

**SAARC 2015:
Expanding Horizons and Forging Cooperation
In a Resurgent Asia**

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It is a pleasure for me to be here with you among FES colleagues, many of whom I have had the pleasure of working together over the years. I am grateful to Prof. Dev Raj Dahal for inviting me to speak to the group when so many people from Germany and the region are meeting in Kathmandu to discuss future FES activities and programs for South Asia. In taking up the topic which has been assigned to me by Prof. Dahal, I do so with some degree of reservation since the topic given to me is similar to the theme of the seminar which FES will be organizing in New Delhi in February 2007. I would therefore like to request you to take my talk today not as a preempting the themes that will be discussed then, which are mostly inter-regional, but as an introspective exercise that looks at where we have been and where/how we should be moving forward in the future.

II

I remember when Beate first came to Kathmandu some years ago, it was on her way to Colombo to take up her assignment in Sri Lanka. The meeting in Kathmandu at that time was organized by FES on the theme of ***Shaping South Asia's Future: Role of Regional Cooperation***. With the support of FES an advocacy group known as Coalition for Actions on South Asian Cooperation (CASAC) was created in the aftermath of the conference to take the ideas that emerged from the conference further to promote the cause of regional cooperation in South Asia.

The date of the crucial conference was May 1994. This is roughly eleven and half years ago. It is also 21 years ago since SAARC as a regional body was established and roughly 25 years ago since the officials of the member countries sat down to chart the future of the organization.

It may be appropriate time now to ask some searching questions: What has been achieved by South Asia over these years? Or, more importantly what impact has the FES contribution had in the region? On the surface, South Asia today looks no different then when it first took up the initiative to set up a regional organization. Intraregional trade then was around 3-4%, which is not such a change from the 4-5% that we see today. The struggle for democracy, and in some cases political violence to challenge the existing political cultures, are still prevalent in the region as before. Bilateral disputes among member countries, and in particular between India and her neighbors, are still exist; and despite continued effort to resolve some of the more contentious issues it is still not clear when they will be resolved. And after two decades of existence of SAARC, it is still

difficult people for to identify its concrete achievements or what particular impact it has had on the people of the region.

I believe that over the years FES assessment of its role in promoting the process of regional cooperation has also gone through some changes, particularly after setting up such an extensive network of opinion makers in the region and holding to two additional major conferences (first, on *South Asia 2010: Challenges and Opportunities* and then a Meeting of an eminent group known as the *Citizen's Commission for South Asia*). The frustrations have come from two different angles, which was in large part conditioned by the environment of the early 1990s. First, the expectation that South Asia was ready to move out of the quagmire of bilateral conflicts into a cooperative regional framework was not realized since policy makers were slow, or not prepared or interested, in absorbing the ideas to enhance the process of cooperation. And second, the belief that expanding democratic society in the region that had grown during the Third Wave of global democratization process was receding again (particularly in Pakistan and Nepal) proved to be another source of disappointment.

In retrospect, I believe these assessments were too premature since it underestimates the real contribution made by FES in enhancing the process of cooperation in South Asia and the dynamism that we are now witnessing in the region today. Over the years, FES programmes on regional cooperation involved some of the major players in the region with vast experience. They include people like Dr. Manohan Singh, Mr. I. K. Gujral, Dr. Sartaz Aziz, Dr. Komal Hussain, and Dr. Mohammed Yunus. All the people who have served as SAARC Secretary General or those who have held high offices in the Foreign Ministries of SAARC countries and eminent scholars and policy advocates have also been an integral part of this process.

It would be only true to admit that the impact of FES supported programs have not been earth shaking to bring about a complete paradigm shift in policies of governments of the region that have been conditioned over half a century of suspicion and mistrust, but they have nevertheless provided ideas for moving forward in a more constructive direction. In the 1990s, CASAC was able to provide policy input at the Summit level on a regular basis. Even before SAARC created the Group of Eminent Person (GEP) to create a long-term program for regional cooperation, CASAC had devised such a group, many of the members who were later included at the official level. It was also through CASAC that the idea of initiating dialogue on the basis of “informal political consultation” emerged in SAARC, which has to a large extent eschewed the notion of discussion on political and contention issues altogether.

Some of the most creative ideas for enhancing the process of regional cooperation so far was introduced during the Male Summit in 1997, where CASAC with the support of FES was able to play some role. It may be important to ask why the Male Summit provided such an opening, when so many other summits had failed to be so decisive. The first had to do with the general nature of the political environment in the region, which was underscored by improving relation between India and her neighbors and there was more receptiveness to new ideas to promote cooperation. The other, I believe, has to do

with the openness of smaller member countries to new ideas, which as Chair of SAARC for the coming year, could take new initiatives without the hindrance or delays that are usually associated with long established bureaucracies in larger member countries. The fact that a former Secretary General of SAARC from the Maldives, Mr. Ibrahim H. Zaki, who was also Co-Chair of CASAC and Minister in the government of the Maldives, was an additional advantage for getting the creative ideas from Track II process to the official level.

There is an important lesson to be learned from this experience for civil society in the Track II attempting to influence the official process. It is not only necessary to have good ideas to promote regional cooperation in South Asia, but to find/create such windows of opportunity through which such ideas can get reflected at the official level. CASAC, with the support of FES, was able to achieve this feat in 1997 by building a suitable mechanism. For the Track II process to take advantage of such opportunities in the future it is important to identify such an opening in advance and work through determination to achieve the targets. Investments in such a process take time and resources, but at a proper moment it can have the desired affects.

Another example where taking advantage of through the window of opportunity worked is in the case of the creation of the SAARC Social Charter and its complementary document produced by the civil society through the South Asia Centre for Policy Studies (SACEPS), known as the Citizen's Social Charter. Work on the Social Charter was initiated by the 10th SAARC Summit in Colombo in 1998 and approved by the 12th Summit in Islamabad in 2004. Its objectives are broad and include targets "to be achieved across the region in the areas of poverty eradication, population stabilization, the empowerment of the women, youth mobilization, human resource development, the promotion of health and nutrition and the protection of children." As the intergovernmental work on the SAARC Social Charter was in danger of being another declaratory document with a bureaucratic imprint which might never get implemented, SACEPS initiated a parallel exercise which adopted a bottoms-up approach by making it participatory in character. Through this approach each country would have the opportunity to identify its own strategic issues and problems as they emerged within its development context, and design systems and strategies which can reduce the social insecurity of its vulnerable groups. In order to maintain coherence and uniformity between the SAARC and the Citizen's Social Charter, SACEPS requested the same coordinator, Dr. Godfrey Gunatilleke, who worked for the official document to work on the later also.

Today, the two documents put together take the obligations of governments in the region to its people much further than before. In particular, the Citizen's Social Charter:

1. holds SAARC member governments accountable in social and development activities;
2. shows a wide divergence in the perspective of civil society and governments in the need to implement its principles; and

3. provides for a monitoring mechanism since there is no such framework in the intergovernmental agreement of the SAARC Social Charter.

There is a misconception that pre-Summit conferences through the Track II process will provide salient policy options which governments will take up during the Summit. As we can see from the two examples given above this is largely wishful thinking since for credible policies to have its affect it usually takes much more time than what pre-Summit conferences can achieve. However, this is not to deny that conferences have their own value since it can raise substantial issues for the record and serve as effective tools in raising important issues to generate awareness among the public, as well as to sensitize policy and opinion makers. One needs to keep in mind that if the Track II process is to influence the decision-makers time is of the essence. Major SAARC decisions are often drafted at least three months before the Summit and circulated to member countries for their feedback. Any serious input into the SAARC process will have to take this time frame into consideration.

III

The important question at this stage might be to ask: Where does regional cooperation in South Asia stand today? And what can we expect to happen in another decade by 2015, or so?

The official, as well as the theoretical answer is very simple. By 2015, free trade in South Asia should be complete under the SAFTA timetable, with even the smaller countries having completed their final tariff concessions under their three-tiered time schedule. The region then should be preparing to enter a Custom Union where its members set a common level of trade barriers vis-à-vis non-members. The Customs Union is considered to be a stepping stone to an Economic Union that SAARC has already accepted as the final target to be achieved by 2020.

But how far this scenario is possible is questionable given SAARC's dubious record in keeping such deadlines in the past. Take the case of SAFTA. It was originally schedule to be in operation by 2005, but was moved forward to 2002 by the SAARC Summit in Male in 1997. But SAFTA finally "came into operation" in January 2006, and important clauses relating to "rules of origin", "mechanisms for compensation of revenue loss for LDCs", and "operational certification procedures" came only 6 months later. Even then, Pakistan has indicated that, despite the SAFTA agreement, its trade with India will be on "positive list" basis, rather than on the "negative list", as endorsed by the agreement. At the moment it is still unclear how India and Pakistan will work out this problem since Indo-Pakistani trade on the new conditions set by Pakistan is likely to scuttle the regional arrangement.

Another example of the tendency of SAARC to set unrealistic deadline is in its desire to "eradicate" poverty in South Asia by 2002. It was only in 2004 that a more practical assessment was made when the reconstituted Independent South Asia Commission on Poverty Alleviation (ISACPA) adopted a more reasonable approach by

suggesting halving poverty in South Asia by 2010, as opposed to MDG of the UNDP that requires South Asia to do so by 2015.

It quite possible that in the coming years also SAARC is likely to muddle through as it has done in the past, without making any significant dent on the lives of its people and in the political economy of the region. But, I believe, that there are positive indications that South Asia will begin to exhibit its dynamic character in the future despite of itself and the inhibitions its has demonstrated over the past two decades. My optimism regarding the region's future is based not on the belief that governments will one day realize their tardiness and then turn around and take some serious measures to bring South Asia into the mainstream of the international development process; but is based rather on the belief that, despite the failures of governments, there are positive trends that indicates South Asia is on a positive growth trajectory, which governments will be forced to follow in the years to come.

Let me just a take a number of examples to support this argument. First is the case of poverty in South Asia. Not long ago it was common to hear South Asia compared with Sub-Saharan Africa where the dual phenomena of governance and poverty literally allocated the two regions as the wretched places on the planet. Jeffrey Sachs' analysis suggests that this may no longer be the case. Looking at the two different periods, 1981 and 2001, he suggests that while almost half of Africa's population lived in extreme poverty in the earlier period, that proportion has risen slightly over the two decades. In the case of South Asia there has been a marked improvement where the proportion of the extreme poor has gone down from 52 percent to 31 percent. Although this is not as significant as for East Asia, where the proportion has plummeted to from 58 percent to 15 percent, it is nevertheless a significant achievement for the region. Taking Bangladesh as an example, Sachs credits the change in the region to economic empowerment of the poor—where through ingenuity of NGOs like BRAC and Grameen Bank, and partly through investments that have been made—a country that was once considered a 'international basket case' by Kissinger is today considered as “a country worth of attention, care, and development assistance.”¹

The second case is that of economic growth that has been exemplified by India since it began it liberalization programs in the 1990s. In the past two decades, the size of the middle class in India has quadrupled to almost 250 million people, and 1 percent of the country's poor have crossed the poverty line every year. India is now the world's fourth largest economic power and many expect it to surpass Japan to become the third-largest very soon. As Gurcharan Das suggests, “what is most remarkable is that rather than rising with the help of the state, India is in many ways rising despite the state.” The entrepreneurs are the catalyst in India's economic miracle and have managed to fuel growth through the service sector and domestic consumption. India has managed to maintain an average of 7.5 percent growth rate for the past five years, despite archaic labor laws and “bureaucratic high modernism”.²

¹ Jeffrey Sachs, *The End of Poverty: How we can make it happen in our lifetime* (London: Penguin Books, 2005), pp. 10-25.

² Gurucharan Das, “The India Model,” *Foreign Affairs*, Vol. 85, No. 4 (July/August 2006), pp. 2-16.

The implication of India (and one can add also China) as an engine of growth for South Asia will be substantial since it accounts for (in 2005) about 80 percent of South Asia's GDP, trade and regional growth. In South Asia, India's development into regional hub would attract more foreign direct investments into India, and from India to other South Asian countries that would boost economic growth in the whole region. The backward linkages that South Asian countries would develop with India would in turn mean greater demand for Indian imports for the rest of South Asia, which would reinforce each other's needs. As the latest ADB report states, "India is not only crucial for the success of regional trade cooperation in South Asia; it could also transform the development and growth pattern of the entire region."³

Taking the economic argument one step further, it is possible to envision a third case where economic compulsion in the region may eventually help to bring down the political barriers, particularly between India and Pakistan, in South Asia. The best example is between India and China where the two countries after fighting a war in 1962 have without resolving their territorial differences engaged each other since the later 1980s. As a result, bilateral trade has boomed from less than \$200 million in the early 1990s to nearly \$20 billion in 2005. China is set to overtake the EU and the US as India's largest trading partner within a few years. And despite some political and territorial differences, both countries agreed to set up a "strategic partnership" in April 2005, which has led to frequent high level visits by leaders to each other's capitals.

The question is, Will the approach adopted by India and China be applicable to India's relations with Pakistan? My impression is that in time anything is possible. If two rivals, such as India and China can put their territorial differences aside to achieve major economic gains, it is also possible for India and Pakistan to find ways and means to benefit economically without even sacrificing their stand on political and territorial issues. The important thing is for Pakistan to overcome its fear that open trading arrangements with India, bilaterally or multilaterally, will not lead to Indian products swarming its market at the cost of its own industries. For its part, India needs to be confident of its growing economic power to be able to devise ways to placate the Pakistani fears, both real and imagined.

There is already strong logic for a more liberal trade between India and Pakistan as the benefit that would accrue to both countries would be substantial. In 1996, *The Economist* estimated that although Pakistan's import from the other six South Asian countries amounted to \$138mn in 1994, about \$1bn in intermediate and capital goods from India alone reached Pakistan via countries such as Dubai, Singapore and Hong Kong. Smuggling across the 1,000km border which divided the two countries is thought to account for another \$1bn in trade every year. *The Economist* then reported that an official Indian study estimates that, if trade were liberalized, Indian exports to Pakistan would be about \$2.5bn a year.⁴ A recent study by the ADB in 2006 estimates that if a

³ Asian Development Bank, *South Asia Economic Report*, October 2006, p. 13.

⁴ See, "Pakistan's least-favoured nation," *The Economist*, January 27, 1996, p. 58.

liberal trade regime was established between India and Pakistan today the volume of trade would go as high as \$10 billion.

A fourth major catalyst for deeper integration in South Asia could come from a force whose potential has largely gone unrecognized today. It is possible that we may see the private sectors and civil society playing a more decisive role in regional cooperation in the years to come. Within the last 10 years, it has been the practice for representative of the private sectors to be included in official delegations of governments during crucial trade negotiations. The role played by various business groups in framing the bilateral free trade agreements between India and Sri Lanka, and between Sri Lanka and Pakistan was substantial, as was the in the case of India's bilateral trade agreements between with both Nepal and Bangladesh. It may be only a matter of time before the private sectors in the region begin to define for member countries of SAARC the logic of economic benefit of cooperation, instead of being led by bureaucratic elites as it has happened over the past half century.

Similarly, the advent of SAARC has generated a sense of regional conscious among the peoples of the region within the last two decades the likes of which has never been seen before. The interaction among civil society groups across South Asia and the non-official dialogues they have initiated and maintained through the Track II process have made it possible to examine issues for the benefit of the people of the region which governments have been reluctant to explore on their own. Over the years, they have been able to:

- 1) explore alternatives for conflict management at a non-governmental level;
- 2) act as informal channels for exploring policy options without committing government;
- 3) influence public discussion of regional issues;
- 4) prompt government action by calling public attention to escalating problems;
- 5) lower barriers between officials and citizens, especially on economic issues;
- 6) create new connections among research institutes and among NGOs in the region; and,
- 7) serve as a formative influence ground on individuals who would later go into leading national roles.⁵

⁵ Navnita Chadha Behera, Paul, M. Evens and Gowher Rizvi, *Beyond Boundaries: A Report on the state of Non-Official Dialogues on Peace, Security and Cooperation in South Asia* (North York, Ontario: University of Toronto-York University, 1997), pp. 28-31.

It is most likely that in the next decade initiatives like the Pakistan-India Peoples' Forum for Peace and Democracy that aspires to facilitate interaction among the common people in both the countries will no longer remain a background voice, but act as catalyst for change in the way their countries deal with each other. The new technotronic era is likely to have affects that we may not be able to appreciate at the moment. The impact of the electronic and print media in the region is likely to bring people and countries closer together and overcome the political barriers that states have been so fond of erecting to strictly preserve the outdated of Westphalain concept of sovereignty that has already weakened over time. The cyberspace knows no boundaries and governments trying to control it are destined to role of Sisyphus rolling a boulder up the mountain. Moreover, we may also be coming closer to a phase in South Asian history where governments will be made more accountable for the human security of its peoples in ways that the Social Charter has already set the stage in the region.

I realize that some of the notions I have identified above may sound a bit farfetched at the moment for South Asia, but this is essentially the point that Thomas Friedman has argued so well in his bestseller, *The World is Flat..* The key to understanding his notion of flat world is empowerment of individuals to act and compete globally. Friedman sees the impact of globalization in three distinct phases. The first phase lasted from 1492 to around 1800 which involved powerful countries flexing their muscles and breaking down wall and knitting the world together in their interest. The second phase lasted for another 200 hundred years, which saw multinational companies as the dynamic force of global integration. The first half of this era was fueled by falling transportation costs and the second by falling communication costs. The dynamic forces behind this era of globalization were breakthroughs in hardware, from steamship and railroads in the beginning to telephones and mainframe computer toward the end. The third phase that started around 2000 is unique since the dynamic force behind it is not hardware but the newfound power of individuals to collaborate and compete globally.⁶

The power of individuals to compete in a globalized world is a phenomenon that cannot be taken likely in South Asia. This is where outsourcing of services by Americans to Indian entrepreneurs has brought windfall of hard currency to India and made it competitive in the global market. This is an area which other countries in the region can capitalize as well.

As the World Bank's Global Economic Prospect report for 2006 shows the competitiveness in the global market in not limited to white collar job only. South Asian region annually receives around \$ 32 billion in remittances by exporting labor to the Gulf region, and the East and Southeast Asian countries. A major portion of the remittance accounts for a high percentage of foreign currency earned by many of the smaller countries in the region. In Pakistan, remittance increased four-fold from just over \$1 billion in 2001 to over \$4 billion in 2003; in Bangladesh, it increased from \$1.9 to \$3.3 billion; in India, it increased from \$12 to \$21. 7 billion and Nepal receives \$1.5 billion.

⁶ Thomas L. Friedman, *the World is Flat: A Brief History of the Globalized World in the Twenty-first Century* (London: Allen Lane, 2005), pp., 9-11.

IV

I believe that much of the work that has been done on regional cooperation over the years has often looked at institutions and policies that are needed to integrate the region more effectively. While it is important to understand the basic concepts that drive the functioning of regional bodies, it is also important to focus on people who are the ultimate beneficiary of the regionalism. I am hopeful that future activities of FES in the area of South Asian cooperation will take this factor into consideration.