CHAPTER III

INTER-REGIONAL CO-OPERATION: A STUDY OF EU-SAARC INSTITUTIONAL RELATIONS

The post-cold war period is characterised, interalia, by the increasing trend towards regional organisations and globalisation. The regionalisation process has tended to work with cross-purposes with globalisation with significant impact on the operation of the nation-states. As noted in chapter I, regionalisation process characterises the instrumentality of national interest and strengthening of Westphalian state system (as perceived by neo-realists). At the same time it also denotes post-Westphalian (functionalist/neo-functionalist) logic that state system has outlived its utility in providing security and welfare and the solutions have to be found in transnational structures-regional or even global. Thus, regional organisations are seen as supportive as well as challenge and substitute to globalising trends and state systems.

However, the “new regionalism”, unlike the cold war period, is shaped in the present multi polar context and is evolving ‘from below’ with initiatives from within the region and without external sponsors. It sometimes comprises of several actors apart from state in the integrative process and is multifaceted incorporating several areas in its cooperation/integration agenda. Significantly, it is regarded

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mostly as ‘open’ in the sense that it is compatible with interdependent world economy despite the fact that some liberalisation and multilateralism of concessions in case of some members are undertaken on the advice/pressure/context of Bretton Wood institutions, WTO or advanced capitalist countries. Most of these organisations also have clearly set dead lines for internal liberalisation.

Yet regional organisations have not developed uniformly. Heterogeneity exists in terms of nature, growth of regional organisation and composition of member states. Their development is often conditioned by the regional situation, member states’ domestic situation, perspective towards region and their response to regional and global situation. Thus, in certain regions like Western Europe regionalisation is seen as effective response to the increasing challenges and common problems of the region in the changing international order. This is sought to be realized by ‘widening’ as well as ‘deepening’ of European Community (Union) through single market project, Economic and Monetary Union (EMU) and creation of European Economic Area (EEA). In contrast, in region like South Asia, despite the regional organisation, member states act independent of others. The cooperation/integration process is extremely slow, tedious and has often become the victim of vicissitudes of the political situation of the region.

Nevertheless, regional initiatives are considered as important in tackling certain common problems by common approach like population explosion, environmental degradation, criminal activities and drug trafficking, poverty etc. beside trade related issues. Regional organisation could become an effective
bargaining chip while dealing with others, provide access to regional resources and region-wide market and even provide economics of scale and comparative cost advantages. In the absence of commonly accepted global approach towards these issues, regional organisations could help to overcome the inadequacies of nation states and give certain stability and identity to the region vis-à-vis others.

In this context, European Union (EU), for the time being, is the only regional organisation that is considered to be the most developed, most integrated and most successful organisation embarking upon several areas compared to the rest. It has developed institutions of governance, incomplete as they may be, to exercise power above the nation state. Hence, EU often impresses for being a self-contained system for relations between its constituent members as well as with wider international system. As noted in chapter 1, in the emerging scenario where state-centric world is co-existing, interacting and competing with a multi-centric world of transnational and sub-national actors, the dis-aggregation of power between member states and EU and their co-existent relationship places EU simultaneously within state-centric and multi-centric world. EU is experimenting progress and developing sui generis with no regional models to hold on or to look towards. Naturally, the EU has become a reference point, if not a model, to the other regional organisations of the world.

**EU and Regional Organisations**

European Union too has shown willingness to help those regional organisations that seek to learn from and share EU’s integration experience as well as benefit by the cooperation agreement. By emphasising that regionalism is not an
alternative to integration in the world economy, the European Commission has been influential in making both the International Monetary Fund (IMF) and the World Bank more sympathetic to regional initiatives. Indeed, the Commission’s support for the new regionalism is based on the view that outward looking or open regional integration is a complement or facilitator of multilateral trade liberalisation.²

Thus EU has emerged as a ‘natural supporter’ of regional initiatives. It has responded quite often positively even to the demands of political and financial support for regional initiatives, especially from amongst the developing countries apart from sharing its integration experience. This support can be traced back at least to 1969, when the second Yaoundé convention established that regional organisations of the conventions’ signatories could be beneficiaries of the Community aid and special preferences could be granted to African regional enterprises bidding for EC financed contracts, and foresaw the possibility of extending preferential duty rates on imports from regional groupings of convention signatories³. Five years later, the Developmental Council meeting of April 1974 adopted a “Resolution on regional integration among developing countries” in which the EC expressed its willingness to respond favourably to development aid requests from countries that were undertaking regional integration and cooperation initiatives.⁴

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⁴ Ibid.
In Lisbon European summit of 1992, EU gave a new thrust to regionalism by emphasising the importance of pursuing policies in support of integration efforts in Latin America, Meghreb and in Central and Eastern Europe. The 1992 Council regulation on “Financial and Technical Assistance” considered regional cooperation between developing countries as EU’s “priority area for financial and technical assistance” (article 5) and as an “important sector for economic cooperation” (article 8). In particular, this new policy aimed to support the strengthening of regional institutions, intra-regional trade, and joint (regional) policies.

Since then, EU has been a proactive in its support to regional cooperation/integration efforts in most parts of the developing world. Such support is also an important part of EU’s development policy, particularly in those countries and areas that have shown special interest in receiving part of their assistance in such form. In fact, in its resolution on 1 June 1995 Council considered that development cooperation could be based interalia, on strengthening institutions and helping to make regional integration measures better fitted with their goals; support for private sector to take advantage of the opportunities offered by integration, technical support for strengthening financial sector; and at national level on structural adjustment instruments, to help states in the process of

5 See, ibid.
adjustment which are carrying out reforms aimed at intra-regional economic liberalisation involving net transitional costs. 7

In title XVIII (Development Cooperation), the article 130u of Maastricht Treaty on European Union (1992) states _interalia_, that EU shall foster the "smooth and gradual integration of the developing countries into the world economy." 8 With its perspective of complimentarity between regional integration and multilateral trade liberalisation, EU naturally considers regional integration, especially in developing countries as an effective measure of integrating the latter into global economy by creating internal (regional) liberalisation first.

Suggesting that regional integration among developing countries "is part of a wider strategy to promote equitable growth and is not an end in itself," EU holds that a regionally coherent liberalisation strategy will reduce and smoothen cost of adjustment to an economy in the face of globalisation, both for the private and public sector." 9 Therefore, EU has become a strong advocate and supporter of regional integration measures.

**EC/EU support framework**

In spite of general support to regional organisations the EU’s pattern/form of such support have not been uniform. It has varied depending upon the conditions of the region, regional organisation and EU’s relation with them. Broadly the EU’s support framework includes three areas apart from ‘political dialogue’:

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8 Treaty on European Union, European Communities (Luxembourg, 1992).
1. Trade Policy: The renumbered Article 133 (earlier 113) of the EC Treaty obliges the EC to operate a common commercial policy. Cooperation agreements are also based on article 308 (235) which gives Council the power to take necessary measures on the operation of common market acting unanimously on a proposal from the Commission and after consulting the European Parliament; article 300(228) which provides for institutional and other details for negotiating agreements with individual states and international organisations; and, article 310(238) that provides basis for association agreements with one or more states or international organisations.10

These instruments enable reciprocal arrangements and benefits, establishment of free trade agreements with developing countries of a particular region and granting of cumulation in the rules of origin and other concessions within the Generalised system of Preferences (GSP) regime which in turn could encourage intra-regional trade and investment liberalisation. It could take the form of -- especially under article 133, 300 and 308 -- Trade, cooperation and framework agreements which provide for inter-regional agreements as is in the case of EU’s agreement with Andean Pact, Mercosur, Gulf Cooperation Council (GCC), ASEAN etc.

These agreements used for purpose of establishing privileged or special relationships between the EC and the third country or group of countries (like ACP under article 133 or earlier 113) have increased in number over the years though they have not always entailed privileged or special position to the latter; but they

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10 N. 8. The articles 235, 228 and 238 are renumbered as articles 308, 300 and 310 respectively in the Treaty of Amsterdam. See, European Union, Treaty of Amsterdam (Luxembourg, 1997) Annex. p.85
still involve some trade preference and some forms of assistance from the former. Since 1980’s, political conditions usually concerning human rights and democratic processes-have increasingly been attached to these policies. Therefore the ‘new generation’ agreements go beyond mere trade concessions and address the issues that are of concern to EU.

2. Development cooperation Policy: The EU’s Development and Cooperation policy that sometimes overlaps with trade policy is based on articles 177-181 (133u-130y) of the EC Treaty. It is also governed by article 310(238) (for e.g. Cantonou Agreement with ACP and various association agreements with countries of Central and East Europe -- Europe agreements -- and Mediterranean such as Cyprus, Malta etc.); 133(113) (GSP and cooperation agreements) and 308 (235) (Financial and Technical assistance to Asian and Latin American Developing countries) of the EC Treaty. As article 177 states the objective here is to develop and consolidate democracy and rule of law and to foster in the developing countries, “sustainable economic and social development,” ‘smooth and gradual integration into world economy’ and ‘the campaign against poverty’ 11.

The development policy is politically significant in the sense that it is EU’s policy in its own right. The implementation of this policy includes the regional agreements granting certain privileges beside humanitarian aid, special funds for poverty eradication campaigns etc. The development cooperation policy support regional groupings on three inter-related areas:

11 N.8, Title XVIII, Article 130u. The article 130u is renumbered as article 177 (Title XX) in the Treaty of Amsterdam.
(a) Capacity building and institutional strengthening by way of technical assistance, training, support to endogenous research on regional integration and programmes to raise awareness and the involvement of the private sector and civil society (including trade union) in the subject of regional integration etc.

(b) Assistance to private sector to help firms exploit the opportunities resulting from regional integration through information centres and training etc.

(c) Balance of payment/budget support to governments to help meet transitional costs so that reduction in tariff revenue in short run by internal economic liberalization would not affect the integration process.\(^\text{12}\)

The "Economic cooperation", a new Commission jargon for new type of development aid, aims at improving the macroeconomic and business infrastructure of the countries/regions concerned that could benefit both EU and that country or region. These, sought to be promoted through trade and investment and business promotion schemes and generally concluded with more advanced developing countries or regions are being favoured by EU and their number is increasing. It is in these new agreements EU's political concerns are often attached.

3. Donor Coordination: Coordination among donors is attempted to have focussed support to regional organisation and to encourage organisations themselves to harmonise and rationalise their integration/cooperation programmes. This includes coordination not only at EU level and member states' development cooperation but also with other donors such as World Bank, UNCTAD etc. EU has also emerged as a major supporter of WTO and institutionalised international trade rules as well as

\(^{12}\) See, n.3; n.9.
\(^{13}\)
structural adjustment programmes in developing countries and regions, which EU perceives as complementary to ‘open’ regionalism and multilateral trade regimes and liberalisation.

In the normal procedure for contracting agreement, the Commission makes a recommendation to the Council which is discussed by the Committee of Permanent Representatives (COREPER) and places it on the agenda of the Council. The Council authorises— if necessary by qualified majority vote under article 133—Commission to negotiate. But in the case of association agreement, unanimity is required in the Council. Working within the framework of directives of the Council, Commission negotiates on behalf of all member states.

In this process, of the twenty-four Directorates General (DG), DGI (responsible for external relation) normally takes the lead on behalf of the Commission, but other DG’s such as DG IV (Competition) and DG IV (Agriculture) may be involved if they have direct interest. Throughout the negotiation period, Commission is in touch with Council’s Article 113 Committee that reviews and decides on trade agreements every week on subject within the scope of article 113.

Particularly during the difficult or important negotiations the Commission may submit to the Council for clarification of the negotiating directive or for an amended directive which may break a deadlock as, for instance, happened during the closing stages of the Uruguay round of negotiation in November/December.

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13 DGI itself is a complex structure. Since 1995 it has been in fact split into three separate but linked DGs (DGI, DGIA and DGIB) which are further divided into many directorates and units or desks each in charge of regions or individual countries or specific aspects of trade policy or programme related activities. Directorate C of DGIB, for instance, deals with South and South East Asia.
1993. At the (apparent) conclusion of negotiations, the Commission can initiate negotiated settlement, but Council approval is necessary for agreement to be formally authorised and signed.\textsuperscript{14}

The EU support and region-to-region relations are likely to contribute to enhanced political status and economic bargaining power of the regional organisations of third world not only in relation to EU but also with rest of the world. Consequently such arrangements tend to deepen the relations among participating countries of the regional organisation. This in turn could contribute to the strengthening of the institutional mechanism of the organisation and interdependency among member states leading to further strengthening of the organisation.

It is in this background the EU’s relation with South Asian association for Regional Cooperation (SAARC) becomes important. EU and SAARC belong to two different regions - EU part of developed north and SAARC part of developing countries – and have different levels of economic development. While EU is part of rich industrialised west, nearly 44 percent of the people living on less than $1 day belong to South Asia.\textsuperscript{15}

\textsuperscript{14} In arriving at negotiation, the internal dynamic at times may create tension when -- (1) DGs other than DGI show interest (2) Council wishing Commission to be under its control but Commission wishing enough maneuverability to be an effective negotiator (3) Different national interest and preferences of member states can create difficulties in the Council as happened during 1992-93 Uruguay round when French resisted the Commission proposal of agricultural resettlement terms. (4) Resentment of European Members of Parliament (EMP’s) who have no direct influence on matters relating to article 113 although they are discussed primarily in the Parliaments External Economic Relations Committee. (In cooperation agreements however European Parliaments assent is required and it has greater influence over the course of negotiation unlike art. 113). See, Neill Nugent, The Government and Politics of the European Union (London: Macmillan, 1995) pp. 388-91.

EU represents the success story of regional organisations with considerable economic growth and stability; SAARC, a late comer to the scene, is witnessing a slow and tedious progress. While EC/EU has found economic route to progress and to overcome centuries-old rivalry by mutual good will, SAARC's progress is affected by the apparently irreconcilable political perspectives and lack of political will even as internal, regional and global situation demand closer cooperation. Hence, EU-SAARC relation is a relation between two apparently incomparable regional organisations.

Nevertheless, it has to be admitted that there exist centuries of history of contact and relationship between the two regions. Even in contemporary period there exist a good bilateral relation between members of SAARC and EU. EU has also been a major donor of developmental assistance and humanitarian aid to the region. But at the EU organisation level, South Asia's direct contact with EU began only in 1973 in the context of Britain's accession to the EC. Though EC/EU has not extended South Asian countries the privileges of ACP countries (former territories of France, Belgium and Italy), the traditional ties were recognised by conclusion of EC's commercial cooperation agreements.

The first of these agreements was concluded with India in 1973 followed by Pakistan, Sri Lanka and Bangladesh. The EC concluded three agreements with India, one for each generation (1973, 1981 and 1994), each of which were comprehensive than the preceding one. Pakistan that had second-generation agreement (1986) has negotiated for third generation agreement, but due to military take over in Pakistan it is postponed and is being considered by the EC Council. Sri
Lanka went directly from first generation agreement (1975) to a third generation agreement (signed in 1994 and came into being in 1995). Nepal, a latecomer went straight to a third generation agreement (1996). The second-generation agreement with Bangladesh (1976) is now replaced by the new cooperation agreement signed on 22 May 2000 which came into force on 1 March 2001. Formal cooperation agreements with Maldives and Bhutan are yet to be concluded.

However, these bilateral relations and interactions have not complemented increased relations between the two regions at the organisational level. The EU has generally been supportive of regional organisation and inter-regional cooperation. Yet the EU-SAARC relation is not very significant which makes it necessary to understand SAARC’s perspective on external linkages before proceeding to understand the existing EU-SAARC relation.

**SAARC and external linkages**

South Asia, in which a regional organisation was notably missing for long, established its organisation - SAARC - in 1985 almost coinciding with EC’s plan for single market with the adoption of Single European Act (SEA). Unlike EC which aimed at creation of Customs Union and deepening of relations at the very beginning of the organisation, SAARC’s initial emphasis on integration was quite modest with cooperation focussed on few specified areas in Integrated programme for Action (IPA).

Given the conflictual conditions of the region arising out of intra-regional and extra-regional perspectives and relations of the member states, SAARC members, especially the bigger ones- India and Pakistan- were extremely cautious
to see that the evolving organisation would not tread ambitious path affecting their position and interest in the region and elsewhere.

India in particular was apprehensive *interalia*, that a proposal for regional cooperation in South Asia could be an attempt to build disguised anti-Soviet grouping echoing western, especially American suggestion for a 'cooperative regional security framework'. Bent of defending its interest against any western hidden or indirect sponsorship that might bring their influence to the region affecting India’s interest, at the sometime not wanting to be blamed for failure of Bangladeshi initiative for regional cooperation, India put forth two pre-conditions for participation - (I) to avoid discussion on bilateral and contentious issues, and (ii) Unanimity decisions in the organisation. Once Pakistan too, which perceived domination of such organisation by India, thought it wise to accept the clauses the smaller countries had to accept it though grudgingly. Understandably these conditions were incorporated in the general provisions (Article X) of SAARC.

Further, India also perceived the possibility external pressure or influence in the region through external funding. Displaying antipathy to such sponsorship India considered internal consolidation as more important in initial stages than external linkages though Pakistan was in favour of forging closer linkages with ASEAN. Therefore, to avoid any external influence in the region through funding despite smaller countries’ view to the contrary, it was provided in the financial arrangements (Article IX) of the SAARC charter that contributions by member

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17 *Charter of the South Asian Association for Regional Cooperation* (SAARC Secretariat, Katmandu)
states for financing activities of the association would be voluntary and external finance may be mobilised in case internal resources are insufficient.

In other words, there was a stress on internal resource mobilisation and disinclination towards receiving external funding and assistance. However, SAARC in its stated objective in article 1 of charter sought to “Cooperate with international and regional organisation with similar aims and purposes” which reflected the aspiration not to be a closed system. But this also broadly meant interaction on equal terms and not lopsided relation.

This was made clear in the Memorandum of understanding (MOU) on the establishment of the secretariat in which Secretary-General authorised by the Standing Committee could act as the channel of communication and linkage between SAARC and other international organisations on matters of mutual interest. But in doing so, Secretary-General was to be guided by the decision of the Council of Ministers and “initiatives for collaboration with external agencies should stem from SAARC itself based on its own determination of priorities and keeping in mind the relevant provisions of the SAARC charter”. Hence any external patronage was ruled out.

Therefore, to the offers made by the EEC and International Telecommunication Union (ITC) SAARC’s response was cool. The EEC made two offers one each to the tune of US $ 150000 apart from Japan which was showing interest in the South Asian Regional Cooperation though it had no specific offer at

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the time of creation of SAARC.¹⁹ But SAARC showed no enthusiasm to grab the opportunity; instead, chose to concentrate on the internal issues of SAARC.

The emerging situation, however, was not conducive for such antipathetic treatment of external factors by the organisation. The global situation was fast changing with disintegration of Soviet Union and the end of cold war had its own implications to South Asia. The increasing trends of globalisation constrained South Asian States to respond to the situation by suitable adjustments and change of priorities. India itself embarked on the process of liberalisation and adjustment with the rest of the world in a significant way. In the given situation ‘external factors’ could not simply be dismissed.

Most states of the world also chose to respond to the emerging situation by consolidating their regional organisation. They were instrumentalised to advance/protect the interest of the member states. Economic cooperation was increasingly focussed in most regional organisations with EC/EU taking lead with eye on higher phases of integration. SAARC could remain no exception to the trend for the long with its marginal presence in global trade. SAARC too began to slowly consolidate its base by focussing on economic cooperation, although with hiccups.

But consolidation required external support given the resource constrain of the organisation and also certain expertise for institution building. SAARC also had to act to certain global developments especially on economic issues without which it faced real danger of marginalisation in the global arena. In this changed context opening up sufficiently to the outside world had become absolutely necessary and external support/assistance for SAARC activities could no more remain anathema.

¹⁹ Muni and Muni, n.16, p.39.
The general mood in favour of economic reforms for greater liberalisation and globalisation among the political elites of India and Pakistan—two bigger and important countries of South Asia—proved conducive for the changed approach of SAARC towards external factors and linkages.

However the move was extremely cautious. Therefore, when the question of dealing with external agencies, countries and organisations interested in SAARC was raised, SAARC’s approach was based on the interim guidelines of the third session of the Council of Ministers in 1987 which suggested that,

"Regarding Communication received by the Secretary-General from such bodies and individuals which intend to elicit information regarding SAARC, the Secretary-General has the authority to provide such information, as adopted and approved by the member Governments. Each case of request for formal conduct, cooperation, linkage and consultative status between outside organisation and countries should be submitted to the Standing Committee and Council of Ministers. The Secretary-General should inform the requesting organisation that all initiatives for such linkages, contacts or consultative status would come from SAARC itself."

In other words, SAARC was sensitive to the issue of external linkages, and the guidelines, as could be observed later, became the standard criterion and approach of the SAARC in most of its subsequent dealing with external agencies. Nevertheless, not wanting to be a closed system and at the same time, not wanting to be dependent on outside powers, the third summit (1987) instructed the Standing Committee to have an ‘examination’ *inter alia*, on aspect of establishment of relations with similar organisations*. The mandate given by the Council of

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Ministers to the Secretary-General in its fifth session in 1988 on the question of contacting organisations with similar aims and purposes (in the lines of its third session) was endorsed in the fourth SAARC summit declaration in 1988.  

As a follow-up the Standing Committee later in its thirteenth session (1990) authorised the secretariat “to share information and exchange reports, studies and publications with the EC and ASEAN to begin with, in the identified areas of cooperation”, a recommendation which was accepted by the Council of Ministers in their eighth session on 18-19 November 1990 at Male. The decision was accepted by the fifth summit at Male.

This was indeed an important step both in terms of opening up to the outside world and in the direction of EC-SAARC relationship. Subsequently SAARC signed MOU’s and agreements with number of international and regional organisations including the EU, but the cautious approach was not discarded. SAARC either preferred agreements in its own initiative or accepted agreement provided no conditionalities were attached and it did not call for restructuring of intra-regional relations or altered member states’ domestic, bilateral or global positions/priorities or imposed obligations on member states.

Therefore, SAARC did not have much problems in having agreements/MOU’s with UNCTAD, ESCAP, UNICEF, Asia-Pacific Telecommunity (APT), UNDP, ITU etc, which were beneficial to region or in

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22 *Islamabad Summit, 31 December 1988, Declaration and Joint Press release, SAARC secretariat, para16*


accepting SAARC- Japan Special Fund or Canadian International Development Agency (CIDA) which focussed on superficial activities such as culture, regular interaction and exchange of information etc. But EC/EU’s proposals that are in tune with its larger concerns and thrust areas and which can affect intra-regional relations were being considered by SAARC with caution. SAARC has accorded priority to certain areas of its concern in relation to EU such as entry into European single market, EU GSP related issues etc. rather than blindly pursue cooperation at any level. All these call for the scrutiny of EU-SAARC institutional relations.

**EC/EU-SAARC Institutional Relations**

The EC was supportive of regional cooperation efforts in South Asia even before the birth of SAARC. The EC Commission had, at one stage, offered help together with ITU in early eighties for programme of cooperation in the field of telecommunication under the aegis of the Technical Committee on Telecommunication when the process of South Asian Regional cooperation was taking place under the supervision of meetings of foreign secretaries.

The offer, however, was withdrawn because, as former Secretary-General of SAARC, K.K. Bhargava presume, “eventually the Commission did not consider the programme as formulated to be an authentic regional cooperation project and it was “merely a sum total of individual bilateral cooperation programmes” 25. But it is also true that emerging SAARC did not respond enthusiastically to the proposal.

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When SAARC was established EU was encourage of the move. Mr. Jacques Delors, President of the Commission of the EC had in his message to the Bangladesh President and other Heads of State or Government participating in the Dhaka summit Conveyed good wishes of the Commission for the success of their deliberations 26. Subsequently, the European Parliament adopted a resolution on EC-SAARC relations on 25 October 1988 in which it called upon the “Commission to contact the SAARC institutions and SAARC member states in order to ascertain the areas of regional cooperation in which the help of the Community is desired” and “to examine the possibility of concluding a cooperation agreement with SAARC”. 27

President of the European Parliament was instructed in the resolution (Para 20) to forward resolution to the Commission, the Council, member states of SAARC and secretariat of SAARC, but the proposal did not elicit favourable response from the SAARC which was still not favourably disposed towards external assistance. The initiative, however, had an impact on SAARC, which began to consider such proposal as evident in the decision of fifth summit to interact with the EC.

Yet the follow-up was not very smooth. This was partly because the SAARC was still sensitive to the issue of external linkages and partly because of the

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26 Hindustan Times (New Delhi) 8 December 1985
27 Resolution of the European Parliament on Economic and Trade Relations between the European Community and the South Asian Association for Regional Cooperation (SAARC), 26 October 1988. Community – SAARC relations, Doc. A2-212/88, para 8, 17. Preceding the resolution, the European Parliament in its sitting on 11 March 1985 referred the motion for resolution (Doc.2-1676/84) to the Committee on External Economic Relations, which in its meeting on 19 June 1986 decided to draw up a report and appointed Mr. Hitzigrath as rapporteur. The report drawn up was subsequently considered by European Parliament. See, Report drawn up on behalf of the committee on external relations on economic relations between the community and the South Asian Association for Regional Cooperation (SAARC), 6 October 1988, Series A, Doc. A2-212/88
consensus emphasised in the organisation and lack of independent power to the secretariat to deal with such issues. India in particular was reluctant for external linkages. It was still arguing that “SAARC will consider cooperation with other international/regional organisations on its own terms and in terms of its own priorities. This is in order to ensure self reliance in the region” 28.

Against imprudent external assistance, India was suggesting (in the fifteenth session of the Standing Committee) that there should be identification of projects that can not be financed before seeking collaboration from outside agencies although Pakistan was in favour of accepting help from abroad given on ‘honourable’ terms 29. Therefore, not until 1996 MOU between EU and SAARC concrete progress in the relationship is evident between the two.

During the intervening period the SAARC was internally consolidating as well as gradually increasing interactions with external agencies and strengthening the institutional base and process for external linkages. Every step with regard to external linkages was analysed and reviewed by the concerned agencies without allowing much discretion to the secretariat. Hence, when invitation at political level was extended to the Secretary-General by the Commission of the EC he could only appeal to finalise the process of consultation and have dialogue with EC at appropriate level 30. Therefore, more than expediency caution appeared to be important consideration to SAARC while opening-up to others.

29 Times of India (New Delhi) 5 November 1991.
30 “Report by the Secretary-General to the fifteenth session of the Standing Committee, 2-4 November 1991, Colombo, Sri Lanka”, SAARC Documents, Milestones in the Evolution of Regional Cooperation in South Asia, vol. IV (November 1991 to April 1993) SAARC Secretariat, September 1993, Part 17, p. 161. When SAARC decision to interact with EC was conveyed to Director-General of External
However, the important consultations between the EU and the Chairman of the Council of Ministers of SAARC began to take place from 1992 to explore mutually beneficial areas of cooperation. In order to formulate concrete programmes for mutual benefit, Chairman of the Council of Ministers was authorised by the Council in 1993 to initiate follow-up action by exchanging formal letters of acceptance with the Vice-President of the European Commission and requested the Secretary-General to initiate action towards formulating specific proposals for cooperation with EC.

New Asia Strategy

In 1990s EU too began to recognize the growing strength of Asia, especially its rapid economic growth. Noting the increased presence of the US and Japan in the region, and not wanting to neglect or be neglected in this vast region, the European Commission formulated a proposal entitled, *Towards a New Asia Strategy* in 1994 that was endorsed by the European Council (Essen meeting in December 1994) and by the European Parliament. The strategy for the first time formally acknowledged the growing economic importance of Asia and advocated a proactive policy in relation to Asia. The strategy treated South-East Asia as an emerging economic power but held that "there are signs that South Asia too could

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enJOY 111gner growth in next ten years, especially if the momentum of restructuring process is maintained” and birth rates reduced.\(^3\)

The New Asia strategy had clear objectives: First, “to strengthen Union’s economic presence in Asia in order to maintain its leading role in the world economy,” and thereby ensure that “its interests are fully taken into consideration in this key region at the beginning of 21\(^{st}\) century”; second, contribute to peace and stability in Asia to both protect EU’s economic interests and ensure “respect for international obligation and agreement on which the Union itself depends for its security, e.g. regarding non proliferation”; third, promoting economic development of less prosperous countries and regions in Asia and to contribute to poverty alleviation and sustainable growth; fourth, to contribute to the development and consolidation of democracy and the rule of law, and suspect for human rights and fundamental freedoms in Asia.\(^4\)

To realize these objective, priorities in New Asia Strategy were clearly set: “support efforts by Asian countries to cooperate at the regional and sub regional level such as ASEAN forum with a view to enhancing peace and security in the region and generally to strengthen the Union’s relations with regional groups such as ASEAN and SAARC”, beside ensuring non-discriminatory business environment and integrating into open, market –based world trading system those Asian countries which are moving from state controls to market oriented economies etc.

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\(^4\) Ibid
Encouraging regional organizations, the strategy intended, to cover relations with all regional organization and cooperative enterprises in Asia such as ASEAN and SAARC, sub-regional arrangements (emerging “growth triangles”) and supra regional groups such as APEC (Asia – Pacific Economic Cooperation). Regarding South Asia, the strategy noted South Asia’s exclusion in the growth of intra-regional Asian trade. But except for a word of support, SAARC also did not figure prominently in this strategy paper although it went on to argue that ASEAN was cornerstone in its dialogue with the region (South-East Asia) and appreciated the structure of ASEAN Regional Forum (ARF). Further, it had no concrete proposals/assistance programmes for improving SAARC structure or for improved EU-SAARC relations. So a minimal attention was paid to SAARC in New Asia strategy reflecting inter-alia, poor economic performance of South Asia in international trade and absence of effective measures by SAARC.

EU’s attention towards South Asia and SAARC became sharper gradually, as was evident in its revised strategy in September 2001. The latter, which updated the 1994 strategy, was considered necessary in view of the developments since 1994 strategy. Evaluating those developments in Asia (increasing political conflicts, South East Asian economic crisis in 1997), Europe (development of EU, Euro in the west and ethnic conflicts in Eastern Europe) and global scenario (speed and intensity of globalisation, trend towards multilateralism) as well as EU-Asia relations, the 2001 strategy stressed on further strengthening EU’s political and economic presence across the region and raising it to a level commensurate with the growing global weight of an enlarged EU.
Continuing the thrust areas of 1994 strategy, the 2001 strategy stressed, *inter-alia*, that the EU should strive to achieve peace and security in the region and globally, strengthen mutual aid and investment flows, build global partnership and alliances with Asian countries, contribute to spreading of democracy, good governance and rule of law. 35

Nevertheless, 2001 strategy too stressed on regional organizations. The 2001 strategy went on to add that EU should play a proactive role in regional cooperation flora such as ARF and in inter-regional dialogues such as ASEM (Asia-Europe Muting) and strengthen cooperation with regional groupings like ASEAN, which EU viewed as “force for liberalization and progress on trade and investment measures”, But regarding South Asia, strategy observing that “doubts regarding globalisation and new WTO round have perhaps been greater in South Asia than elsewhere in the region,” emphasized that, “efforts towards strong sub regional economic cooperation within SAARC should be encouraged as well as a stronger integration of South Asia within broader Asian region (for example, broadening of Asian participation in ASEM).”36 In other words, SAARC’s failure to move towards meaningful economic integration was recognized; and focused integration measures in SAARC and encouragement to SAARC to be the part of larger structure (thus becoming part of larger liberalization measures in South Asia) were advocated.

36 Ibid
Therefore, in the second strategy of 2001, although SAARC commanded more attention compared to the 1994 strategy, the prominence of SAARC to EU is not visible as much as ASEAN. Moreover, no concrete agenda with regard to SAARC were put forth by EU unlike ASEAN with which strategy proposed to have dialogue to identify areas where EU and ASEAN can work together such as global security questions, drugs, transnational crimes, conflict prevention, strengthening WTO etc. That is, in the 2001 strategy East and South East Asia continued to have pre-eminence compared to South Asia.

Nevertheless, the 1994 New Asia strategy was significant in so far, it sought to provide for the first time an overall direction and a framework to EU’s relation with Asia and an encouragement to regional organizations in Asia including SAARC to consolidate though such measures were shaped by the EU’s perspective of the complimentarity between regional integration and multilateralism and EU’s interests secure in the open, market based global trading system.

Even earlier EU was willing to help SAARC if asked, but the mood in SAARC was not encouraging\textsuperscript{37}. But now that the SAARC was willing to explore cooperation areas in the changed context with EU (as evident in the SAARC Council of Ministers decision in 1993), EU had no reasons not to cooperate with SAARC; instead, it was reciprocated and encouraged by the EU.

Hence, pursuant to the SAARC Council of Ministers’ decision (1993), formal letters were exchanged between the Chairman of the Council of Ministers and Vice-President of the EU Commission. Consultations were also held by the Chairman of the SAARC Council of Ministers with Troika of the EU in New York in September 1994 during UNGA session.

A meeting of the Expert group consisting of SAARC member country representatives was also convened at SAARC secretariat (20-22 December 1994) to formulate a common position of SAARC member states on EU-SAARC Cooperation and to consider the draft inter-institutional cooperation agreement between the two organisations. The group, approving the draft, recommended that Secretary-General might be authorised to sign the agreement. But it required decision by the member states which did not come forth immediately thus delaying the agreement between the EU and the SAARC.

**MOU on Administrative Cooperation**

The endeavours resulted in draft inter-institutional cooperation agreement between EU and SAARC. But SAARC was acting with its characteristic slow and cautious approach towards its finalisation prompting the Secretary-General to note that, “response to the agreement pending since 1994 and any further deferment of this issue could be construed as lack of interest on our part”.38

On the other hand EU too, not being sufficiently sensitive to the fragile economic and political relation in the region, was stressing on SAARC forging

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38 The Secretary-General also stated that the Commission has already made several informal queries regarding SAARC’s position on this matter. See, “Report by the Secretary-general at the 20th session of the Standing Committee, 27-29 April 1995, New Delhi India”. *Documents*, n. 32, p. 203.
economic relations in feasible areas and political cooperation without which it found no motivation to develop meaningful EU-SAARC relations.\textsuperscript{39} In such a situation SAARC's response naturally tended to be cautious.

The draft inter-institutional cooperation was finally approved by the EC and the SAARC in the form of MOU on Administrative cooperation. The MOU was signed at Brussels on July 10, 1996 between the European Commission represented by its Director for South and South-East Asia, Mr. Emiliano Fossati and the SAARC represented by its Secretary-General, Mr. Naeem U. Hasan. The MOU was valid for three years from the date of entry into force and was to be tacitly approved thereafter on an annual basis with provision for termination from both sides (Article 8). The MOU aimed to promote cooperation between the Commission and the SAARC by sharing their experience and providing mutual institutional support. It sought to focus cooperation on three areas - exchange of information on issues of mutual interest; staff training to strengthen the functioning of the SAARC institutions; and, technical assistance beside other areas jointly agreed by the parties (Article 2).\textsuperscript{40}

The MOU is a broad agreement between the EU and SAARC. Beyond cooperation in institution relations, training and exchange of information, MOU does not cover any significant areas. It does not even touch upon major areas of concern to SAARC in or outside IPA nor there exist any performance evaluation mechanism.

\textsuperscript{39} See Bhargava and Husain, n.25, pp. 53-55.

\textsuperscript{40} \textit{Memorandum of Understanding on Administrative Cooperation between the European Commission and SAARC}, European Commission, Brussels; MOU Documents. Press release on the occasion of MOU. European Union, Delegation of the European Commission in India. Information Service 23/96 Brussels. 16 July 1996.
Compared to the draft institutional cooperation, in the MOU the provision for creation of a Joint Consultative Committee consisting of Commission and SAARC representatives to increase inter-institutional dialogue and to promote and monitor cooperation activities initiated under the agreement (article 7) is notably missing. Instead, in the MOU it was simply stated that to further activities regular contacts would be organised between the European Commission and SAARC “through appropriate arrangements”. This indicates the reluctance on the part of SAARC on accepting the efficacy of joint committee and implication following upon ‘monitoring’ of cooperation activities.

Nevertheless, the MOU represented - (a) a first and a significant step in building EU-SAARC relations; (b) SAARC’s willingness to gradually open-up and to deal with others on beneficial terms; (c) desire of SAARC to enrich itself by sharing others’ experience as well as strengthen its own organisation; (d) EU’s support to regional organisations and recognition of bloc-to-bloc relation; (e) legitimacy and encouragement to initiatives on future EU-SAARC relations. Thus, MOU formed the foundation for an increased EU-SAARC relation.

‘Cechchini-style Report’

With integration in South Asia drawing the attention of EU member states, a proposal to aid integration efforts in South Asia was made by the Foreign and Commonwealth office (FCO) of the UK in 1997 for a Cechchini-style report on the “Costs of not integrating South Asian economies” in association with the EU.

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Noting the economic progress in SAARC and conclusion of EU-SAARC MOU, UK held that the key to realise SAARC’s progress was further trade liberalisation and regional cooperation and convincing the political leaders of SAARC member states of its benefits and providing them with arguments to win public support for these new policies. 42

This required a preparation of a paper similar in principle to the Cechchini report (study sponsored by Commission to estimate effects of single market) to highlight the costs of SAARC member states of not proceeding with closer regional cooperation. Such a report prepared over six month period following Europe-wide tender was to look into interalia, barriers to trade and increased integration, gains from removing both visible and non-visible barriers and prospective areas of trade gains in South Asia. The UK wanted the Commission to be associated and to co-fund the project, which was estimated to cost £ 200,000. 43

The proposal was sought to be discussed with Secretary-General of SAARC and, if accepted, after consultation with SAARC member states the Commission was expected to go ahead with the project. If this proposal were to materialise SAARC would have had an extensive study and idea on the trade benefits despite it being a European version.

However, EU did not show interest in pursuing the project. In its opinion, an initiative of this type could only be a part of the solution to the existing problems of South-Asia, notably concerning Pakistan and India. Further, Commission noted that

42 Project Outline attached to the ‘Note for the attention of Vice-President Marin’ by European Commission, Directorate General 1 B, South and South East Asia, Brussels Ref: AT/vg-h:\public\0632, dated 14-07-1997, para 4.
43 Ibid.
since FCO had a budget of only £60,000 for the project, the overall project size has
to be reduced because with 50 percent funding by the Commission the project of
£200,000 cannot be undertaken and involving other members would dilute UK’s
image. Further, there was time constraint since it was indicated that this money has
to be spent by the end of UK financial year (end-March 1998). So citing the
reasons of resources, procedure and timing. Commission refused to accept the
leadership of this project; instead, it preferred to subsidise UK-led project using its
economic cooperation budget.

Since the Commission was unwilling to take the leadership of such a project,
the project could not materialise. Therefore, the issue of SAARC’s response did not
arise because the project was diluted at the EU level itself. However, if project was
to be approved (hypothetically) by the EU it was unlikely to be accepted by the
SAARC. This is because the project was perceived to be a European enterprise and
did not consider involving seriously the South Asian scholarship. Further, this high
profile project was thought to be given extensive media coverage making it difficult
for any SAARC member states to denounce when it is finalised.

In fact, it was envisaged in the report itself that media would “drum up
public opinion pressure, if any country seemed to be dragging their feet”. Given the
sensitivity of certain SAARC member states towards such issues and antipathy
towards sponsored studies and ideas SAARC’s response would perhaps have been
negative. But the EU’s unwillingness indirectly had a beneficial effect on EU-

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44 'Meeting Report' on Cecchini-style report for South Asia; visit of Mr. Marshall, UK Foreign and
Commonwealth office, 14 July 1997, European Commission, Directorate-general IB, External Relations,
South and South East Asia, Brussels, 15 July 1997, Ref: AT/vg-h:\public\0652 IB/c/1
SAARC relations since it avoided attributing suspicious motives to EU by already cautious SAARC members.

**EU-SAARC Special Fund**

The formal consultations between the Troika of the EU and Foreign ministers of SAARC was held on 23 September 1998 on the sidelines of 53rd UNGA in New York in which it was noted that besides SAFTA, the area of banking and development of norms and standards, WTO related issues, transit and maritime issues and the area of environment could provide considerable prospects for dialogue and cooperation.

The SAARC side had expressed the hope that the dialogue initiated between the EU and SAARC will be a regular feature and it will not only help to identify new areas of economic and social cooperation but also to effectively implement projects and programmes in agreed areas of cooperation on which two groups have some measure of understanding.\(^45\)

In order to concretise EU-SAARC Cooperation, it was proposed that an EU-SAARC fund could be established to finance projects that are mutually acceptable. As Sri Lankan Foreign Minister, Lakshman Kadirgamar, the then Chairman of the SAARC Council of Ministers opined that such a fund could provide help in areas such as training SAARC secretariat staff, diplomatic training and projects on environmental and coastal conservation.\(^46\)

\(^{46}\) Ibid.
However the demand for such EU-SAARC special fund in the lines of existing SAARC-Japan special fund was not considered feasible by the European Commission for political reasons as well as for technical feasibility in terms of EC-financial procedures. The EU was of the opinion that cooperation between SAARC member states encouraged by EC had very limited results; and the potential for mutual benefits appear limited with cooperation focussed mainly on intellectual exchange.

On technical feasibility Commission observed that in SAARC-Japan special fund, Japan appeared to have limited control/influence over the management of the fund and such provisions are not in accordance with the existing financial rules and it would not add more value to the present cooperation instruments (MOU, budget lines) that are there at the disposal EU.\(^47\)

The result is that there have been no breakthroughs in these matters and financing of activities outside MOU. But it also true that a special fund in which EU would tightly control finance and activities in SAARC region would have been resisted by SAARC. Nevertheless, the creation of such a fund on mutually agreed terms and condition would have given a boost to EU-SAARC institutional relations.

SAREC-SP

In the context of MOU between EU and SAARC future cooperation was conceived through the implementation of specific projects and programmes. Accordingly, EC Commission sent a draft financing agreement between EU and SAARC to implement a project entitled "South Asia Rinderpest Eradication Campaign – Support Project (SAREC-SP)."

The rinderpest or cattle plague was attempted to be eliminated by Global Rinderpest Eradication Campaign (GREC) and Food and Agriculture Organisation (FAO) together with EU, which was the main donor. But, unlike Africa, the incidence of rinderpest was less in SAARC region with the exception of Pakistan, which was considered as a 'high-risk country'.

The EU proposal for SAREC-SP was a part of its new Asia strategy that could increase its presence in South Asia. Beside it was also envisaged that such project would promote regional and sub-regional coordination in the field of animal production and health particularly the control of animal movement and diseases, which will strengthen political ties between the countries of South Asia. Being in tune with EU's new Asia strategy that sought to assist the ongoing reforms in the 'previously centrally planned economies', the project also aimed at reducing stress on public sector in livestock and veterinary services by making participation broad based.

The cooperation with EU in areas like eradication campaign for rinderpest was welcomed by SAARC Standing Committee in its twenty-second session in 1996; but stressing at the same time that projects to be undertaken should reflect regions’ priorities.\textsuperscript{50} In their twenty-third session in 1997, the Standing Committee while considering the note prepared by the SAARC Secretariat on EU proposal on SAREC-SP (Document No. SAARC/SUMMIT.9/SC.23/12) suggested that the member states may examine the proposal in the light of comments of Government of India and forward their view to the Secretariat to enable it to approach EU regarding the finalisation of the financing agreement\textsuperscript{51}.

Given the confidentiality maintained by the parties concerned, it can only be deduced that Indian government had reservations about the financial as well as the nature of the proposed project that might have disregarded the sensitivities of nation states in order to give effect to the project which was not a priority area for SAARC. The financial proposition with emphasis on private sector involvement, the nature of intra-region coordination called for, nature of EU’s commitment/participation in the project and the stipulations amounting to control etc. perhaps have not appealed to the Indian government.

This is further clear in the reports of Eighteenth session of SAARC Council of Ministers which in the context of SAREC-SP noted that while “efforts should be made to mobilise funding from external resources, member states should be mindful of the conditionalities which may be imposed by external donors and to the


extent possible, external funding for SAARC projects should be for the benefit of all member states and for the enhancement of the regional identity."  

Subsequently SAARC Standing Committee in its twenty-fourth session authorised the Secretary-general to sign the “Draft financing agreement” on SAREC-SP, subject to suitable agreement being reached on modalities. This, perhaps, was because the SAARC was informed by the EU that the delay in approval of the project may lead to the lapse of the fund earmarked for the purpose by the end of 1997 and hence, as Secretary-General opined that, “unless a decision is taken on the matter, the implementation of the project may not be possible”.

However, when the concurrence of member states were conveyed to the European Commission in January 1998 by the Secretary-General of SAARC the agreement still could not be concluded “due to some additional comments/suggested changes to proposed agreement by one member state”. Meanwhile, SAARC was also informed that unless the European Commission received the confirmation of the member states on signing the agreement by May 31, 1998, European Commission would have “to cancel” its financial commitment to SAARC on the project.

Nevertheless, it appeared that differences over the financing of the project between EU and SAARC could not be bridged and the Standing Committee at its

\[\text{\footnotesize\textsuperscript{52}}\]“Eighteenth session of Council of Ministers, Male, May 10-11, 1997”, Documents, ibid. part VIII (ii) para 11, 12 pp. 144-45.


\[\text{\footnotesize\textsuperscript{54}}\]“Analytical Report of the Secretary-General at the 24th session of the Standing Committee, Male, November 27-28, 1997”, Document, ibid. Part VII, par 3, p. 335. This subject is also covered in detail by the note prepared by the SAARC secretariat, No. SAARC/SC.24/20(v)


\[\text{\footnotesize\textsuperscript{56}}\]Ibid. p. 358.
twenty-fifth session, considering the secretariat note on SAREC-SP and Indian governments’ comments decided that “the proposal in its present form need not be pursued”.\textsuperscript{57} So the project although not out rightly rejected appears unlikely to be considered. The SAARC records, however, continue to state that the project “is being considered” even after nearly 6 years of the proposal.

**Cumulative rules of origin**

Many of the programmes envisaged to give effect to the spirit of EU-SAARC MOU including SAREC-SP and EU-SAARC special fund could not make much headway either due to the perception gap between EU and SAARC or due to the internal problems of SAARC. \textsuperscript{58} In this context perhaps for the first time SAARC took interest and initiative in EU-SAARC cooperation in economic matters. This was clear in the twenty-first session of the Council of Ministers in 1999 in which the Secretary-General was authorised to negotiate with European Commission in accordance with approved guidelines, ‘acceptable programmes’ under SAARC-EU MOU in areas related to economic matters such as facilitating access into the single European market, implementation of EC-GSP scheme including cumulative origin, drawing on the EU experience for SAFTA process,


\textsuperscript{58} One of such measure was the financing of an exploratory mission by Prof. Michael Foucher to prepare a comprehensive geo-political study on SAARC and its future. The confidential Foucher report concluded that SAARC, as an institution is not ready to be modeled on the EU due to its internal divisions and specific geo-political structure of South Asia. Yet, it proposed that EU can help to consolidate the ongoing process through its economic influence in the region, its historical experience and its interest in preventing crises and encouraging flexibility. “Letter sent to Mr. Nacem U. Hasan, SAARC Secretary-General by Emiliano Fossati, Director. European Commission”, Directorate General IB, External Relation, Brussels, DG IB/C/I/UA/vcD (98) 0103L, dated 3-11-98. There was also a high level seminar conducted in European Parliament on 9 December 1998 on the Future of EC-SAARC Partnership that was conspicuous by the absence of India.
evolving common SAARC standards and harmonization with international obligations etc. 59

These issues were also taken up at EU-SAARC meeting in the sidelines of 54th session of UNGA in 1999 as a means to strengthen the cooperation. In this meeting it was decided to hold a workshop on European regional integration process, a study mission to identity areas where EU experience could be used in the establishment of SAPTA, a study programme on standards and a workshop on EU GSP scheme. 60

As a follow-up, two-member EU team visited the SAARC secretariat in October 1999 to finalise modalities for implementing projects in four areas. They are;

i) Facilitating access to single European market including directives, official documents etc. related to the single European market.
ii) Implementation of EU-GSP scheme, including cumulative rules of origin.
iii) Drawing on the EU Experience for the SAFTA process.
iv) Evolving common standards and harmonisation with international obligations, including certification, testing etc. 61

However, central to the economic cooperation between EU and SAARC countries is EU's GSP (which gave privileged treatment to LDC products) through which most of the trade between the two is structured. The GSP is subject to the

60 In the meeting EU Commissioner for External Relations, Chris Pattern, noting the progress of SAARC commended to SAARC the potential of the offer by EU of GSP concessions on the basis of regional accumulation for regional integration and increase of intra-regional investment. Daily News, 27 September 1999, http://www.is lk/is/spot/sp0412/clip 10.html.
strict conditions of the 'Rules of origin'. In the trading pattern of South Asia this rules of origin was important because of the considerable interdependence or value addition in certain common trading (export) items of the SAARC countries. Since under EC/EU's ‘regional cumulation’ provisions—which aimed at encouraging regional integration among developing countries’ economies—derogation was permitted from strict condition of rules of origin, SAARC countries on 5th January 2000 presented a request to the EU through their Secretariat in order to be included in this regional cumulation of origin system.

SAARC countries complied with certain conditions such as - (1) they were included in the GSP (2) members of a regional group (3) undertaken to provide administrative cooperation with EU through the secretariat. Hence, following the written confirmation sent by the Secretary-General of SAARC on 2nd November 1999, the EC member states approved the Commission's proposal to include SAARC countries in the regional cumulation system. It was published in the Official Journal of the EC of 26 July 2000 giving effect to the proposal pending the initial obligation for administrative cooperation as required by the EU.

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62 See, Council Regulation 2913/92 (EEC) Official Journal of the European Communities L302, dated 19-10-1992. The definition of origin of products is particularly important in the case of two or more countries being involved in the production of a particular product. Here the country of final export of the product to the community can only benefit from the GSP if the process is undertaken in that country is sufficient to confer origin to it. In general terms, the process is considered as sufficient if it has resulted in a change of tariff classification in the Harmonised system nomenclature between the imported product and finished product.

63 Info flash, European Commission, External Relations Directorate General, Directorate Asia, Brussels. ERH3/MF/vCD (2000), 13 March 2000. Under the regional cumulation as Article 72a states that subject to condition, when goods originating in a country which is a member of regional group are worked or processed in another country of the same regional group they shall have the origin of the country of the regional group where last working or processing was carried out. “Commission regulation (EU) No. 1602/2000 of 24 July 2000, amending regulation (EEC) No. 2454/93 laying down provisions for the implementation of Council Regulation (EEC) No. 2913/12 establishing the Community Customs Code”.

64 Info flash, ibid; official Journal, ibid, Article 72(1), 72(3d), 72a, 72b.
The extension of GSP cumulative origin clause to SAARC countries was an important event in the otherwise limited EU-SAARC cooperation. As per provisions, in the transmission of required undertaking by the SAARC member states regarding rules regulating trade, the involvement of SAARC Secretariat was important since it gave an anchoring position to the secretariat. The benefit of cumulative origin clause is derived by the concerned member states and the SAARC as an institution may not directly benefit. But extension of such a facility to SAARC member states, enabled by and through the SAARC, provides certain legitimacy to the SAARC and increase attention towards SAARC by its member states as well as by the EU. This in effect could increase the position of SAARC in its dealing with the EU.

An Overview

It is clear that barring few areas like MOU, the institutional relations between EU and SAARC is not very significant. In fact, even the MOU focuses only on administrative cooperation and related areas but does not address the basic issues relating to economic cooperation or a regular ‘dialogue’ to evolve common perspectives. Therefore EU-SAARC relations are at minimal level compared to EU’s relation with other regional organisations.

Partly this is because the SAARC has not utilized the EC/EU’s general support to the regional organisations, especially at the initial stages of its creation. SAARC’s reluctance, at times opposition, to the acceptance of external assistance and linkages and extremely cautious approach to the issue has prevented SAARC from getting sufficient external attention and assistance.
Although SAARC spoke of worsening global situation in most of its declaration, hardly it mentions about the need or strategy to align with other organisations to address the common problems. Hence, despite cooperation with other organisations being the objective in its preamble, aligning with others or learning from the experience others were hardly focussed by the SAARC until recently.

The position of SAARC that external linkages has to be initiated by SAARC considering its necessity to the region or would be accepted if only no strings attached has certainly limited the role and influence of external powers in the region. But at the same time it has made difficult for external powers including the EU to volunteer to undertake major regional projects along with SAARC. The internal conflicts of various dimensions further discourage external agencies, in particular, the EU from stepping up their cooperation with SAARC.

On the other hand, EU too, which was not attracted towards South Asia for long because of the low share of South Asian Countries in EU’s external trade, among other things, gradually became interested in SAARC. But it had no concrete proposals/ programmes for cooperation with SAARC for long. Once the importance of the region was recognised, unmindful of the peculiarities and sensitivities of the region it was suggesting programmes/projects with certain prescription which amounted control of the project.

This was also made clear by the Commission in the context of demand for EU-SAARC Special Fund that the EU’s financial instruments did not permit projects over which it had no control. Moreover, its proposals implied restructuring
intra-SAARC relations or had political objectives such as promoting democracy, human rights, governance etc. Naturally the response of the SAARC to these has not been very enthusiastic especially in the context of its resistance to the inclusion of non-economic/political aspects into the multilateral economic/trade frameworks.

Further, unlike ASEAN which had anti-Communist orientation in its origin and had no major problems in adopting postures oriented towards capitalist west, SAARC is a combination of diverse economic and political systems and has differing perspectives. In SAARC as well as within domestic spheres of member states there exist diverse opinion interalia, on the nature of linkages with capitalism and its effects. In this situation EU’s assistance for regional integration efforts which called for restructuring intra-regional arrangements with a clear objective of uniformly integrating developing countries into the multilateral trading system and stressing on areas of its concern and interest were not favoured by SAARC despite the economic liberalisation being carried out by its member states.

The cautious approach to regional integration and external linkages is reflected in the weak institutional structure of the SAARC that make it dependent on member states for most policy decisions without scope for its own initiatives. The unanimity principle recognised in the SAARC decision-making structure, at times, makes even lowest common denominator difficult there by restricting SAARC’s swift action or reaction. The institutional weakness of SAARC, mainly arising from the lack of trust and goodwill among the member states, has thus prevented SAARC from entering into any meaningful relation with others.
Hence the institutional relations between the two organisations naturally tended to be low, especially until mid-1990. Unlike the earlier period, in the changed global context of 1990’s, SAARC began to show interest in increasing its relation with EU on economic matters especially on Single European market and sharing EU’s expertise on institution building for greater integration. This coincided with increased attention of EU towards Asia as evident in its New Asia strategy and support for regional integration. The meeting points resulted in the MOU on Administrative cooperation between EU and SAARC paving way for greater integration.

Notwithstanding, when compared to the EU’s relation with other regional organisations, EU-SAARC institutional relations appear to be minimal with no programme for regional activities outside the MOU. For instance, much of the EU assistance to Andean Pact is in the form of institutional support and about 85 percent of the funds received by JUNAC (Junta del Acuerdo de Cartagena), the executive arm of the organisation is provided by the EU. This has taken the form of both technical assistance and financing of regional projects managed by this institution. 65

Similarly, apart from Cooperation agreements with member states, EU Commission has also signed a separate inter-institutional agreement with Mercosur in 1992, less than one year after its creation, so as to pave the way for EU’s funding of training and technical assistance in priority areas of regional integration and for a

consultation mechanism. This cooperation and technical assistance programme is reinforced by the 1995 EU-Mercosur inter-regional framework Cooperation agreement that came into force on 1 July 1999 which also institutionalised earlier informal political dialogue between the two.\(^{66}\)

The EU has also provided for financial support for the strengthening of some of the institutions of Mercosur in the form of technical assistance in policy design, human resource management and for the evaluation of administrative support needs. Current strategy towards Mercosur, already approved by the European Commission and currently under discussion in the Council, foresees for the more distant future possibility of establishing a free trade area between the EU and the Mercosur.\(^{67}\)

Even in Asia, EU has greater and closer relationship with ASEAN when compared to SAARC. Although rapid economic progress of ASEAN countries in 1980’s and early 1990’s appear to have drawn the attention of EU towards ASEAN, the latter’s response was equally encouraging. EU-ASEAN relations are based on cooperation agreement (1980) signed by the EC and ASEAN member states as a group. In the framework of the agreement official-level Joint Committee Committee (JCC) meetings are held approximately every 18-month to discuss ongoing and future actions.\(^{68}\)

EU has also been a long standing Dialogue Partner of ASEAN. The political dialogue entails regular ministerial meetings, participation in the post-ministerial


\(^{67}\) Integration efforts, n.65.

\(^{68}\) The EU and the Association of the South East Asian Countries (ASEAN), Overview, http://europa.eu.int/comm/external_relations/asean/intro/index.htm
conferences which take place immediately after ASEAN’s annual ministerial meetings and in the ASEAN Regional Forum (ARF) which was created in 1994. The EU is a full member of the ARF which discusses security related issues concerning the region and is represented in its meetings by the EU Troika. Additionally, financial assistance for institutional support is currently granted to ASEAN’s secretariat, reinforcing its structure and establishment of links with the EU and several other leading international organisations. These are beside the EU’s extension of regional cumulation in the GSP rules of origin.\(^6^9\)

Such region-to-region cooperation and institutionalised dialogues not only enhance political status and identity of the region but also provide economic bargaining power to EU’s regional partners, there by strengthening their commitment to further ‘deepen’ and consolidate their own integration processes as in the case of Mercosur, ASEAN etc. The inter-institutional relations are also helpful in addressing important areas of concern to them and a dialogue enable convergence of perspectives, at times, by change of policy on both sides.

But such close, regular and institutionalised relations do not exist between EU and SAARC. SAARC meets EU Troika during UNGA but there are no moves to convert it into formal meeting along the lines of EU-ASEAN institutionalised political dialogue. Unlike other organisations, SAARC has no EC-funded regional cooperation projects at the organisational level either within or outside IPA. EU funds certain projects like tourism that has transnational/regional impact, but such programmes are undertaken at the bilateral level. Therefore, at the institutional

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\(^6^9\) Integration efforts, n. 65
level other than 1996 MOU there are no major programmes or agreements that help deepen the relation between two.

When informal process of dialogue and cooperation through Asia-Europe Meeting (ASEM) was started in 1996 to address political, economic and cultural issues with the objective of strengthening the relationship between the two regions, the SAARC states were excluded. Although it was a dialogue with Asia, Asia in the context meant only East and South-East Asian countries. This restricted SAARC’s capacity to interact with EU on broader terms and shape EU’s policy towards third world especially Asian countries.

A distressing factor is that, it was Asian (South-East) countries that were not interested to include South Asia for fear of dragging South Asian conflicts into the forum apart from the fear that unwieldy Asian membership may complicate initiatives within ASEM and dilute EU’s focus on East and South-East Asia. Therefore, the failure of SAARC to act as a cohesive body, for most reasons discussed in chapter 2 and evolve an external policy has affected its position, stature and interest, and cooperation from the international community.

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70 The first ASEM Summit was held in Bangkok in March 1996, giving rise to an on-going process including Summit-level meetings every second year, Ministerial meetings in the intervening years (although now normally once a year) plus a range of meetings and activities at the working level. The ASEM brought together 15 EU states and European Commission with 10 Asian countries (7 members of ASEAN, China, Japan and South Korea). The second ASEM was held in London in April 1998, third in Seoul in October 2000 and the fourth will be held in Copenhagen in the second-half of 2002. See, Communication from the Commission to the Council, The Asia-Europe Meeting (ASEM) Towards a new Asia Strategy Com(94) 314 final, Brussels 13-7-94, http://europa.eu.int/comm/external_relations/asem/asem_process/com_94.htm; The Asia-Europe Meeting (ASEM), The European Commission, http://europa.eu.int/comm/development/country/a_en.htm; http://europa.eu.int/comm/external_relations/asem/asem_process/index_process.htm. For the importance EU attaches to ASEM, Sec. The Commission Document, Perspectives and Priorities for the ASEM Process into the New Decade. Com (00) 2412, dated 18/4/00.

This includes not only the EU but also other organisations like ASEAN which is a neighbouring organisation but has no formal agreement or MOU on any areas with SAARC or institutionalised interaction or political dialogues despite the informal SAARC-ASEAN meetings during UNGA. SAARC’s existing agreements/MOU’s with other international and regional organisation benefit SAARC at some level but do not in itself contribute to integration or call for restructuring of intra-regional relations and thus mostly confine to the superficial areas.

At the same time the fact that SAARC has shown interest in formalising EU-SAARC dialogue can not be neglected. But the same enthusiasm which EU has shown towards South East Asia in improving its relation has not come forth in the case of South Asia. The reasons could vary from the internal conflicts of the region to the low share of SAARC countries in the global trade. Nevertheless, EU’s lack of interest in South Asia for long is also partly responsible for low EU-SAARC relations.

However, it has to be admitted that EU-SAARC MOU (1996) is an important step in strengthening relations between the two organisations. The EU’s provision of information, expertise and technical assistance, training etc. to SAARC secretariat could help the latter in strengthening the institutional fabric of the organisation. Learning from the rich experience of the EU does not mean copying the EU model; instead, EU could serve as a reference point to SAARC’s integration process.
In this context, creation of an EU-SAARC fund to aid and assist the SAARC integration process, (without strings attached) in both substantive and procedural aspects could go a long way in not only strengthening SAARC but also EU-SAARC relationship.

At present, there is a good interaction between EU and SAARC members and the latter have been the beneficiaries of EU’s development cooperation. Country like India has also institutionalised dialogue with EU. So there is no fundamental opposition to SAARC’s increased relation with EU although, at times, the nature of such inter-institutional relations might be contested. Hence, with increased interaction of SAARC with the EU (as well as with other organisations) it can be hoped that there would be change of perspectives on both sides and there would be further improvement in the EU-SAARC relations that would reflect in concrete programmes and actions.

However, the most important element is the internal economic liberation in SAARC that could add momentum to the EU-SAARC relations. The move towards SAFTA from SAPTA and higher phase of integration could as well result in business community and public opinion influencing the governmental policy to open-up SAARC sufficiently to outside world beside the multilateral instruments like WTO. Therefore, economic cooperation, already underway in SAARC, needs to be strengthened for its own advantages as well as for dealing effectively and efficiently with the rest including the EU. The EU’s strategic framework for enhanced partnership with Asia recognises the need for increased relations with South Asia and when the perspectives converge, the prospect for better EU-SAARC relations is likely to be brighter.