CHAPTER V
CONCLUSION

In the emerging scenario where state-centric world had to co-exist, interact and compete with a multicentric world of transnational and subnational actors, regionalism appeared to provide a stable anchorage to state system. Yet the growth of regional organisations is not uniform. Regional organisations vary in terms of their development, nature and relations with their member states as well as with external world. Their development and nature is structured by the conditions of the region, contexts in which they are placed, perception of political elites regarding regional co-operation, internal and external challenges and benefits of co-operation. Hence, the study observes varying patterns of development in EU and SAARC and the manner in which regional organisation is instrumentalized for realising common purposes.

EC/EU

The ideal of European unity, perceived differently at different times in European history took a concrete shape in the twentieth century in the aftermath of the Second World War. The two World Wars, the onset of Cold War, decolonisation and the loss of prestige and hegemony shook the 'European' to whom the idea of Europe hitherto was predominantly cultural rather than political since Europe took itself for world. 'Europe' had lacked cohesive collective sentiment due to configurations of national identities that were politically often competitive and confrontationist except few occasions in history where 'Europe' was instrumentalised for serving narrow or sectarian interests of the ruling class. With
the establishment of the European Community (EC), the ideal of European unity took a concrete shape and later the European identity largely shaped by the EC was sought to be inculcated in the European consciousness, incomplete though it is.

The EC trajectory from its origin in European Coal and Steel Community (ECSC) to European Union (EU) and later was not a smooth unilinear or teleological process. Its development was shaped by the contexts, political atmosphere and perception of domestic and international situations and pressures. Initially the EC and its forerunner, ECSC were developed to serve the national objectives. ECSC was a French conception designed to bind its traditional enemy (West) Germany close to France and Europe through a novel sectoral integration that not only eliminated causes of war but also advanced economic interests and dominant position of France in Europe with the known non-participation of Britain.

With American tacit support forthcoming for such a project guided by Cold War logic, West Germany and other participants shattered by World War also saw French proposal as an opportunity to overcome their national inadequacy through trade and to participate as an equal beside the implicit goals of peace and development. So the sectoral integration aiming at European Unity initially was guided by national objectives and preventing further decline of nation-states through common endeavour. But such a project, over a period of time, was expected to bind the participating countries through functional linkages promoting conditions of peace and development.

However, the EC's neofunctionalist logic of incrementalism and spill over came to be soon proved naive by Charles de Gaulle, and later by Margaret
Thatcher, validating realist contention. Political perceptions/ national sensitivities obviously had their share in shaping integration process. Nevertheless, EC has expanded its scope and cohesiveness, especially with every new and revision of treaties. Though the contexts provided impetus to integration, the distinct strategies of EC had their contribution to the integration:

1. Incremental strategy that saw the growth of informal flows and networks, both in terms of volume and intensity across the sectors and region compelling governments to adjust their relations at a level higher than intergovernmentalism.¹
2. Non-intrusiveness of EC in national life allowing sufficient space for member states to pursue their domestic agenda;
3. Co-existing and complementing other European organisations like OECD, NATO, WEU etc., and bilateral/multilateral linkages within EC such as Franco-German and Benelux relations.
4. Achieving targets with fixed timetables.²

Largely these measures provided flexibility, confidence in the system and enabled convergence of viewpoints, at times, by mutual bargains, compromises etc.

Therefore, integration in EC proceeded depending upon the political perception/national sensitivity, pressure of circumstances, expectations of benefit and dynamics of EC swinging the balance between intergovernmentalism and supranationalism. Wherever there was convergence of interests, for example in economic and monetary matters, integration was institutionalised; in others where national sensitivities were intact, for example in political/security matters, co-

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operative intergovernmentalism continued. As three-pillar construction of Maastricht Treaty on European Union (TEU) demonstrated in EU there is accommodation of communitarian, co-ordinated and national policy instruments within EC policy areas. Hence, what appears to exist in EC/EU is a synthesis of neo-functionalist and realist theoretical models.

Creating a complex interdependence and coupling interests of the member states, the EU has become the most suitable instrument to deal with internal deficiencies and external challenges. EU has given a distinct identity to Western Europe by 'deepening' and 'widening' and has become a major force in international relations and institutions such as WTO, G-8 etc., with considerable political influence both inside and outside Europe. It has played its role in restructuring intra-community relations and its external posture. It is also flexing its muscles in defence structures.

Such expansion of tasks of EU is not without contestations. Internal contradictions exist in terms of divergent perceptions regarding the reach of EU on the sovereign areas of member states, EU's legitimacy, future form of EU and its relation with nation states as well as apprehension regarding the effect of future enlargements on cohesiveness and institutional structure (decision making etc.) especially when qualitatively different Central and East European countries (CEEC) are included, external limits of EU's expansion, relations with NATO etc. EU's increased role has also raised the question of depoliticisation of issues and importance of technocracy, efficiency versus equity, accountability and popular sovereignty. Some of these issues are aimed to be tackled by the IGC in 2004,
which would consider the various shades of opinion expressed in the debate on future of Europe initiated by Nice and Laeken European Council in 2000 and 2002 respectively.

Notwithstanding, a steady growth of the EU competency and thrust towards communitarisation is evident. But such trends are visible largely in economic areas rather than in political where national sensitivities are intact. In economic areas, however, a complex interdependency has arisen which makes exclusivist options difficult. Therefore, EU has become a significant regulatory/facilitating authority, although of a different kind, focussing on 'European level' agreements in those areas which are traditional domains of nation states.

EU has not eliminated national differences by defining common rules. But in the process of balancing national perspectives for European progress traditional confines of nation states its broadest and the most inclusive sense and freedom of unilateral action have eroded although it has not been replaced by a clear-cut supranational authority. National boundaries have become less prominent in communitarian policy structures, but states continue to be the centre of citizen's loyalty and identity; and states are far from withering away.

What appears to have emerged in the process is a 'symbiotic relationship' between EU and member states where the effectiveness of one is maintained by the existence and development of the other, implying that transfer of power is not a zero sum game. EU is neither a federal polity with clearly demarcated competencies nor an intergovernmental union of states in which national governments enjoy monopoly over decision-making. It is this peculiarity of shared
competencies and operation between supranationalism and intergovernmentalism that makes EU a hybrid political structure and EU system as a *sui generis* not identifiable with other organisations or institutions.

Nevertheless, with the end of Cold War EU is facing daunting tasks. With cold war anchorages removed, and integration touching core areas, the consensus required to sustain collective policies and identify sources of public good have become difficult to arrive at. In this context, the defence mechanism of EU appears to be the internal consolidation by expansion of functional linkages across the EU and place most activities hitherto performed by different units under one roof of EU, which however could not be realised fully due contestation, as for instance evident in the three pillar construction of EU in TEU.

EU is also simultaneously asserting and stressing the hitherto implied shared values set around political democracy and neo-liberal economic stance of market liberalisation, as for example is evident in article F of TEU and article F and O of the Treaty of Amsterdam (TA), articulated as *acquis communautaire* and best asserted in debates on admission of East European countries to the EU. The social dimension and notion of 'European citizenship' are examples of attempts to develop political symbols to support EU governance, which have been for long resisted by member states. But cultural integration appear to lag behind political integration as people as a whole are yet identify themselves with EU or EU becoming emotional point of attachment in the multiple identities of people.

The focus on internal consolidation as evident in TEU, TA, Agenda 2000 and Euro is not without external consequences especially to developing countries.
A strong EU has beneficial effect on the development of multipolar world and the EMU and Euro has increased relatively the macro-economic position and stability of EU countries. The internal market appeared to provide greater opportunities to the non-EC, especially third world countries by greater access to large EU-wide market, single entry and common standard provisions, improved standard of life increasing demands for products from third world etc.

But such high hopes are belied by the EU's regional concentration of trade and continuation/imposition of artificial barriers to trade that has tended to make entry to the EU market difficult. Measures such as 'graduation' in GSP, stringent technical benchmark like ISO-9000 and other NTB's apart from preference to trade with CEEC have a negative impact on presence of Third World products in the EU. Globalisation is supported by EU as far as free movement of capital, European products and services are concerned but not people and goods other way round.

Further, with emphasis on liberal democracy and market economy EU mostly treat itself as an area of freedom. But such notion of freedom is restricted to EU 'citizens' only and forms of discrimination against immigrants are resorted especially against unskilled labourers. Ultra-rightist parties thriving on anti-immigration platform are on the rise and EU is yet to come out with a common law to this effect thus leaving sufficient space to member states to pursue their nationalist agendas.

These positions raise doubts of EU becoming a "Fortress" to the exclusion of outside interests despite EU's claim to the contrary. Hence, the nature of integration in EU and its internal and external impact is important to a region like South Asia.
and organisation like SAARC to which EU is a reference point.

**SAARC**

Quite distinct from EU is the SAARC that came into being as late as 1985 almost synchronising with EC's planned programme for single market. SAARC move was made in the backdrop of Soviet intervention in Afghanistan, unequal international trade structures, and rising debt problems of the third world countries with their demands for New International Economic Order (NIEO) making no headway. Internally South Asia was witnessing various socio-economic, political, ethnic and border problems and mutual suspicion and rivalries, some of which were shaped by historical factors, different nation building strategies and external linkages etc.

Emerging in this context, with cautious participation of India and Pakistan, SAARC incorporated the poor state of bilateral relations and mutual suspicions in its structure with long-term effect as evident in its explicit exclusion of bilateral and contentious issues from its framework. Unlike EC, SAARC was not designed for progressive coupling of interests and policies of member states, but as an intergovernmental body to work in common for realising socio-economic objectives. The stress on unanimity principle and lack of effective power to SAARC institutions overtly made it dependent on member states although higher phases of co-operation was not implicitly ruled out with better understanding.

Notwithstanding SAARC has not been able to assume the central role as a conflict resolution body harmonising different perspectives of member-states or as a spring board for economic progress in the region. SAARC's development right from
the beginning was conditioned by the perception of the political elites and bilateral disputes despite SAARC's exclusion of bilateral and contentious issues from its purview. Nevertheless, SAARC's progress does not hold adverse compared to other regional organisations in their early stage. Summit meetings and meetings at different levels, Integrated Programme of Action (IPA), regional institutions, conventions and programme did provide for increased interaction among political elites, experts, official etc., and regional focus.

However, most of these programmes have had not much of the impact on the region. Co-operation is superficial with no real involvement the people. Programmes envisaged lacked sufficient follow up by national bureaucracies. While most programmes of the SAARC faced resource crunch, important areas such as manufacturing, services, money, finance or even river water harnessing etc., were not part of IPA. Even the economic progress made under the South Asian Preferential Trade Arrangements (SAPTA) is extremely slow and tedious due to the restrictive trade policies, poor targeting of products etc., besides differing political perspectives as evident in the Pakistan's refusal to extent Most Favoured Nation (MFN) status to India; and the intra-regional trade has remained at less than 4 per cent of South Asia's global trade.

In other words, programmes envisaged by SAARC have not made any difference to the living standards of the people of South Asia. Controversies arising from role and position of India in regional setting, Indo-Pakistan disputes, various bilateral, ethnic and border problems amongst member states have prominently affected the pace of integration in South Asia despite exclusion of bilateral and
contentious issues from SAARC purview.

The Group of Eminent Persons (GEP) set up by the ninth summit (1997) to review the functioning of SAARC institutions and provide a perspective plan has recommended, inter alia, for creation of South Asian Free Trade Area (SAFTA), Customs Union (SACU) and, South Asian Economic Union in a time framework. If realised these objectives could give SAARC a distinct identity not only in South Asia but also at the global level. But regional problems and conflicts, mutual suspicion and above all, lack of political will have restricted the scope and pace of co-operation in South Asia.

Given the divergent geographical, economic and military strength and member states' mutual attitudes there is a perception of unequal benefit and returns disproportionate to investment in co-operation, especially by India. So while it has not been sufficiently generous except perhaps for a brief tenure of I.K. Gujral as Prime Minister, its neighbours are yet to realise the naivety of unreasonable expectation by harping on asymmetry all the time. Consequently, SAARC projects have become vulnerable to the vicissitudes of member states to whom regional projects are largely secondary or unrelated to national progress. Therefore, the support to SAARC is carefully evaluated to gauge the anticipated (immediate) benefits tending the SAARC progress slow.

Such dispassionate support to SAARC is largely the consequence of unstable relationship among countries of the region, especially India and Pakistan, and their political perspectives largely shaped by these historical experiences, domestic considerations and perceived cultural specificities. With each pursuing its own idea
of national interest and identity and mirror-images of 'other' coupled with bilateral border, river, infiltration and other problems threat perception has emanated from within the region. Alignments with outside powers take place presumably to neutralise the perceived domination of India and India's plea for self reliance is interpreted as borne by hegemonistic designs.

The military imbalance and economic disparity have added to the perceived images of 'dominated-dominating' and security issues continues to be perceived in the essentialist components of military paradigms to the neglect of vital socio-economic issues and needs. Naturally the progress towards 'deepening' of relations and strengthening SAARC has come to be linked with the political climate of South Asia and State of relations despite the exclusion of bilateral and contentious issues by the SAARC charter. These have tended the progress of SAARC slow and tedious despite the potentialities and compulsions of the present time for greater co-operation in South Asia.

EU-SAARC Co-operation

Inter-regional organisational co-operation help the organisations to exchange ideas, support each other or share and learn by the experience of other, enhance political status and economic power through trade and investment, converge viewpoints that could be useful in shaping the global scenario beside providing impetus to further 'deepen' relations and strengthen regional organisation for greater bargaining power and enhanced position.

In this setting EU's willingness to extend institutional assistance to other regional organisations is important. The EU Commission's support to the 'new'
regionalism is based on the view that outward looking or open regional integration is a complement or facilitator of multilateral trade liberalisation. Hence the support to regional co-operation/integration efforts is an important part of EU's developmental policy which supports internal (regional) liberalisation as a means of integration with global economy.

EU's willingness to help, however, has not increased EU-SAARC institutional relation. Only as late as 1996 there was a Memorandum of Understanding (MoU) on Administrative Co-operation and in 2000 an extension of EU GSP cumulative origin clause to SAARC countries. But MoU narrowly focuses on administrative co-operation and does not address basic issues of economic co-operation or institutionalise 'dialogue' to evolve common perspective. In the cumulative origin clause the net beneficiaries are member states rather than the SAARC organisation.

This limited co-operation was primarily because of SAARC's sensitivity, in particular India's, towards external linkages largely due to apprehension of external influence/pressure or patronage which, though limited external influence, has prevented SAARC from getting sufficient attention, financial and moral support and experience of others. Partly EU is also responsible since it did not evince much interest in South Asia, which among other things had low presence in international trade. With less than three percent share in EU's extra-regional trade, South Asia for long was not an area of prime importance to EU in economic terms although EU was always sensitive to the political developments in the region.

However, end of cold war and increasing thrust towards globalisation
facilitated change of positions. In the changed context with many of its members undertaking rapid liberalisation and market economic measures, SAARC just could not dismiss 'external factors'. Strengthening of SAARC, especially in economic areas required external support given the resource crunch in the region and expertise in institution building. On the other hand, EU too which recognised the growing strength of Asia in new international setting wanted to increase its presence in Asia as evident in its "Towards a new Asia strategy" document, formulated in 1994. Since support to regional forum to integrate them into open market based world trading system was its essential component, SAARC naturally became the focussed organisation.

Nevertheless, convergence of interests did not lead to increased co-operation between the two. Partly this is because EU's proposal like South Asia Rinderpest Eradication Campaign -- Support Programme (SAREC-SP) did not consider the peculiarities and sensitivities of the region or impressed as being controlled by the EU. For instance, in the context of demand for EU-SAARC special fund European Commission made it clear that EU's financial instruments did not permit projects over which it had no control.3

On the other hand, SAARC too was cautious against any proposal that sought to restructure intra-regional arrangements or had non-economic/political objectives such as democracy, human rights, governance etc., in the framework of economic/trade/institutional relations. Significantly, EU proposals with a clear objective of uniformly integrating developing countries to the multilateral trading

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systems and stress on areas of its concern and interest were quite cautiously seen by
SAARC despite the economic liberalisation being carried out by its member states.
In the absence of support by member states SAARC could not initiate any
meaningful co-operation with EU, tending institutional relations between the two
low and confined just to administrative co-operation.

SAARC members have also been left out in Asia-Europe Meeting (ASEM)
thereby restricting EU's focus on Asia mostly to East and Southeast Asian countries
and depriving SAARC's capacity to interact with EU on broader terms and shape
EU's policy towards Third World. Partly the failure of SAARC to act as a cohesive
body and evolve common external policy is also responsible for the loss of its
position. Hence, EU's relationship with SAARC is quite limited and growing at a
slow pace compared to its relationship with most other regional organisations of the
world, which were quick to respond to EU's initiative or volunteered to seek EU's
technical and financial assistance.

Nevertheless, with most countries of the region being beneficiaries of EU's
development co-operation there is no fundamental opposition to strengthen
SAARC's relation with EU though the nature of such co-operation may be
contested. In this, internal economic liberalisation in SAARC and move from
SAPTA to SAFTA could add momentum to increased EU-SAARC institutional co-
operation with EU's extension of its technical and rich experience to SAARC.
Besides, there are many areas in which EU assistance could be vital. These include
formulating programmes to help those adversely affected by liberalisation,
overcoming regional disparities emerging from regional integration, infra structural
development and setting up of Parliamentary forum for SAARC etc., apart from capacity building of SAARC institutions. Hence a regular EC-SAARC 'dialogue' and joint working out of modalities, procedures and forms of co-operation could go a long way in strengthening SAARC as well as establishing a synergy between the two.

**EU's relevance in facilitating SAARC**

The slow pace of SAARC has hurt the interests of the region as well as member states. The bilateral disputes and lack of common external positions with its low share in global trade have caused a real danger of South Asia being sidelined by the global community. There is no gainsaying that strengthening of SAARC would be beneficial to the region as well as member states by providing benefits of larger economic space, leverage to deal effectively with global market forces beside peace and progress. But strengthening SAARC is an arduous task given the political conditions of the region.

In this context, experiences of other regional organisations, prominently the EU, provides certain insights, which are useful in the South Asian context. Examination of EC/EU's development point to its distinctive features. First, rapprochement between bitter enemies through a regional integration, which is seen as an effective conflict preventive mechanism by creating conditions of peace and progress, and providing continuous thrust against re-emergence of narrow nationalism. This is also a demonstration of a case where initial rapprochement develops into a close net of co-operation and transformation of the political map of the region in to zone of peace and stability.
Second, development of an idea that dormant European identity could be developed into European consciousness through institution building and visionary initiatives for group benefit and identity. Third, incremental strategy of neofunctional co-operation which views that integration process would develop its own processes, logic and incentives for further integration. Fourth, institutional structure that provided a balance between supranational and national forces which created flexibility and confidence in the system; at the same time maintaining autonomy of each. This was beneficial since mutual goodwill created by intergovernmental institutions provided a base for next supranational initiative.

However, it is evident that inception of EC and its progress were largely conditioned by the contexts, circumstances and political perceptions. Hence duplicating the EU by SAARC would not serve purposes since the South Asian situation is different. Nevertheless, EU progress provides certain insights, which SAARC needs to bear in its developmental strategy:

1. In the normal situation countries, especially the stronger and the weaker, have no motivation to strengthen regional organisation. It is either a compelling situation or benefit of co-operation that make them strengthen co-operation in a regional framework. In South Asia such a crisis situation emerging from socio-economic problems as well as bilateral disputes exist and countries of the region need to realise the benefit of co-operation to overcome the common problems.

2. Stronger countries within the organisation are no threat to the organisation. Their leadership could be an asset provided their actions are guided by regional rather than narrow national interests and good relations exist between them. Hence India and Pakistan need to cooperate in strengthening SAARC without letting their bilateral issues disturb the
process. The conflict issues have to be put in backburner for progress of SAARC.

3. Deeper sectoral integration over a period of time tends to develop its logic, pressure and incentive for further progress despite possible official sanction. Hence, recommendations of GEP, particularly with regard to deeper economic integration needs to be considered and implemented to give at least a initial push to integration from the present superficial co-operation.

4. Integration would be stable when it goes beyond the official confines and reach civil society. Therefore, as a means, in SAARC there is a need to involve Non-Governmental Organisations (NGOs) and interest groups; ease travel restrictions; orient educational systems and media programmes and engage in other sustained campaigns to foster regional co-operation. The present SAARC Audio-Video exchange programme needs revamping and invigoration.

5. Like EC, SAARC need to strengthen institutions and institutionalisation by providing institutions autonomy of their own; regularise informal meetings and support networking and institutionalisation which over a period of time tend to de-couple itself from official points of view and begin to influence political perceptions of member states making it difficult to pursue exclusionary politics. This makes co-operation/integration process not only irreversible but also forward-looking.

While insights from EU could be relevantly applied, SAARC also needs to undertake certain concrete measures to proceed towards greater co-operation. In the backdrop of salience of economic factors in the post Cold War period and western countries' attempt to shape the global economic and political relations according to their preferences and benefits, SAARC needs to focus, apart from social agenda, on critical areas such as accelerated economic progress and bringing certain important economic areas like energy, manufacturing, services, money etc., which are still outside the framework of SAARC into SAARC. These needs to be supplemented
with adequate resource flow, conducive infrastructure and promotional policies anchoring it in a stable support of member states.

In addition, the internal liberalisation needs to be intensified with focus on few actively trading items or phased reduction of regional tariff rates for different sectors. Growth triangles or quadrangles or alternatively sectoral integration need to be given impetus focussing on locally available resources like water, coal, steel etc. Such measures could be attempted even in IPA and by eliminating tariff and NTB’s and agreed investment measures. Besides there is also a need to create a SAARC Fund in the lines of EU structural and cohesion fund, possibly by broad basing existing South Asian Development Fund (SADF) for different purposes such as developing regions and sectors. Implementation of recommendation of GEP could go a long way in strengthening SAARC.

In this endeavour Indian response becomes very important. India with its size, economic and military power and also stable democracy and political system and experiences in pluralism need to take initiative in fostering relations without insisting on reciprocity. India’s largest market and its trade with the region do make difference to the overall intra-regional trade in South Asia. It would not be fair on the part of India to look relations from pure commercial points of view since most of India’s neighbours being Least Developed Countries (LDCs) have supply side constraints and India is self sufficient in most items. India has nothing to loose or fear because of its domestic strength. Hence, by co-operation more than immediate trade benefits India as well as region would gain by stability and good will in the region.
Indian initiatives might be viewed as hegemonistic; but lack of initiative would also be taken as lack of sincerity and commitment. Therefore, it can be hoped that Indian initiatives gradually make neighbours reciprocate and realise the futility of harping on asymmetry and perceptions of dominance. Instead it may prompt them to realise the value of collective solidarity in the face of global changes as well as national inadequacies. Dialogues needs to be resumed since only by discussion positive aspects would emerge though eventually. Pakistan by harping on Kashmir may initially refuse to join the stream but conciliatory stance of India, actions supportive of SAARC and faith in dialogue would compel Pakistan to shelve bilateral conflicts to reap the benefits of co-operation.

Moreover, India and other countries need to realise that strengthening SAARC does not amount to weakening of State's capacity; rather it enhances it by providing wide economic space backed by regional peace, stability and collective strength to interact and bargain with the rest of the world. Investment in regional co-operation could yield different gains -- tangible and intangible -- and lead to mutual and balanced gains by trade offs. Hence strengthening of SAARC in a way is strengthening of national capacity and it is not a zero sum game. Therefore, SAARC countries, in particular India and Pakistan need to take SAARC seriously, restrain from damaging each other's interests, focus on issues of common concern and benefit and help SAARC to progress for common good which would complement their national development process. Insights from EU could serve as motivation if their own and region's progress is considered as important by them.