

SAARC: the future direction.

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South Asia today is a vibrant economic region with considerable future potential. This region is now recognized as an emerging global economic force, having cumulative GDP of approx. US\$ 780 billion. When measured in terms of PPP, our collective GDP stands at approx. US\$ 3.8 trillion. Key international financial institutions e.g. the World Bank and the ADB have commended the recent upswing in the major economies of the region and have projected the region to grow at an average of 6%+ per annum. However, notwithstanding the vulnerabilities on account of natural incidences or, political uncertainties, potential growth rate may even turn out to be close to double-digit for some of the South Asian economies. It is projected that if the South Asian economies can sustain 7% - 9% economic growth, attain the Millennium Development Goals (MDGs), put the basic institutions in place over the next decade, the region can well meet the challenges like poverty, illiteracy and march ahead of many other geographic sub-regions of the world.

In order for one to assess the region's true growth potential, South Asia's geo-economic positioning also needs to be looked at. It is placed in between some other active regional/sub-regional groupings like BIMSTEC, ASEAN and the Greater Mekong sub-region. In BIMSTEC, five of SAARC's seven member states are members where an FTA will be shortly concluded. The combined strength and complementarities of the economies in these regions, thus offers a great pool of resources - both human and natural - and substantial economic possibilities.

South Asian Association for Regional Cooperation (SAARC) is now at an important juncture of its history. The improving

political relations between the two major member states of the organization have impinged positively on the overall scheme of regional cooperation within SAARC.

At the last SAARC Summit in Dhaka, the member states took a number of decisions that reflected their clear commitment towards collective efforts for building the future of South Asia and spelt out their priorities with clarity. They also suggested specific timeframe for the agreed actions/initiatives.

First, at their last summit, the South Asian leaders declared SAARC's next decade as "The Decade of Implementation", the emphasis was on the realization of the commitments and decisions already made rather than making new ones. The South Asian leaders also resolved to review the working of the existing mechanisms, institutions /regional centers, SAARC Secretariat and the national authorities responsible for implementation of decisions. Clearly the underlying objective is to position all the actors to work in a more result-oriented mode. Lack of appreciation by the national authorities cutting across different sectors in the member states have in the past hindered cooperation. A forceful follow up of this decision will have a critical impact on promoting co-operation. On another plane, the seven regional centers (four more are in the offing) are yet to emerge as independent and more focused centers of excellence for the region. South Asia has set up the necessary institutional framework; it is of crucial importance that these are provided with the wherewithal and strength, and where necessary with expanded mandate, so that these institutions are able to achieve their true potentials.

Second, there was a general recognition that SAARC's agenda need to be reconsidered in the fast-changing global scenario. The

leaders instructed the Foreign Secretaries to elaborate an Agenda for SAARC's Third Decade (2006-2015). Since the Summit, the Foreign Secretaries met and considered the ongoing sectoral cooperation in the changing contours of international relations and suggested a thematic vision for the organization to realize over the next decade. The idea behind such a vision document is to afford SAARC and its member states to expand and deepen cooperation in different sectors in the context of a broader framework.

Third, in order to put in place an effective funding mechanism to support regional and sub-regional programmes, projects and initiatives under SAARC, the leaders decided to set up a more broad-based 'SAARC Development Fund (SDF)'. Since the Summit, financial experts met, and suggested a much broader Fund, with three distinct windows namely, social, economic and infrastructure. Outlay of the Fund is expected to run into several million US dollars. To begin with, the experts recommended operationalisation of the Social Window, under which there will be a stand-alone US\$ 300 million poverty alleviation Fund (SPAF).

Some points would require elaboration in understanding the full spread of SDF and its unfolding architecture:

- a. The fact that the initial corpus of SPAF would be contributed by the member states, should illustrate an emerging commitment to regional cooperation under SAARC;
- b. The Social Window will also consider proposals for more sub-windows/funds like one for the Disabled Persons in South Asia, and a Media Development Fund;
- c. While the economic window was supposed to factor in the requirement for physical infrastructure as well, it appeared that investment in that sector alone would require billions of dollars and corresponding innovative

arrangements. That is why, a third stand-alone window, namely 'infrastructure' was conceived. The final approval, with relevant outlay, is to be decided by the SAARC Finance Ministers of the member states next month in Islamabad.

Fourth, the member states decided to welcome external funding. In the past, SAARC attitude on this, particularly in the context of state actors, have been marked by hesitation and reticence. Judged in this context, the initiative has been a bold one. This would mean that extra-regional States e.g. USA, Japan and International Financial Institutions (IFIs) e.g. Asian Development Bank could now get involved with SAARC in a bigger way to support SAARC in implementation of the regional projects. I understand that the Standing Committee has recommended that such funding could also be forthcoming under projects within SDF. Besides this mechanism, a growing number UN specialized agencies, Funds and Programmes, international organizations have concluded MoU with SAARC. Therefore, involvement of those external entities is likely to unfold cooperation in various areas that have remained uncharted.

Fifth, SAARC's potential and increasing activities have generated deeper interest among countries beyond the region. Afghanistan has been approaching SAARC to join as a new member. China had requested during the 12th Summit for 'any kind of association' with SAARC - signifying her readiness to accept either ASEAN-styled Dialogue Partnership or observer status or any new category that the SAARC membership would have collectively decided upon. The member states have agreed to open up to the outside world. Afghanistan, as a member, and China and Japan, as observers, were welcomed at the last Summit. Subsequently, Republic of Korea and USA formally conveyed their interest, which were recommended by the

Standing Committee for approval. It is reported that EU may also come forward. Such expression of interest and SAARC's corresponding positive response demonstrate SAARC's graduation as a more open, dynamic regional grouping. It also paves way for a more broad-based compact between the organization and the international community in securing a balanced political and economic environment in South Asia.

Guidelines for admitting new members and for involving states as observers have already been prepared for approval by the SAARC Foreign Ministers.

Sixth, among the substantive decisions cutting across various thematic areas, the following need a special mention:

- 2006-2015 was proclaimed as the 'SAARC Decade for Poverty Eradication'. As recommended by the Independent SAARC Poverty Alleviation Commission (ISACPA), 22 SAARC Development Goals were launched. All the countries committed to implement a SAARC Action Plan to eradicate poverty over the next decade.
- 2007 was declared as the Year of Green South Asia, with a clear intent on addressing the 'green' and 'brown' issues in sustainable development;
- It was decided that a Comprehensive Framework for Disaster Management and Preparedness will be formulated to combat the increasing incidence of natural disasters. The SAARC Environment Ministers have already adopted that Framework (2006-2015);
- In order to contain multi-faceted challenges emanating in the area of counter-terrorism, SAARC Home Secretaries and Home Ministers would henceforth meet every year to review implementation of relevant regional Conventions.

Seventh, and finally, the member states also decided to formulate a Vision document for SAARC's Third Decade. The underlying

intent was for the agenda of regional cooperation under SAARC to be steered in a more focused, measurable and result-oriented manner in its third decade, the Decade of Implementation. The Special Session of the Standing Committee has finalized the document cutting across different sectors and thematic areas. Whether or not the Vision (2006-2015) document is as focused as the ASEAN Vision (1997-2020), it should allow SAARC to move towards a more integrated and comprehensive common economic space.

During the past 20 years or so, the institutional arrangements of SAARC have remained rather weak. Take the case of South Asian Development Fund (SADF). For years on, the group of eminent persons of the region have examined various propositions of cooperation and suggested concrete measures to advance regional cooperation agenda. Lack of a general sense of understanding and political will thwarted realization of many of these proposals. A closer look would also reveal that those proposals could not make the desired headway also because of institutional weakness and absence of viable financial mechanisms. For instance, when SADF was conceived in 1996 as the overarching financing mechanism, its corpus was agreed at a mere US\$ 5.6 million. Moreover, SADF was mandated with undertaking technical feasibility or appraisal of projects. As the interested quarters in member states approached SADF for instituting regional projects/initiatives, they found SADF was ill-equipped to respond to these needs. In its one-decade of existence, member states availed of SADF facilities to fund only a few studies and none of these feasibility studies could actually be acted upon.

The Secretariat in Kathmandu with its few generalist staff was not able to pursue any serious project or task other than managing day to day coordination in organizing meetings etc. The Secretary

General remained financially hamstrung as well. If we want SAARC to deliver we need to equip the Secretariat with adequate financial and human resources. Compared to 70 or 80 odd professionals at the ASEAN Secretariat SAARC's 7 generalist directors and few support staff are indeed not encouraging. Similarly, the member states do not have any serious mechanism to follow up and monitor the implementation of directives made at various levels. Other than the respective Foreign Ministries where there are desks dealing with SAARC matters most of the line ministries do not have any permanent structures or institutions. As a result decisions are taken, directives are made, strategies are formulated and Plan of Actions is adopted in various areas of meaningful cooperation but at implementation level hardly any progress is made. There are instances where same decisions are carried over in successive meetings resulting wastage of resources and more importantly accumulating public frustration. Member states have to seriously look into all these aspects if they want SAARC to deliver. The last two Summits have given necessary directives to strengthen the institutional arrangements including the Secretariat and the Centers but very little tangible progress has been made so far.

To take the SAARC process forward one important breakthrough would be to initiate some SAARC projects in the member states. So far it has been a serious handicap on the part of SAARC to take up even a single project which benefits ordinary people and touches their lives. Cooperation on energy and infrastructure development are sectors that offer great potential for mega-projects that could have significant impact on the quality of life of the peoples of South Asia that SAARC seeks to promote.

Encouragement given at the 13th Summit to the region's legislators to deepen interaction, promotion of youth exchanges in culture and sports, launching of 2006 as "South Asia Tourism

Year”, are commendable initiatives, and so are the proposals to establish a ‘SAARC Agenda for Culture’, a ‘South Asian University’, Civil Society Resource Centre, Tele-Medicine Network, a Regional Food Bank. All these elements are expected to contribute to the larger canvas of realizing a shared prosperity for South Asia and also promote South Asian identity.

This could also be achieved through increased cooperation in ‘soft sectors’ like Education (higher secondary + tertiary), Culture. Similarly, we may look beyond substantive areas like Trade to uncharted sectors like Agriculture, Fisheries and livestock where through regional cooperation we can not only witness direct impact to the people at the grassroots, but also set a groundswell for deeper motivation within each member state for regional cooperation. Already a number of civil society organizations are taking active role in furthering the SAARC cause through network of SAARC recognized bodies of professional groups. Besides, various events are being organized through private sector initiatives having discernible impact amongst the general population in member states. There is a genuine case to nurture these fledgling initiatives so that there is bottom up or, track II movement to push the official SAARC process.

The government may also take small steps like opening separate immigration counters for SAARC nationals at the airports and other entry points, special entry fees for visiting archeological and historic sites and monuments, recognizing driving licenses in each other's countries. These are very small steps but will have significant impact in raising the awareness of peoples across the board in the member countries.

Three years back, at the 12th Summit, the member states decided to advance economic cooperation. The South Asian Free Trade Area (SAFTA) was concluded the 13th Summit, which maybe seen as a redeeming outcome. However the failure of the member

states to resolve vital and critical issues that would enable all of them to derive equitable benefits from SAFTA caused public frustration in many South Asian countries. Following the directives given in that Summit, the experts have finally resolved the differences over the major elements of SAFTA i.e. rules of origin, negative list, revenue loss compensation mechanism for the South Asian LDCs. The Agreement has since been ratified by all the State parties. Following ratification, the first SAFTA Ministerial Council (SMC) was convened in Dhaka in April 2006 where member states agreed to some specific measures. Of particular importance is the Trade liberalization Programme (TLP) under which the developed member states announced that they would begin reducing tariff for importable from SAARC LDCs beginning 1 July 2006; and by 31 December 2008 bring tariff to 0%-5% for LDC products. The member states also agreed on addressing the Non-Tariff Barriers (NTBs) and Para-Tariff barriers (PTBs) and harmonization of measurement, standards, testing and quality (MSTQ) measures. They further decided to undertake a Study on Trade in Services, which is definitely a major step in progressive realization of a truly South Asian Free Trade Area and an eventual South Asian Economic Union.

As regards the legislative framework of SAFTA, three significant trade facilitating agreements relating to customs cooperation, double taxation and disputes arbitration were signed. Negotiations on the fourth one relating to investment promotion and protection are going on.

Investment and trade in services are two vitally important areas for success of SAFTA and for ensuring its equitable benefits to all member states, in particular to the weaker economies.

There is a widespread perception that SAFTA will mostly benefit the larger economies like India and Pakistan because of their natural endowments and economies of scale.

It is therefore crucially important to create a level playing field for all, irrespective of the asymmetries within the region. In this the larger economies should take the lead.

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