

South Asian Regionalism: Prospects and Challenges

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South Asian regionalism had a slow start, with the setting up of SAARC in the 1980s, with a clear acknowledgement of interdependence in its Charter. SAARC was established as the South Asian region's inter-governmental organization, with the membership of Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. The Heads of State or Government of SAARC defined their vision keeping in sight the objective realities of South Asia at the time.

The fundamental premise of regionalism among SAARC countries is rooted in the recognition that the various challenges that the region faces cannot be resolved through action in national domains alone. To resolve them it was imperative to develop a regional vision of cooperation in different areas, even though the implementation of this vision would primarily have to be done nationally. The rationale of SAARC's genesis is explicitly stated in the SAARC Charter; to quote:

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.

In 2007, Afghanistan also joined as a full member of SAARC.

An important aspect at the time of SAARC's founding was that while regionalism was perceived as eminently desirable, if not indispensable, bilateralism still dominated cooperation among the countries in South Asia. SAARC, now as in the past, has never been insulated from the bilateral dynamics. However, although SAARC developed as complementary to the

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network of bilateral relations in South Asia, in some ways and for some of the countries in the region it has evolved to become an important instrumentality to achieve goals of national growth and development. This in itself is a measure of the evolutionary growth and its *raison d'être*.

Though under the shadow of the cold war, SAARC registered modest gains in the first few years. It would also be observed that regionalism in other parts of the world was a beneficiary of political proximity of generations of leadership, developed private sectors and companies transcending national borders, multinational stakeholders, and so forth. The template of political interaction in South Asia, and the contours of interface between the governments and non-governmental stakeholders, including the private sector and think-tanks, are far more complex. These processes have had to be built and nurtured over time, and are, at their best, merely work in progress. But it is widely acknowledged and appreciated that SAARC has played a pivotal role in pinning the SAARC countries down to building mutual trust as also in bringing together their political leadership and government machineries. Here, we must remember that for the success of SAARC as a whole, and in particular for the delivery of area-specific regional cooperation targets, this is one of the key determinants. *We are still a region where functional cooperation in different areas remains firmly dependent on cordiality of political relations among the member countries. The achievements of SAARC must be seen in this context; or else one would end up with a skewed perspective.*

Almost from the beginning regional cooperation had to negotiate the roadblocks arising out of terrorism and its impact on bilateral relations. Economic liberalization and deregulation in the 1990s should have created a conducive atmosphere, as action in the economic field moved out of government control. However, the policy frame compelled work to go to inevitable formal official committees, which took to a slow slog. Further spurt was given by globalization and its benefits to South Asian economies in terms of trade, investment and remittances flow. India, Sri Lanka, Bangladesh and Pakistan registered impressive growth indices in most of the last decade. The reason and purpose of South Asian regionalism got a fuller boost in the wake of this latest round of globalization around the turn of the century. Studies on regional cooperation brought out the political benefits for all, particularly to smaller countries, of better trade and economic cooperation. SAFTA (South Asian Free Trade Agreement) was born out of this in 2004 and came into force in 2006. It showed a way forward despite lingering bilateral issues between India and Pakistan. SAFTA's entry into force was quick, with ratifications coming forth from all countries, including

India and Pakistan.

A whole range of activities under the SAARC framework are underway within SAFTA; but more of it later. Not only in SAFTA but in other areas too, there is a fair amount on SAARC's plate to chew on and energize regional cooperation – but progress is also stumbling on issues in national infrastructure, governance and bureaucratic inertia. This also hampers exploiting the windows of opportunity offered by the on-off bilateral détente and relaxation of the political situation. The media in South Asia need to understand the enormous value of the SAARC paradigm of interdependence, engagement and pursuit of mutual benefits instead of zero-sum policies. South Asia's 1.6 billion population offers a formidable demographic challenge, but an opportunity too, if, and only if, SAARC and associated processes are viewed in enlightened self-interest by governments, civil societies and the media. The larger economies in the region have influential voices espousing rapid growth, despite the negative factors that imperil regional peace. As Prime Minister Manmohan Singh stated at the sixteenth SAARC Summit in Thimphu, "In looking back at these two and a half decades we can claim the glass is half full, and compliment ourselves, or we can admit the glass is half empty and challenge ourselves. I believe we should challenge ourselves"

In the past twenty-five years the paradigm of regional cooperation has clearly been accepted and even promoted through sixteen summits, numerous ministerial meetings, meetings of senior officials and eminent experts, as well as a whole range of activities sponsored by civil society organizations in diverse fields.

Recent SAARC summits, however, have increasingly focused on implementation and delivery. Implementation demands adequate empowerment of regional institutions – that is, an investment of both faith and wisdom. In South Asia the strong political interest for regional cooperation in a given area does not necessarily translate into corresponding prioritization by the bureaucracies. Mostly it may be because regional programmes tend to get generally low priorities among the line ministries of the region. Sometimes, however, the cause simply is attitudinal. Another related point concerns the interaction between the governmental processes and non-government stakeholders. While we do have substantial think-tank activities devoted to regional cooperation in South Asia, what is needed is more coordination among them to avoid duplication. Secondly, and more importantly, there is currently no structured mechanism to bring in their recommendations to the intergovernmental mechanisms in SAARC for discussions.

We need to address ourselves as to how the institutional framework can be strengthened to meet the imperative of delivery. How to develop due ownership of empowered SAARC institutions, including SAARC Secretariat, among its member states in South Asia? South Asia requires institutions that would foster cooperation as institutions in other regions have done, institutions which are backed by also stronger ownership and commitment by governments and broad-based stakeholders in all the countries.

In other successful regions, the wherewithal of regional cooperation also had ownership and support at the political level, with active regular commitment of governments. In South Asia, the active support of governments has mostly been expected in a playing-by-the-ear mode as a by-product of gradual evolution and is contingent on the success achieved by SAARC. Avoidance of political and divisive issues has been basic to SAARC's viability, because disputes and deep-rooted political problems could wreck South Asian regionalism even before it commences. As a result, SAARC's focus has mostly been on cooperation in the socio-economic fields and on tackling the common problems afflicting all South Asian societies, i.e., problems of poverty alleviation, economic development, employment generation, education, public health, empowerment and protection of women and children, and energy. These areas might sound less difficult at the surface, but they have deep and extensive dependence on governance. So, SAARC institutions have also had to cope with challenges in governance impacting on implementation of SAARC programmes. Strengthening and empowering of SAARC and South Asian regional institutions is intimately connected with performance of line ministries in the areas concerned, which in turn, given domestic pressures on their priorities, tend to view SAARC as sufferance.

South Asia's population and size make for a vast market in the world. The region, among other things, shares and is knit together through a common heritage, projecting rich, complex and varied cultural traditions. This provides a foundational binding to regional cooperation in SAARC and contributes to forging a South Asian identity. Its human resources are an opportunity and a potential. The economies of the region vary considerably in their size and complexity and offer considerable room to coalesce.

Current Status of Regional Cooperation in Different Areas

Let us briefly touch upon the salient features of the current SAARC agenda; primarily to highlight the distance that the Association has travelled in spite of the odds against it, and the ground it has covered since its inception. Also, these do give further testimony to the objective merits of the SAARC paradigm

in the face of political problems. The key issues of focus on SAARC's agenda are:

- Poverty alleviation and developmental activities
- SAARC Development Fund
- Trade, economy and finance
- Transport and intra-regional connectivity
- Narcotics, drugs, terrorism and legal matters
- Environment, forestry and prevention of natural disasters
- Agriculture and rural development
- Energy
- Social development: including health, education, women and children, etc.

In the age of liberalization and deregulation, trade promotion remains one fertile field for the growth of regionalism. Therefore, SAFTA does constitute a vital forward step. Optimism about SAFTA rests on stakeholders in the broader public domain outside governments. However, policy institutions, norms-setting and legal frameworks to facilitate broader private sector stakes in regional trade have occupied the main focus so far. The entire gamut of trade relations in South Asia comprises not only policies about tariff and non-tariff barriers, customs harmonization and harmonization of standards, but also physical transit and transport infrastructure, border controls, banking and investment. Success in trade, transit and transport would have its impact all along the value chain. Therefore, trade, transport and related investment remain keys to SAARC's success.

One key feature of the recent focus, which cuts to the root of regional cooperation, is project-based cooperation through the modality of SAARC Development Fund, a (US)\$ 300 million funding mechanism. Development and implementation of greater number of projects that touch the lives of the peoples of the region is now a key regional priority in SAARC. In this regard, several projects, namely, on women's empowerment; e-governance; zero-energy storage of agricultural ingredients and produce; maternal and child health; and a project study on improving the quality of education through focusing on teacher training are already in varying stages of implementation. The Permanent Secretariat of the Fund is in Thimphu.

The goals of poverty alleviation, food security, employment generation, etc. are also connected to progress in regional trade and investment. This

explains the emphasis in the SAARC Development Fund on economy, infrastructure and social development as areas for project-based cooperation which would contribute to these goals.

In addition to the funding mechanism, South Asian trade and economic cooperation has several important pillars. I believe that creation of a Free Trade Area in SAARC through implementation of SAFTA is a starting grid for development of lateral and vertical linkages in other fields of regional cooperation. SAFTA has allowed us to take a regional view of trade linkages rather than view them from a national perspective. Initial figures of intra-SAARC trade under SAFTA have been encouraging. By the end of 2009 total trade under SAFTA certificates of origin was about \$687 million, and by 2010 it crossed \$1400 million, which is modest but significant for the initial years.

SAFTA is leading to development of a new network of regional trading patterns in different products. An ADB study done in 2008 places the potential of trade under SAFTA at \$85.1 billion. Large volumes of informal trade are also indicative of potential trade under SAFTA. The fact that intra-SAARC trade volumes are far lower compared to that in other regions is not a critique of SAFTA. It rather reflects on structural problems of industry and infrastructure in our region.

Within the SAARC process, the effort has been twofold. One, to rectify the technical flaws of SAFTA to smooth its implementation. And secondly, to establish as early as possible a region-wide trade facilitation regime that allows faster and more cost-effective flow of goods, services and capital throughout the region. Mention is made below of a couple of them.

The last couple of meetings of SAFTA Committee of Experts have focused on reducing the large size of Sensitive Lists under SAFTA. The SAFTA Ministerial Council (SMC) has asked the Committee of Experts that in this process they should focus on taking out those products out of the Sensitive Lists that have high regional tradability. The idea is to bring a larger percentage of goods under the regional MFN trading regime. It is also expected of them to accelerate the trade liberalization programme. In this context, unilateral steps announced by India not only speed up its trade liberalization programme for the less developed countries of South Asia but reduce the size of Sensitive Lists for them.

The SAFTA process has also been working hard to get rid of high walls of non-tariff and para-tariff barriers. The multiplicity of trading regimes in South Asia adds to the complexity of these barriers. This only adds to the already high costs of trade transaction in the region. It is also one of the contributory factors for the large volumes of informal trade in the region.

The SAARC processes have also focused on taking specific measures to address this challenge, such as a Draft Regional Mutual Recognition Agreement on Product Certification and a draft of Multilateral Agreement on Conformity Assessment Activities. Once finalized, these agreements would largely address the problems due to lack of harmonized product standards in the region. The South Asian Regional Standards Organization (SARSO) is another concrete step to address the problem of high levels of non-tariff and para-tariff barriers to intra-SAARC trade. In parallel, a SAARC Customs Group is working to develop modalities through which intra-SAARC consignments could be cleared on a fast track. It is also working for a Harmonized Tariff Code at the eight-digit level.

SAARC has also recognized the imperative of incorporating Trade in Services in the regional trading regime. A framework Agreement on Trade in Services was concluded at the sixteenth SAARC Summit. The last meeting of SMC in Malé this year has emphasized the need to further work on the schedules under the Agreement on Trade in Services. This can spur additional lateral and vertical trade linkages and help open up new vistas.

One of the key structural impediments to strengthening of regional economic cooperation is lack of physical and soft connectivity. Infrastructure constraints like power shortages, underdeveloped road and rail transport constraints, port congestion, etc. seriously hinder full realization of the regional trade potential. It is now acknowledged that reduction in transport and infrastructure-related costs has the same effect as tariff liberalization in providing stimulus to trade. It is estimated that for every one per cent reduction in cost, trade stimulus is about 5 per cent. This benefit is passed along the entire supply chain, be they shippers, truckers, traders or end-users. Another illustration of deficiencies in soft connectivity is that only 7 per cent of international calls in South Asia are in the region, whereas in East Asia the corresponding figure is 71 per cent.

There is a sense of urgency in SAARC processes to deal with this issue at two levels. On the first track, efforts are being made to develop regional trade and transit agreements. In this regard, two agreements on Regional Motor Vehicles and Railways are under consideration of an Expert Group. It was hoped that these would be finalized before the Sixteenth SAARC Summit, i.e. before April 2011, but more work was desired on them before concluding the negotiations. SAARC Ministers of Transport have also focused on expeditious implementation of regional infrastructure projects, including through operationalization of the infrastructure window of the SDF. Through a second strand, there are appeals to the member states to strengthen trade-related

infrastructure in their respective countries. It is important to note that regional efforts have to be complemented by national action to build infrastructure. The countries of South Asia appreciate that unless they are fully connected among themselves in the true sense of the word, and better connected with the outside world, the collective efforts to knit the region together would only produce sub-optimal gains.

Another crucial aspect of the economic endeavours is the work towards establishing short- and long-term food security for the region. To this end SAARC has set up the SAARC Food Bank. It provides a mechanism for governments to support each other during emergencies, natural disasters and even normal conditions where the countries would make a request as per the Agreement. Through this mechanism the countries also obtain an early assessment of production of major food grains in the region vis-à-vis the scenario obtaining beyond the region. The quantum of food grains in the Food Bank has been a modest one, i.e. about half a million tons.

For some of the countries of the world including in South Asia, climate change is an existential challenge. Issues related to climate change question the very legacy that we might leave behind for our successive generations. It must be said for the record that SAARC has been acutely conscious of environmental conservation and related issues and this has been a priority area in the regional discourse.

One area which is critical to the success of regional economic cooperation and integration is the development of the culture of cooperative thinking. In this context, the initiative of the Prime Minister of India to establish a South Asian University, which commenced in Delhi its first session in 2010, will go a long way in bringing together the academia and younger generations of South Asia. The SAU project envisages in the fullness of time campuses in all SAARC countries and is ambitious enough to see the enrolment of South Asian students to go up to 5000.

South Asia is poised at a critical juncture in its history in that it has in hand the norm-setting process in different areas and is now in the phase of active implementation. It is true that it faces huge developmental challenges; but it is also a fact that South Asian countries count among the relatively faster-growth regions capable of substantial economic achievements. Internationally too, the climate is good for the resurgence of regionalism.

Good analysis and information in public domain about the benefits of regional cooperation is lacking in South Asia. Pride and prejudice sometimes produced negative perceptions and misapprehensions about the consequences

of increased regional cooperation. For instance, fears of greater domination by India are often rooted in these negative perceptions born out of lack of information. Such fears have proved largely unfounded in other successful regional groupings such as EU, ASEAN, MERCOSUR, etc.

The two success stories of regionalism, namely, European and ASEAN, show that bilateral political constraints or historical disputes need not hinder development of cooperation. The economic strengths of the individual members of ASEAN have also varied considerably, but that has not prevented the 600 million population of ASEAN from having a combined GDP of \$3 trillion and intra-ASEAN trade taking a large share of GDP.

Looking at the Future

Before concluding, it would be worthwhile enumerating a few pertinent points:

- As South Asians we should focus on developing our South Asian identity: believe in ourselves as a region. Rather than follow the herd mindset of criticizing SAARC for what it has not done, we must value its successes and appreciate the context in which they have been achieved. We need to remember that South Asia is a diverse group of countries and SAARC has to take everyone onboard. The Association has made significant gains. We need to recognize, support and build on them. The best assistance to SAARC would be to remove the gap between professions of collective intent and actual cooperative action.
- We need to prioritize regional objectives and streamline them with national priorities. In this context, the Functional Ministries need to be sensitized to the importance of regional cooperation in domain-specific areas. Realizing the administrative complexities in this matter, SAARC held its first ever Meeting of Cabinet Secretaries in 2009 in Delhi. One of the objectives sought to be achieved through this meeting was to ensure that policy directives of the leaders and the approaches agreed in the SAARC processes are mainstreamed into concrete action at the functional level.
- We need to develop policy approaches that take into account the political and economic complexities of SAARC, in particular the needs and developmental priorities of the less developed countries.
- The physical and soft connectivity among the SAARC countries needs to be developed and strengthened.
- Trade integration needs to be expedited through faster implementation of SAFTA.

- Care needs to be taken not to hold regionalism hostage to the twilight of bilateral relations.
- The focus needs to be on taking practical and quantifiable steps; to associate all stakeholders, especially the private sector and think-tanks in the formulation and implementation of regional policies in different areas.
- A SAARC Brand needs to be created. SAARC truly can have an impressive list of successes. Unfortunately, its footprint in the media is negligible. As a result, the perspective among opinion-makers and media of what SAARC does is warped and uninformed. To rectify this, embracing the concept of outreach through structured programmes of familiarization and media blitz in South Asia is overdue.

We are still far away from the cherished goal of regional economic integration. SAARC and regionalism in South Asia require the intensity of an article of faith and an optimistic, problem-solving predisposition. SAARC can transcend the straitjacket of “process” and can bring forth enduring instrumentalities of cooperation (like SAFTA, SDF, SAARC Food Bank, etc.) to forge stronger bonds of cooperation.

In the final analysis, the success of SAARC institutional arrangements will rest on identification and pursuit of the core projects which could yield tangible results. These projects can be easily identified in the area of trade facilitation, removal of barriers, improvement of regional transport, removal of transit restrictions, opening up of port facilities and promotion of trade in energy in a comprehensive way, comprising regional grids for electricity, hydropower, and gas pipelines. Cross-border transactions must be depoliticized and pursued purely on economic terms. Wherever in SAARC these pursuits have gone into operation, such as between India and Sri Lanka, India and Nepal, India and Bhutan, private investors have flocked to build up much greater promise of success. South Asian regionalism is in need of tangible success stories of a magnitude which is proportionate to its larger population. There has to be greater focus on “how-to” of the plans of action in SAARC to spur implementation.

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