional groupings have their own dynamics and priorities. Some of the issues that the SAARC states confront are region-specific. Interaction between various regional groupings and some of the SAARC member-countries in other fora could help regional learning and contribute to the progress of SAARC.

The South Asia Development Fund has been established to serve as an umbrella financial institution for all SAARC projects and programmes and comprises of three windows — the social window, infrastructure window and economic window — with a Permanent Secretariat. A decision regarding this was taken during the 11th SAARC summit. Perhaps the funds available to this organisation could be augmented for the development of the region. Part of the fund could be used for the development of infrastructure to help closer interaction within the region. Other than funding from within the region, outside funding should be encouraged.

Given the new security and economic dynamics a pertinent question that emerges is whether SAARC has shifted from its original agenda? The original agenda of regional cooperation was confined to social and cultural issues barring a few areas such as agriculture and health. The new geopolitical and regional economic scenario has radically altered SAARC's scope. Globalisation of economy, trans-national linkages of terrorist outfits, and issues concerning energy security have their own dynamics. Therefore, after twenty years of existence the member countries are finally addressing the issues of free trade, infrastructure development and terrorism which earlier were not on the SAARC charter. There also has been frequent criticism that the organisation's inability to take up bilateral issues has

resulted in the stagnation of SAARC. Given the political complexity involved in bilateral issues, SAARC is not in a position to play any constructive role in the resolutions, and in fact such issues have hindered SAARC's progress as argued earlier. Rather, even the limited progress that SAARC has made would have been stymied had the bilateral issues been included. It is also felt that since SAARC has provided a forum to discuss bilateral issues, on the sidelines of summit meetings, such issues are invariably given more prominence. On a few occasions holding the summit in time has been a major challenge for the host country owing to the frequent postponements over issues that are bilateral in character.

Development of South Asian Personality

Nation-states are central to regional cooperation and political leadership plays an important role in decision-making. According to a scholar, "The mapping of the cartography of the colonial regime eroded the foundation of regional linking, with the notion of nation-states remaining strong. Since the nation-states are themselves in the process of being formed in the region, the concept of supranational region seems novel and contradictory to the immediate task of nation-building. Nation-states are absolutely central and crucial for any project in South Asia".²⁹ In the South Asian regional cooperation, states have not been able to think beyond the nation-boundary. The whole notion of welfare has been confined to geographical boundaries. It is difficult for some of the states of South Asia to appreciate the idea of a South Asian Economic Union as they fear their sovereignty would be diluted. The domestic politics of South Asia too have been intertwined with intra-state rivalry and misunderstanding. Therefore, when nations make regional efforts they largely play to the public gallery at home. It would not be unfair to suggest that SAARC summits are major photo opportunities for the Head of the States. The high sounding declaration only gets time-specific attention of the media and the public and the media thereafter lose interest.

As it stands, neither India nor Pakistan expect much from such summits. India, after its initial hesitation to join SAARC, has been frustrated at the progress and has been held responsible by smaller neighbours on many occasions for the postponement of the summits. In any case, it is imperative for India to cooperate with the smaller neighbours both at the bilateral and multilateral levels because it shares borders with each of them. India's neighbours too need to realise that it would be beneficial for them

to follow a cooperative paradigm with India to advance their economic and security interests. SAARC also helps India because the forum assuages the insecurity of its smaller neighbours by providing a level playing field and gives them psychological assurances. In the case of Pakistan, its South Asia policy hinges on its India policy. At the policy level, Pakistan needs the support of India's neighbours but in matters of trade it stands to lose little if SAARC fails. In fact, SAARC appears to have had a very limited use for Pakistan other than the pursuit of its foreign policy goals. Pakistan understands that India's primacy in the neighbourhood is based on its economic and geographical configuration. The Gujral Doctrine to an extent cemented the psychological barrier that the smaller countries of South Asia had nurtured. But much more needs to be done before regionalism can take off.

Mutual distrust and suspicion have hampered the evolution of a mutually beneficial security doctrine necessary to sustain SAARC. To quote Indian Foreign Secretary Shyam Saran, "Some members of SAARC actively seek association with countries outside the region or with regional or international organisations, in a barely disguised effort to 'counterbalance' India within the Association or to project SAARC as some kind of a regional dispute settlement mechanism". This is obvious from the fact that time and again some members have brought in bilateral disputes within the purview of SAARC and some have advocated resolution of bilateral disputes to make SAARC more vibrant. In effect, it is a way to paralyse SAARC for narrow national interests by linking bilateral issues to the greater issue of peace and security in the region.

At the bilateral level there is a need to strengthen relations as this impinges on the progress of SAARC. To quote Shyam Saran again, "We are prepared to invest our capital in rebuilding and upgrading cross-border infrastructure with each one of them. In a word, we are prepared to make our neighbours full stakeholders in India's economic destiny and, through such cooperation, in creating a truly vibrant and globally competitive South Asian Economic Community. However, while we are ready and willing to accept this regional economic partnership and open up our markets to all our neighbours, we do expect that they demonstrate sensitivity to our vital concerns".³⁰ Security concerns of most of the states are non-traditional in nature and mostly stem from porous borders and diffusion of small arms. There are insurgent and anti-national groups who are actively crossing the boundary by taking advantage of adversarial or unfriendly relations

that exist between some of the countries. In several cases security issues have spilled over international boundaries almost nullifying the efforts of the nation-state to address them individually. Non-state actors are against the state and some have acted as mercenaries. In order to deal with such dangerous situations, a South Asian personality needs to be evolved. Unless there is a feeling of community, it would be difficult for the states to make a joint effort.³¹

It has been argued that SAARC lacks leadership.³² India, which is the pre-eminent power in the region, is reluctant to take the lead because it is wary of getting enmeshed in the politics of the region. In fact, hostility against India is linked to regime stability in the smaller states of the region. India is seen as a country that supports democratic and secular forces. This creates uncertainty among the non-secular and authoritarian states in the neighbourhood. There are also the questions of national identity and the construction of the 'other'. It is possible that greater economic integration will dilute issues that are political in nature. In fact, with more open, soft and regulated borders in place the notion of 'nationalism' would not brim with the paranoia over sovereignty.

There is a need for greater sub-regional cooperation to accentuate regional economic integration. This would lead to greater inter-dependence in the border areas which have remained marginal in the context of national growth.³³ The people of the border areas are connected to the state through citizenship though there are a lot of convergences between the peripheries of the states and the adjacent region of the bordering neighbouring countries. The propaganda war of ultra-nationalists has made the people residing in border areas to view them as 'nationals' belonging to a particular state. However, the porous nature of the border has changed the notion of the 'other'. This is why the states are more insecure about their border areas and nationalistic construction is more often questioned in the periphery. It makes economic sense to allow trade between the border areas of two countries. For example, it is easier for the north-eastern states to trade through Chittagong rather than Kolkata. But the national boundary and issue of sovereignty has made it impossible. For medical treatment people living in Khulna find it convenient to come to West Bengal than go to Dhaka, preferring to cross the border by paying a bribe instead of travelling to Dhaka for an Indian visa. It is simply more cost effective.³⁴

Conclusion

The trouble with SAARC is that its member-states have in many instances involved in creating trouble in their neighbourhood. Some of the bilateral problems have greater implications for interstate cooperation. For example, in spite of talks of softening of the border for greater travel between India and Pakistan or a soft border with Pakistan Occupied Kashmir, the suspicion of sabotaging the effort exists. This bilateral suspicion also spills over to other issues of regional cooperation. The region, which has the potential to emerge as a major transport hub and can provide access to both Central and South East Asia, is mired in narrow nationalistic agenda. It is important to mention that some of the agenda concerning regional cooperation have arisen from certain domestic compulsions and do not necessarily bring genuine regional gains. Moreover, the states have adopted a wait-and-watch policy on certain issues like trade and development of communication linkages. The states need to believe in geographical *status quo* and allow greater travel and transport linkages so that economic cooperation becomes feasible. In the case of Bangladesh, the problem has been of managing the border and one often sees border skirmishes between India's Border Security Force and Bangladesh Rifles. The question of Bangladeshi migration to India has also been a contentious issue. While talking of economic integration and envisaging a common market, the states of South Asia need to work out a work permit system. Citizenship is a political problem, however, providing work permit would enable a country to manage the politically unwanted elements who try to cross the border for economic opportunities and avoid the issue of unwanted citizenship. This would bring economic benefit to the people of South Asia.

SAARC has made progress in fulfilling some of its commitments under its social charter. As an organisation it also brings the leaders of all the South Asian countries together to work for a common regional destiny. SAARC needs to aim at uniting the region economically, preserving the commonality of the socio-cultural ethos and at the same time allowing the countries to retain their sovereign political identity. The challenge would be to overcome the bilateral political differences in order to make the region a coherent whole where the geographical boundaries do not act as a barrier to economic integration. This will be possible if the states shed the notion of absolute sovereignty and look at South Asia as a region in broader terms

than an amalgamation of seven different countries. Greater success in trade, investments, travel, and communications would in turn create the political constituencies and conditions for bilateral dispute resolution.

References/End Notes

- ¹ Peter Robinson, "Patterns of Economic Cooperation in South Asia", *Round Table* No., 287, July 1983, p.301
- ² Narayan Khadka, "SAARC: A Nepalese Perspective", *Round Table*, No.309, 1989, p. 83
- ³ Narayan Khadka, *Ibid.*, p.72.
- ⁴ The IPA identified eleven areas of cooperation. Agriculture, communications, education-culture-sports, environment and meteorology, health and population activities, prevention of drug trafficking and drug abuse, rural development, science and technology, tourism, transport and women in development.
- ⁵ For a discussion on bilateralism and SAARC see Smruti S Pattanaik, "Indo-Pak Relations and the SAARC Summits", *Strategic Analyses*, 28 (3), Jul-Sep 2004, pp.428-31
- ⁶ Gorkhapatra, April 21, 1981, as cited in Narayan Khadka, no.2
- ⁷ Narayan Khadka, no.2, p.76
- ⁸ Jayadeva Uyangoda, "Sri Lanka Conflict and SAARC", *South Asian Journal*, p.69
- ⁹ India and Pakistan are dialogue partners of ASEAN and are also members of the ARF. India, Bangladesh, Sri Lanka are members of BIMSTEC, Similarly India and Pakistan are associated with the Shanghai Cooperation Organisation as observers.
- ¹⁰ For details on SAGQ and its failure see Madhukar S.J.B. Rana, "Future of the South Asia Growth Quadrangle: Role of the Asian Development Bank", *South Asian Survey*, 12 (2), 2005, pp.159-175
- ¹¹ Md Nuruzzaman, "SAARC and Sub-Regional Cooperation: Domestic Politics and Foreign policies in South Asia", *Contemporary South Asia*, 8 (3), 1999, pp.314-317
- ¹² India's sensitive list for the Less developed countries (LDCs) contain 763 items and for the Non-Less Developed Countries (NLDCs) is 884. Similarly Pakistan negative list items for both the LDCs and NLDCs are 1183; Bangladesh's list for the NLDCs is 1254 items and for LDCs 1249; Sri Lanka's list for both LDCs and NLDCs contain 1574 items; Nepal list for LDCs 1,300 items and NLDCs 1350 items, Bhutan for both LDCs and NLDCs is 259 items and Maldives for both category is 671 items.
- ¹³ Some of the issues that had the potential to derail SAFTA have been amicably settled between the NLDC and the LDC. These are (i) the issue of sensitive list

(ii) revenue compensation for the LDCs and (iii) rules of origin which were taken up in the Kathmandu meeting.

- ¹⁴ Khalid Mustafa, "SAFTA: LDCs to be Compensated for Four Years" *News International*, December 8, 2005. at www.jang.com.pk/thenews, (Accessed January 28, 2006). On the issue of sensitive list, Pakistan managed to get concession list of 1,180 items approved which is 22.5 per cent ceiling of the total tariff lines against 1,050 items as per 20 per cent ceiling. India's no-concession ceiling list stands at 850 items and Bangladesh's at 1,050 items. On the issue of rules of origin, 40 per cent value addition plus change in tariff heading is allowed to the developed countries and 30 per cent change in tariff heading to the lower developed countries.
- ¹⁵ Article 9 of the rule of Origin says any product that has 50 per cent of regional cumulative value addition with 20 per cent of value addition in the final manufacturing stage by an exporting country will qualify for SAFTA.
- ¹⁶ According to Pakistan full implementation of Safta among Saarc countries means trade with India is open which is impossible prior to progress on the Kashmir issue. Khalid Mustafa, "Pakistan ratifies SAFTA Unconditionally" *News International*, February 16, 2006 (Internet edition), Accessed February 17, 2006.
- ¹⁷ Saman Kelegama, A New Direction for SAARC: An Economic Perspective, *South Asian Survey*, 9 (2), 2002, pp. 176-77
- ¹⁸ Qudssia Akhlaque, "Consensus on Vital SAARC Agenda: Progress Made on SAFTA", *Dawn*, January 2, 2003 at www.dawn.com (Accessed January 3, 2003).
- ¹⁹ The NAM Summit comprising 116 member-states concluded that attempts that are made to equate legitimate freedom struggles by people under alien occupation or foreign domination should be avoided. India proposed that in the additional protocol the member-states shall take certain steps and make amendments to domestic legislation, if required, to ensure that criminal acts by terrorists were not justified by domestic, political or ideological considerations. See "Pacts on Terror Tops SAARC Agenda", *Kashmir Times*, December 30, 2003.
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- ²¹ Rehman Sobhan, "The Twelfth SAARC Summit: Charting a Road Map for South Asian Cooperation", *South Asian Survey*, 12 (1), 2005, pp.9-11
- ²² See <http://news.indiamart.com/news-analysis/bimst-ec-summit-a-mi-7074.html> (Accessed October 30, 2005)
- ²³ ADB has recently proposed to make Bangladesh as transport hub by developing infrastructure.
- ²⁴ Documents, "South Asia and Regional Cooperation", *South Asia Survey*, 9 (2), 2002, p.301

- ²⁵ US energy giants are investing heavily in South Asia Regional initiatives for energy cooperation and development. Rehman Sobhan, no. 21, p.11.
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- ²⁸ Documents, South Asia and Regional Cooperation, *South Asia Survey*, 9 (2), 2002, p.291
- ²⁹ Saman Kelegama, no.17, pp. 182-83
- ³⁰ Refer Foreign Secretary's speech, February 14, 2005, at www.idsa-india.org.
- ³¹ Sridhar Khatri, "The Politics of Becoming a Community: Stages and Prerequisites", *South Asian Survey*, (6) 2, 1999, pp.197-229
- ³² Baljit Singh, "Regional Cooperation in South Asia: Problems and Prospects", *South Asian Survey*, 12 (2), 2005, p.181
- ³³ Pratap Bhanu Mehta, "SAARC and the Sovereignty Bargain", *Himal South Asia*, Nov-Dec, 2005, p.19
- ³⁴ Interviews with people who have crossed the border from Khulna.

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