

**A Brief History
of
South Asia Association
of Regional Cooperation
(SAARC)**

Vikas Adhyayan Kendra (VAK) established in 1981, is a secular voluntary organisation engaged in the study and research of contemporary social issues. Geographically, VAK's activities are oriented towards Western India, viz., Maharashtra, Gujarat & Goa.

A Brief History of South Asia Association of Regional Cooperation (SAARC)

by Surabhi Sinha Mathur

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Vikas Adhyayan Kendra (VAK)
D-1, Shivdham, 62 Link Road
Malad West, Mumbai 400 064, INDIA
Ph: 2882 28 50 / 2889 86 62
Fax: 2889 89 41
Email: vak@bom3.vsnl.net.in
Website: www.vakindia.org

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Introduction: South Asia

South Asia occupies a prominent place in global politics today – it being a tumultuous region with a common cultural background and a shared political experience. It is one of the most complex regions in the world with its multi-ethnic societies, internal divisions along linguistic, regional, communal and sectarian lines. These factors play an important part in creating the differences and uniting the region in the same breath. One can therefore say that the ethnic or communal dimension of South Asian conflicts is well known.

It is an irrefutable fact that militarism is incompatible with democracy and makes possible the aggressive domination on society. Militarization enforces a strict hierarchical relationship between the State and Civil Society, privileging the military over the civilians, focusing on masculine notions of honour leading to a decline in democratic institutions and the rise in national security laws and ultimately leading to the erosion of human rights. It leads to stringent laws, curtailing human rights and liberal space. The United Nation efforts as being an accountable mechanism are subverted to suit Western Power and their designs. South Asia now sees a new form of militarism in the region, led by the United States of America and its allies as ‘War on Terror’. We now see rising militarism commensurate rise in militancy and resultant strangulation of the democratic principles in the region. This has resulted in causing disillusionment amongst the South Asian people. Afghanistan, Pakistan,

India and Sri Lanka have been the fertile grounds for their power games. The deployment of the US Marines in the guise of post-tsunami humanitarian work places American war tactics in a new global context. The massive \$504 billion defence budget of the US was used to impose their imperialistic designs on these South Asian Nations-particularly Afghanistan and Pakistan. People's aspirations have short shrift in the process of the US wanting to capture vital resources and strategic areas in competition with China

In Sri Lanka majoritarian politics and competitive chauvinism has played a significant role in alienating the Tamil Minority. The shift in the demand of autonomy to sovereignty by the Tamils is a glaring example of how the existing situation is allowed to aggravate through majoritarian myopic politics and policies. Nepal witnessed a resistance movement that led to the people's victory and emphasized the people's role in the democratic process of that country. In Bangladesh the democratic regime indulged into corruption and nepotism, which created an environment of disillusionment that helped in swelling the ranks of fundamentalist and extremist forces, giving legitimacy to the military take-over. Burma has been in the grip of military dictatorship, disbanding the legitimate democratically elected government. The leaders of the National League for Democracy (NLD) including Aung Sui Kei have been incarcerated in the process. Violence shown against the monks demonstrating against people's inimical policy was brutally crushed. Pakistan is seen moving towards a restoration of democracy with the recent elections. The extremist groups who nurtured the military regime for decades have seen a rebound. Their notion of having a stranglehold in Afghanistan has boomeranged and now it is essential that peace and stability be maintained in both the countries, thus leading to peace in the region.

In the words of Chomsky, terrorism has a new definition and this is masked by globalization. Neo liberal regimes have undermined the State's abilities and welfare to protect the lives of the people. It brings about violence through structural

reforms and the ensuing relationship between the state, market, politics and economics has tilted in favour of the corporate world. On the one hand globalization brought unparalleled catastrophe, promotes inequality, unrest and inequity in all spheres of life and on the other side globalization also rules the means to wage war by protecting and promoting the military industries. For instance, Burma was known as a land of high quality teak, abundant natural resources and highly fertile Irrawady basin. Those resources are being used to prop up the repressive military regime.

SAARC

The *South Asia Association of Regional Cooperation (SAARC)* comprises the eight countries of South Asia, i.e. Afghanistan, Bangladesh, Bhutan, India, The Maldives, Nepal, Pakistan and Sri Lanka. It is an association based on the consciousness that in an increasingly interdependent world, the objectives of peace, freedom, social justice and economic prosperity are best achieved in the South Asian region by fostering mutual understanding, good neighbourly relations and meaningful cooperation among the Member States which are bound by ties of history.

Heads of the seven states (at the time Afghanistan was not a member) of South Asia that met in December 1985 officially launched the beginning on the South Asia Association of Regional Cooperation (SAARC). They signed a *Charter of SAARC* and adopted the *Dhaka Declaration*. President Zia Ur Rahman first conceived the SAARC in May 1980. In April 1981, the Foreign Secretaries of the seven countries met for the time in Colombo. Later in the year in August, the Committee of the Whole met again in Colombo and identified five broad areas for regional cooperation. In August 1983, the SAARC proposal was first accepted in New Delhi and the framework of SAARC cooperation was decided to be undertaken in five areas of activity under the Integrated Programme of Action (IPA) namely Agriculture; Rural Development; Telecommunications; Meteorology; Health and Population Activities. ¹

Later in Thimpu (Bhutan) it was decided that the first Summit would be held in Dhaka on 7th and 8th December 1985. New areas of cooperation were added in the following years and are pursued through the Technical Committees which now cover: Agriculture and Rural Development; Health and Population Activities; Women, Youth and Children; Environment and Forestry, Science and Technology and Meteorology; Postal Services; Sports, Art and Culture; Transport; and Human Resource Development. Working Groups have also been established in the areas of: Information and Communications Technology (ICT); Biotechnology; Intellectual Property Rights (IPR); Tourism; and Energy.

The Dhaka Declaration, 8th December 1985

The Dhaka Declaration reflects the spirit of cooperation, friendship, trust and mutual understanding with which the heads of the seven nations of Bangladesh, Bhutan, India, The Maldives, Nepal, Pakistan and Sri Lanka came together so as to be able to find a solution towards their common problems so as to be able to foster an order based on mutual respect, equity and shared benefits. Through the declaration the Head of State or Government reaffirmed that their fundamental goal was to accelerate the process of economic and social development in their respective countries through the optimum utilisation of their human and material resources, so as to promote the welfare and prosperity of their peoples and to improve their quality of life. They were conscious that peace and security was an essential prerequisite for the realization of this objective. They reaffirmed that their fundamental goal was to accelerate the process of economic and social development in their respective countries through the optimum utilization of their human and material resources, so as to promote the welfare and prosperity of their peoples and to improve their quality of life.

The situation of the South Asian countries is reflected as the motivation to coming together for regional cooperation. The Declaration states that the countries of South Asia

constituted one – fifth of humanity and “were faced with the formidable challenges posed by poverty, underdevelopment, and low levels of production, unemployment and pressure of population compounded by exploitation of the past and other adverse legacies. They felt that, bound as their countries were by many common values rooted in their social, ethnic, cultural and historical traditions, regional cooperation provided a logical response to these problems. They were conscious of their individual and regional strengths, their potential as a huge market, their substantial human and natural resources and the complementarities of their economies. They were confident that with effective regional cooperation, they could make optimum use of these capacities for the benefit of their peoples, accelerate the pace of their economic development and enhance their national and collective self-reliance. They were convinced that their countries, which had made important contributions to the enrichment of human civilization, could together play their due role in international relations and influence decisions which affected them”.

The Declaration also spoke about strengthening of regional cooperation in South Asia through greater involvement of their peoples. They agreed to increase interaction and further promote people-to-people contracts at various levels among their countries. Creating awareness and public opinion, was decided to be the best way to do this.

The Declaration recognises that the quality of life of people in South Asia could be improved only in an “atmosphere of peace and security. In this context, they expressed concern at the deteriorating international political situation. They were alarmed at the unprecedented escalation of arms race particularly in its nuclear aspect. They recognized that humankind today was confronted with the threat of self-extinction arising from a massive accumulation of the most destructive weapons ever produced. The arms race intensified international tension and violated the principles of the UN Charter. The leaders called upon the nuclear weapons-states for urgent negotiations for a comprehensive Test Ban Treaty

leading to the complete cessation of testing, production and deployment of nuclear weapons. In this connection, they welcomed the recent meeting between President Reagan and General Secretary Gorbachev in Geneva and expressed the hope that the meeting would have a positive effect on international peace and security”.

Lastly, the Declaration discusses the crises in the global economy at the time. Deteriorating economic and social conditions had seriously retarded developing countries. Sharply falling commodity prices, deterioration in the terms of trade, intensification of protectionist measures, spiralling debt burden and a decline in the flow of external resources, especially concessional assistance, had caused a serious setback to the economic development of the developing countries. These had been compounded by natural disasters and precarious world food security situation affecting developing countries. They also expressed concern over the diminishing capacity of international financial and technical institutions to respond effectively to the needs of the disadvantaged and poorer countries and regretted that the spirit of multilateral cooperation had begun to falter and weaken. This was particularly disturbing in the face of increased interdependence of developed and developing countries and the fact that economic revival of North was closely linked to economic progress in South. They believed that developments during the past decades had clearly demonstrated the structural imbalances and inequities inherent in the existing international economic system and its inadequacy to deal with problems of development.

The SAARC Charter

The Declaration also led to signing of **Charter of the South Asian Association for Regional Cooperation** to be ratified by all the member states. The Charter lays down the following statutes:

1. Desirous of promoting peace, stability, amity and progress in the region through strict adherence to the principles of the United Nations Charter and Non-

Alignment, particularly respect for the principles of sovereign equality, territorial integrity, national independence, non-use of force and non interference in the internal affairs of other States and peaceful settlement of all disputes.

2. Conscious that in an increasingly interdependent world, the objectives of peace, freedom, social justice and economic prosperity are best achieved in the South Asian region by fostering mutual understanding, good neighbourly relations and meaningful cooperation among the Member States which are bound by ties of history and culture;
3. Aware of the common problems, interests and aspirations of the peoples of South Asia and the need for joint action and enhanced cooperation within their respective political and economic systems and cultural traditions
4. Convinced that regional cooperation among the countries of South Asia is mutually beneficial, desirable and necessary for promoting the welfare and improving the quality of life of the peoples of the region;
5. Convinced further that economic, social and technical cooperation among the countries of South Asia would contribute significantly to national and collective self reliance
6. Recognising that increased cooperation, contacts and exchanges among the countries of the region will contribute significantly to national and collective self reliance;
7. Recalling the Declaration signed by their Foreign Ministers in New Delhi on August 2, 1983 and noting the progress achieved in regional cooperation;
8. Reaffirming their determination to promote such cooperation within an institutional framework.

Objectives of SAARC

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

Principles of SAARC

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

The Administrative Functioning of the SAARC

The SAARC is made up of the Heads of member states, their Foreign Ministers, a Council of Ministers, a Standing Committee, Technical Committees, Action Committees and more importantly a Secretariat. It has been decided that the Heads of States shall meet once a year or more often as and when considered necessary by the Member States. These meetings are what we know as the **SAARC Summits**.

The **financial arrangements** for the functioning of the SAARC depend on the contributions by the member states that in turn make provision in their national budgets. These funds contribute to the Secretariat budget and that of the regional institutions too. The financial provisions made, are announced annually at the meeting of the Standing Committee. The annual budget of the Secretariat, both for capital as well as recurrent expenditure, is shared by member states on the basis of an agreed formula. A minimum of 40% of the institutional cost of regional institutions is borne by the respective host governments and the balance is shared by all member states, on the basis of an agreed formula.

The Foreign Ministers constitute the **Council of Ministers** that meets twice a year and have the following functions:

- Formulation of the policies of the Association
- Review of the progress of cooperation under the Association
- Decision on new areas of cooperation
- Establishment of additional mechanism under the Association as demanded necessary
- Decision on other matters of general interest to the Association

The Foreign Secretaries of the Member States comprise the **Standing Committee** and meets as often as deemed necessary. The Committee also submits periodic reports to the Council of Ministers and makes reference to it as and

when necessary for decisions on policy matters. Their functions are as follows:

- Overall monitoring and coordination of program of cooperation
- Approval of projects and programmes, and the modalities of their financing
- Determination of inter sectoral priorities
- Mobilisation of regional and external resources
- Identification of new areas of cooperation based on appropriate studies

Representatives of the member states comprise the **Technical Committee** and are responsible the implementation, coordination and monitoring of the programmes in their respective areas of cooperation. The Technical Committee is required to submit reports periodically to the Standing Committee. The Chairmanship of the Technical Committee shall normally rotate among member states in alphabetical order every two years. They have the following terms of reference:

- Determination of the potential and the scope of regional cooperation in agreed areas
- Formulation of programmes and preparation of projects
- Determination of financial implications of sectoral programmes
- Formulation of recommendations regarding apportionment of costs
- Implementation and coordination of sectoral programmes
- Monitoring of progress in implementation

Further the Technical Committee can, inter-alia; use the following mechanisms and modalities, if and when considered necessary:

- Meetings of heads of national technical agencies
- Meetings of experts in specific fields
- Contact amongst recognised centres of excellence in the region

The **Action Committee** is set up by the Standing Committee comprising member states concerned with implementation of projects involving more than two but not all member states.

The SAARC's Integrated Programme of Action (IPA)

The **Integrated Programme of Action (IPA)** is a key component of the SAARC process and is linked to the **SAARC Social Charter**. The various areas of cooperation that have been outlined by the SAARC (twelve in number) are organised by the Technical Committee and was first visualised in 1992. The Social Charter, though enacted rather late, came about in 1996 and these together work towards the rationalisation of all SAARC areas of partnership.

The Tenth Summit (Colombo, July 1996), while reviewing the progress made in the social sector, determined the need to develop, beyond national plans of action, a regional dimension of action including a specific role for the SAARC with a view to speeding up social development in the region. It, therefore decided to adopt a **Social Charter** incorporating a broad range of targets to be achieved across the region in the areas of poverty eradication, population stabilization, empowerment of women, youth mobilisation, human resource development, promotion of health and nutrition, and protection of children. All the leaders signed the Social Charter during the Twelfth Summit (Islamabad, January 2004) and the provisions laid down in the Charter have been put into implementation across the region with the establishment of the National Coordination Committees (NCCs) in all Member states.

By signing the Social Charter the Member States have reaffirmed their commitments place people at the centre of development and direct their economies to meet human needs more effectively. In the process it strives to ensure equity among generations, and protecting the integrity and sustainable use of the environment. The Social Charter also states that there is integration between economic, cultural and social policies so that they become mutually supportive, and acknowledge the interdependence of public and private spheres of activity. The Charter promotes participatory governance, human dignity, social justice and solidarity at the national, regional and international levels. The Charter gives importance to the family as the basic unit of society and acknowledges that it plays a key role in social development. These obligations are made towards the children and community too, whose development would only lead to the preserving and strengthening of the family, community, society and nation.

The areas of cooperation under the SAARC's IPA are also further discussed in the Social Charter. The Social Charter serves as a preamble or the ideals behind the particular area of cooperation that guides the programs designed and implemented by the Technical Committee (TC) for the IPA. Following are the areas of cooperation under the SAARC's IPA:

Areas of Cooperation

1. Agriculture

- The first area of cooperation identified for regional cooperation
- SAARC Agricultural Information Centre (SAIC) was set up in Dhaka in 1988
- There is regular exchange of information and interaction on issues of forestry, fishery, livestock, vaccines, wheat breeding programs, and training in the related fields.

- Regular meeting of counterpart scientists for networking on rice, wheat, oilseeds, horticulture (potato), vegetables and fruits, fisheries, forestry, transfer of technology, livestock, farm machinery and implements, post harvest technology, agriculture economics and policies and soils also takes place.
- The 1990s have seen the SAARC focus on genetic engineering and biotechnology for crop and livestock improvement, agricultural and horticultural development.

2. Communications

- The TC strives to bring about over-all improvement in the postal services in the region
- The TC conducts training, seminars, pertaining to mail accounting, postal management services, postal operations, and mechanisations of postal operations, agency functions, financial services, customer care, EMS and postal marketing.
- The group also aims at providing telecommunication services to majority of the rural population and thus promoting technological and human resource development and management

3. Education, Culture and Sports

- The Social Charter spells out a deep consciousness of the fact that education is the cutting edge in the struggle against eradicating poverty and the promotion of development and development of the youth is an imperative to the resurgence of South Asian consciousness.
- The State parties have re-affirmed to provide free education to all between ages 6-14, investment in vocational training, providing youth access to education about family planning, HIV/AIDS, sexually transmitted diseases, consumption of tobacco, alcohol and drugs.

- The committee is also engaged in the improvement and expansion of the SAARC Chairs, Fellowships and Scholarship Schemes.
- The SAARC Ministers for Culture approved a SAARC Agenda for Culture in April 2007; which includes promotion of SAARC Culture online, production of cultural source materials on South Asia, establish linkage between culture and other sectors in attaining social and economic development and promotion of cultural products.

4. Environment and Meteorology

- The TC has commissioned various studies such as “Causes and Consequences of Natural Disasters and the Protection and Preservation of the Environment”, “Greenhouse Effects and Its Impact on the Region”, etc.
- The Committee has formulated a collective position on climate change, which was subsequently presented at the Kyoto Conference in December 1997.

5. Health, Population Activities and Child Welfare

- The TC addresses primary health issues and communicable diseases, sharing of information regarding outbreak of any communicable disease in the member states, sharing of expertise, etc.
- The TC believes that population policies should provide for human centred approach to population and development and aim towards human survival and well-being.
- The TC looks into safeguarding and protection of the child against all forms of abuse and exploitation, children in conflict, disadvantaged children, etc, all have been addressed in the Charter for attention by the State Parties.

- The SAARC Tuberculosis Centre was established in Kathmandu in 1992. The SAARC Ministerial Conference on Children of South Asia in 1996 expressed the need to formulate a Convention on Regional Arrangements on the Promotion of Child Welfare in South Asia and launched the SAARC Decade of the Rights of the Child from 2001 to 2010.

6. Prevention of Drug Trafficking and Drug Abuse

- The TC exchanges information, shares national experiences and common programs so as to strengthen legal systems, financial investigations, countering criminal conspiracies, frequent meetings at both policy and operational levels, enhanced control of production and use of licit drugs, and precursors and their essential chemicals.
- The SAARC Drug Offences Monitoring Desk has been established in Colombo to collate, analyse and disseminate information on drug offences.

7. Rural Development

- The TC carries out exchange of information and literature among member states on issues relating to rural development, preparation of research studies on selected topics, exchanging expertise and sharing training facilities within the region.
- A Shelter Information Network (SHELTERNET) has been set up.

8. Science and Technology

- The TC undertakes activities such as Seminars/ Workshops/ Meetings of Experts, Training Programmes, Joint Research Projects, preparation of State-of-the-Art Reports and compilation of Directories on Food Technology; Renewable Energy Resources; Pesticides; Cultivation and Processing of Medicine and Aromatic Plants; Bio-Gas; Mineral Resources Exploration; Producer Gas; Application of

Remote Sensing Techniques; Use of Organic Fertilisers; Building Material and Housing Technologies.

9. Tourism

- The TC promotes cooperation in the field of tourism in the region. The TC conducts training programmes, exchange of information, joint promotion, joint-venture investment, intra-regional tourism etc.
- It also produces the SAARC Travel Guide and SAARC tourism promotional films on the theme

10. Transport

- The TC covers three major segments of transport, i.e. land transport, divided into roadways and railways; sea transport sub-divided into inland waterways and shipping; and air transport.
- They exchange data and information, preparation of status papers, compilation of database and directories of consultancy centres for transport sector.
- Transport has been recognised a vital area in providing access to products and markets and opening up new areas of productivity, particularly with the operationalisation of SAFTA

11. Women in Development

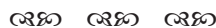
- Specific issues taken up by the TC include, preparation of a Regional Plan of Action for Women, effective dissemination of technical information relating to women in development generated by Member States.
- One of the most important features of the work of the Technical Committee was designating 1990 as the SAARC Year of the Girl Child and 1991-2000 as the SAARC Decade of the Girl Child.
- An appraisal of the situation of Girl Children in Especially Difficult Circumstances (GCEDC) was also carried out in December 1996 where key common

issues and concerns of SAARC Member States were identified

- A Regional Convention on Combating the Crime of Trafficking in Women and Children for Prostitution has also been discussed.

The Charter promotes universal respect for and observance and protection of human rights and fundamental freedoms for all, in particular the right to development; promote the effective exercise of rights and the discharge of responsibilities in a balanced manner at all levels of society; promote gender equity; promote the welfare and interest of children and youth; promote social integration and strengthen civil society. In the process it also discusses ensuring that disadvantaged, marginalised and vulnerable persons and groups are included in social development processes. The Charter strives to recognise and support people with diverse cultures, beliefs and traditions in their pursuit of economic and social development with full respect for their identity, traditions, forms of social organisation and cultural values.

Last, but not the least, the Charter talks about empowering women, ensuring that the elderly persons lead meaningful and fulfilling lives, advocating that information communication technology can help in fulfilling social development goals and last, strengthen policies and programs that improve, broaden and ensure the participation of women in all spheres of political, economic, social and cultural life, as equal partners, and improve their access to all resources needed for the full enjoyment of their fundamental freedoms and other entitlements.



Spaces for People-to-People Interaction

The SAARC has actively promoted a people to people contact in the region to strengthen mutual understanding and goodwill among the peoples of South Asia. Under the aegis of SAARC a number of initiatives were taken:

SAARC Audio-Visual Exchange (SAVE) Programme

The SAARC Audio Visual Exchange (SAVE) Committee, aimed at increasing the awareness of SAARC among the peoples of the region and disseminating information about Member Countries. SAVE programmes comprise regular TV and Radio Programmes. These are telecast/broadcast on the 1st and 15th of each month, respectively in all SAARC member countries. Other SAVE programmes includes joint productions on specific themes such as Environment, Disabled Persons, Youth, Literacy and Participatory Governance.

SAARC Scheme for Promotion of Organised Tourism

The SAARC Technical Committee on Tourism addresses all issues relating to the Scheme. The Scheme is specifically aimed at facilitating intra-regional tourism. It was envisaged that the Scheme would facilitate exchange of organised group tours between the member countries, with provision of concessional airfare, and arrangement for limited convertibility of foreign exchange through a travel voucher system.

SAARC Chairs, Fellowships and Scholarships Scheme

The SAARC Chairs, Fellowships and Scholarships Scheme were instituted with the aim of providing increased cross-fertilization of ideas through greater interaction among students, scholars and academics in the SAARC Countries. An Expert Group reviewed the Scheme recently and its recommendations are under consideration by the Technical Committee on Education, Culture and Sports.

SAARC Youth Volunteers Programme (SYVOP)

The SYVOP is aimed at harnessing the idealism of Youth for regional cooperation programs. The program enables young people to work in other countries in the field of agriculture and forestry extension work. The Technical Committee on Rural Development implements SYVOP.

SAARC Visa Exemption Scheme

In order to further promote closer and more frequent contacts among the peoples of the region, the SAARC Visa Exemption Scheme was initiated in 1988 and became operational on March 1, 1992. Under the Scheme, visa requirements are waived for specified categories of persons to travel within the region. Currently, there are 21 categories of persons who are entitled to the Scheme. In addition, a process of simplification of visa procedures and requirements is in place to assist business people to accelerate promotion of trade and tourism within the region.

SAARC Youth Awards Scheme (SYAS)

The SAARC Youth Awards Scheme was established in 1996. The aim of the Scheme is to provide suitable recognition to extra-ordinary young talents and encourage the overall development of youth in the region. An annual award is presented to an outstanding youth selected from the Member States.

South Asian Festivals

South Asian Festivals are held at regular intervals to promote inter-cultural exchange, understanding and friendship among the artistes of the region. So far, two festivals have been held in India (1992), and Sri Lanka (1996).

SAARC's Commitment to Trade Facilitation in the Region

The Sixth SAARC Summit led to the formulation of an Inter Governmental Group (IGG) to prepare an agreement to establish a **South Asian Preferential Trade Agreement (SAPTA)** by 1997. However, the framework was approved and implemented in December 1995. SAPTA is a preferential trading arrangement, which aimed at promoting and sustaining mutual trade and economic cooperation through exchange of concession within the region through step-by-step approach. SAPTA has been seen as a first step towards SAFTA. SAPTA took a while to take shape as Pakistan took time to give their list of commodities for preferential treatment (failed with the dilemma in the context of its discrimination trade policy with respect to India by maintaining only a positive list of 572 products for imports from India, all other products being banned. Under SAPTA, concessions given to one country are to “be extended unconditionally to all contracting parties”.

The SAPTA is a preferential trading arrangement in which the constraints affecting intra-regional trade barriers are sought to be removed through reduction in tariffs, para tariffs, non tariff barriers and by direct trade measures. The direct trade measures include those such as “long and medium term contracts contain import and supply commitments in respect of specific products, buy-back management, state trading operations and government and public procurement”. The different approaches to negotiations are set out in the Agreement. Negotiating procedures include product-by-product basis across-the-board reductions, sectoral basis, or direct trade measures.

At the time the SAPTA was launched, 226 products for preferential import (India 106 items, Pakistan 35, Sri Lanka 3, Maldives 17, Nepal 14, Bangladesh 12, Bhutan 11). Though the entire range of concessions covers only 0.3% of total South Asian Trade, it was hoped that the countries in the region will reap the benefits of India's huge market and that would usher in new dynamics in trade relations among

South Asian countries. It was conceived that this way, in the long term, there would be a removal of internal barriers and allow the free movement of goods, services, capital and people throughout the region. The SAARC leaders believed that trade and commerce are at the core of cooperation. The formation of SAARCNET connected chambers of commerce of all states, including country wise exports and import regulations and company profiles. It was hoped that by 2000 South Asia free trade area would be established.

By 1998, the agreement had gone into effect and also seen a reduction in tariffs. India had agreed to provide tariff concessions ranging from 25%-50% on 106 items. However, critics argued at the time that the list of items announced by the various countries showed that SAARC members were more concerned with protecting their domestic industries from competition rather than increasing trade among themselves. The tariff cuts were mostly on low volume goods from the smaller countries of the region. It was only in 2000, after four rounds of discussions that 4700 products out of 6000 were agreed upon. Concessions and tariff reductions have not made any difference to the intra regional trade as these reductions were negotiated product-by-product (which is time consuming) and the tariff cuts by one country in the member states may not have been enough. In addition, the products that have been put up for trading have essentially a local content and the countries have a comparative advantage in similar products, which leads to reduction in the trade potential. According to Hirantha (2003)² during the period 1995-2001, SAARC Intra regional trade has registered an average of 8.9% growth against 6.2% average growth of total SAARC trade with rest of the world.

An Inter-Governmental Expert Group (IGEG) on transition from SAPTA to South Asian Free Trade Area (SAFTA) comprising experts from the Member Countries was set up as an ad-hoc body by the Committee on Economic Cooperation (CEC) to identify the necessary steps towards moving into a free trade area. The IGEG drew up a broad framework of Action Plan for achieving SAFTA, in order to

give impetus to intra-SAARC trade under the SAPTA Agreement and to promote economic cooperation in the region. The Tenth SAARC Summit emphasised the importance of finalising the text of regulatory framework by the year 2001 A.D.

The Agreement on **South Asian Free Trade Area (SAFTA)** was signed on 6 January 2004 during the Twelfth SAARC Summit in Islamabad. The Agreement was enforced only in January 2006. Affirming their determination to create an inclusive, just and equitable partnership for peace, development and prosperity, the leaders signed the SAFTA and further the process of broadening economic cooperation so as to ensure equitable distribution of benefits of trade and cater to the special needs of the small and LDC member states by providing them special and deferential treatment. Around the time the SAFTA was being discussed and signed, there was talk of creation of a **South Asian Economic Union**, which would complement and assist in the enforcement of SAFTA. The rationale of creation of a SAFTA was trade liberalization on a preferential basis and further enhancing trade through the free movement of goods by removing barriers to cross-border flow of goods as has been done in a number of other regions (ASEAN, EU, NAFTA, etc). However, the same rationale is not considered when one talks of free movement of people in the South Asian region through visa-free borders. At the Fourteenth SAARC Summit in April 2007, Manmohan Singh (PM of India) announced duty free access to the Indian markets to LDCs of the region without insisting on any reciprocity. This move was expected to help countries such as Nepal, Bhutan, Bangladesh and Maldives.

The SAFTA has not made too much progress for a number of reasons. At the very outset, the member states entered into a deadlock over major issues – rules of origin, sensitive lists of products, compensation mechanism for revenue loss to the LDCs, setting up of an arbitration council on trade related issues, etc. All the countries need to have a small negative list if the SAFTA is not to be left redundant. There

should be a firm basis to exclude products and ground rules should be laid down and transparent. Secondly, the spate of India's growth and size of economy in comparison to the rest of the countries in the region poses as a cause for concern. India would have to provide comfort to the smaller economies that are justifiably worried that their economies might be swamped under the onslaught of Indian corporate giants. Third, there is considerable influence that can be made if SAARC took a collective position in the WTO etc. However, this does not happen as trade interests vary from country to country in the region. An agreement like the SAFTA would be useful, but reasons beyond just economic do not make it successful. Fourth, relations between Pakistan and India put a hammer in all proceedings.

Is there a Possibility of a South Asian Economic Union?

A Group of Eminent Persons Report had submitted in 1998 a Document entitled "*SAARC Vision Beyond the Year 2000*". This Vision Document put forward a road map for the achievement of a SAARC Economic Union. It visualizes a Customs Union by 2015, leading to a SAARC Economic Union with harmonization of monetary and fiscal policies by 2020, as well as creation of a common investment area for facilitating the flow of foreign direct investment.

The SAARC Chamber of Commerce and Industry (SCCI) mooted the idea of a South Asian Economic Union also. It endeavoured to bring about this union through economic cooperation thus be able to bring about harmonious and healthy economic relations among the business communities of the region. According to Banerjee (2005)³, "this may be visualised by 2020 and the process may begin with the Customs Union. The first step will involve a single market for South Asia. This will only be possible after major upgradation of infrastructure, common standards and arrangements for free movement of capital, labour for specific economic purposes and other services". He goes on to state further that such a move will call for substantial measures to remove controls and bottlenecks and a

movement towards a harmonisation of economic policies that could slowly (but eventually) result in an erosion of national sovereignty. This will obviously lead to dramatic measures to be undertaken and possibly where civil society needs to be brought in to initiate macro studies to develop on these ideas.

One of the components of an economic union would be to have a single currency. The *Rupee* was touted as the most common one used in the subcontinent other than Bangladesh with the *takka*. There are diverse opinions on this. Those in favour of this move, claim that a common currency is a characteristic of strong regional economic integrations and hence, could be something viable for the South Asian region. Secondly, currency unification will eliminate exchange risk and uncertainty and thereby promote inter country trade and investment. Third, the former will be advanced by the reduction of transaction costs arising from the currency conversions and fourth, such a move could possibly promote political unity amongst the constituent nations. This is apparently evident in the manner in which Pakistan and India are keen to work towards greater economic cooperation in the last couple of years.

The whole idea of a common currency in the current scenario is a little presumptuous. There is not even a free movement of goods, services and persons living in the region. India would agree to cede its monetary autonomy to a regional monetary agency only if it were able to effectively control that institution's policies. In addition, this would not be very acceptable to the smaller nations in the region. Secondly, intra – SAARC trade and investment is a relatively small proportion of the total activity of the SAARC countries (less than 5% of the total foreign trade of this region), hence, it does not make sense for the moment. According to Tripathi (2005), the issues at stake are both theoretical as well as practical. Having a common currency indicates having a common monetary policy and that should satisfy the Optimum Currency Area (OCA) which again presupposes

free mobility of labour and inflexibility of wages in the region. These are both not there at the moment and such a move towards a monetary integration could lead to a crisis of adjustment and taking increased economic risks.

It is further elaborated that the constraints that bind the move towards a South Asian Economic Union are many: First, a distinction has to be made between monetary cooperation and monetary integration- the former is a precursor to the latter. There should be cooperation, harmonisation and integration of monetary policy, spaced out sequentially, to achieve slow but steady gains in the larger direction. Secondly, monetary cooperation should not be seen in isolation with the other regional cooperation initiatives rather in tandem with each other. Hence, financial and monetary cooperation should gel with industrial, investment and trade cooperation and not focus on just trade as is at the moment. Third, in the entire scheme of regional coordination, existing institutional arrangements should be consolidated and/ or modified according to the region's requirements and not create totally new ones (for e.g.: use of the Asian Clearing Union, the South Asian Development Fund or SAARCFINANCE, etc).

Towards South Asian Regional Cooperation

The latter half of the 20th Century brought a number of regional co-operations into being so as to foster peace and security and ultimately prosperity and welfare of the region. The SAARC is a similar regional grouping and identified cooperation in economic, commercial, social, infrastructure development, tourism and energy sectors as a journey towards an assured future. Nevertheless, the South Asian region has not seen this end as yet. One of reason is that the SAARC has primarily focussed on economic cooperation, but a regional cooperation needs to focus on the wider field and especially so in South Asia as this area is so alike in so many ways. Us South Asians have even questioned the existence of such grouping and its inefficiency, little realising that we are really laughing at ourselves.

SAARC is barely the sum of its parts- the summits, the secretariat and meeting of bureaucrats with a national agenda and still a possibility of making something of this 'organisation' so that its can become more dynamic and creative and promote a South Asia coming together. This is, however, easier said than done. The SAARC represents one-fifth of all humanity and is therefore the largest grouping in terms of human resources. Nevertheless it has not been able to raise living standards of its people nor condemn abject poverty (some of the more simpler objectives to speak of). Areas of cooperation are diverse (and all encompassing) but no real benefits have trickled down to the grass root level or made any impact on the day-to-day life of South Asians.

Blame is placed on the globalisation process – but is it just that or is the political rivalry something to contend with too? In the inaugural summit in 1985, Sri Lanka's then President- J. R. Jayewardene said: "We are setting this ship afloat today. There maybe mutiny on board, I hope not. The sea may be stormy but the ship must sail on and enter the ports of poverty, hunger, unemployment, malnutrition, disease and seek to bring comfort to those who need it". More than twenty years later, truth still rings in his statement. Tumultuous relations between countries and especially between India and its neighbours have postponed summits, delayed discussions and slowed the process.

There is a silver lining among the clouds of South Asia. The region is like a honey pot, which attracts flies from all directions. The liberalisation of economies in South Asia as a region that has a mega market and opportunities to offer- has renewed an interest in the grouping. Bigger economies like the European Union (EU), USA, Japan, China and Korea and recent entrant Iran have been granted observer status. This also points to the regions position on issues with the WTO. Because of varied interest each country has for its own economy and also vis-à-vis India. it is important that the South Asian region have a collective position in the World Trade Organisation (WTO) and its negotiations.

SAARC has come to be an economic bloc, but it has made the least progress in this area. Even the simple SAPTA or the convention on terrorism has not been ratified or put into operation. Yet on the other hand, the social areas of cooperation, the visual exchange program, visa free travel for SAARC lawmakers and judges has set new ground in the region. The people-to-people and politician-to-politician contacts SAARC has offered have contributed towards easing tensions and renewing relations between the member states.

Comparisons are made of the SAARC with similar other regional groupings- the EU and ASEAN most commonly. Nevertheless, one will recall that even the formation of EU was tumultuous and took over fifty years to crystallise. One would also have to remember that SAARC is the only such regional grouping where four of the seven members are LDCs, three are low-income developing countries, two are land locked and one is a cluster of over thousand islands, two are land locked and hence, sea locked. In addition, most of all, one single country in terms of both geography and size is central to the grouping. However, this single country has common borders with each of the other six and on the other hand two of the six share a common border between them. These are some facts that affect the geo-politics of the region and cannot be wished away. They should not impinge on the pace of cooperation; rather it should pave the way for peace and cooperation in the area.

Hence, it is not enough to say that the SAARC has no relevance today. It needs to play a more positive and significant role. This means that it should not only play an economic role, but also lead associations on political and social roles. Expectations were heavy from all the countries when it was formed. However, it is not up to the regional associations to fulfil all issues of national interests and agendas as this leads towards instability in the region. India is seen as a hegemonic power, which lends asymmetry to the alliance and hence security perceptions of India and member states differ which leads to mutual suspicion. Nevertheless, the SAARC does manage to diffuse short-term

misunderstandings, possibly restart, and give directions to often dead locked official bilateral dialogue.

The SAARC's social agenda has been evident right from its inception- children, maternal and child nutrition, provision of safe drinking water, adequate shelter, subscribing to goals of universal immunisation and primary education. The Technical Committee takes care of these issues in cooperation of all member states and which eminent persons and their recommendations from time to time examine. The Technical Committee also links up with non-governmental organisations, which in turn pressurise the political class to respond and come out with action plans on the issues.

Summit after summit, the promises made are similar- declarations and statements read the same- confidence boosting rhetoric. Long winding declarations should be done away with and instead leaders should focus on getting on and getting the job done. The countries and their parliamentarians have to understand that SAARC's importance lies in how they enhance their national prestige, manage their bilateral relations and thus create a regional identity. SAARC helps in this identity, which has a symbolic importance as well as a practical utility. This symbolic aspect helps to reduce the asymmetries and in that sense there is a permanent political contribution of SAARC and hence its relevance. SAARC should prove to be an alternative structure for all the countries. It should not become a tool of hegemony for one single country- but become a forum that allows the small member countries and its people to establish and develop closer relations among themselves. Last but not the least, what is severely lacking in the SAARC is the focus on its people- denial of its current regime of operations and enforce the democratic rights its citizens deserve and hence a move towards a people's union of South Asia.

The People's SAARC calls for a new political future of the region, one that would transcend the notion of post colonial nation and national sovereignty. This People's Union could create possibilities of an alternative political, socio-economic and cultural system in the region, which will do away with

discrimination of gender, caste, religion, and ethnicity. Identity rivalries can give way to a new identity of “South Asia Citizenship”, free movement of people and a new mode of engagement.

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Footnotes

- 1 <http://www.south-asia.com/saarc/newprofile.htm>
- 2 Hirantha, Seekkuwa Wasan, “*From SAPTA to SAFTA: Gravity Analysis of South Asian Free Trade*”, from <http://www.etsg.org/ETSG2004/Papers/hirantha.pdf>
- 3 Banerjee, Dipankar, (2005), “*SAARC in the 20th Year-Meeting the challenges of a new year*” from the website: <http://www.ifa.org.np/document/saarcpapers/dipankar.pdf>