CHAPTER – III

Role of SAARC in South Asian Region
The security perception has changed in South Asia especially after the end of the Cold War. Ideological clashes between the Capitalist Block (U.S.) and the erstwhile USSR led Communist Block have become the thing of the past. Economic issues have overpowered other issues, at least, at the global level. Despite that, it is an open secret that India's security has been under threat due to cross-border terrorism and other mode of disturbance. At the same time, May 1998, nuclear bomb blast has also changed the parameters of security in this region. First time, whole world came under direct threat under a power, which is well known as the "hotbed of international terrorism". Needless to say that this country is Pakistan. This blast has also change Chinese perception, which was thinking that India might not take the route of atomic power manifestations. That decision of bomb blast of the B.J.P. led N.D.A.'s government was widely criticised by the perpetuators of peace in the domestic politics as well as at the global level. Since then, we have seen that this matter has entered into cold storage and the leading countries of the world are not even mentioning this event. In last chapter, we have already dealt with this situation. We have dealt with another factor in internal security threat and it is secessionist movements especially in India's troubled northeast and Kashmir. We have also dealt with the problem of Naxal movement, which is all-bent to establish the rule of the proletariat. In northeast, this government has taken very useful steps and now peace is prevailing over Nagaland\(^1\) but despite that unrest in Tripura, Assam, part of Meghalaya, Mizoram, is going on. In Kashmir, government has adopted the policy of accommodation of regional aspirations into

\(^1\) *The Hindu*, New Delhi, December 7, 2002
mainstream and other varieties of healing touch channels. At the same time, cross border terrorism misdeeds at the behalf of Pakistan are going on. Despite present peace initiatives taken by the Prime Minister Shri Atal Bihari Vajpayee with Pakistan. There has been a strong lobby in Pakistan, which is dedicated to derail this process to fulfill their evil desines. June 2003 attack on Military Containment in Jammu is a proof that ISI sponsored, that lobby will not allow peace in Kashmir.²

However this chapter will focus on how economic integration among SAARC countries can enhance confidence-building measures (CBMs) and decrease the climate of war megalomania in this poorest part of the world. Before coming on the main theme, it would be appropriate to discuss the evolution of SAARC.

The idea of 'India and regionalism evokes the image of ancient Indian past when its influence was far and wide. This influence was due to the old universalistic conceptions “based on the transcendence of the immediate, the local and the temporal through the cultivation of the mind and a search for comprehension and meaning in an admittedly mysterious and complex reality, and led to a moderation and containment of selfish and expansionist drives in human personality.”³

The modern concept of universalism which unfounded during last two centuries in the European continent, on the other hand, “was based on the expansion of a local civilization and on dominance over the rest of he world,

² The Hindu, New Delhi, June 30, 2003.
legitimized by a belief in the manifest destiny that was peculiar to Jodeo-Christian religiosity in the post medieval age.⁴

While the image of ancient 'Greater India' created apprehensions among the countries of Asia, India was looked upon as a guide and leader during its glorious freedom struggle against the British imperialism. The imperial policy of the British envisaged a strategic position of India in their international strategy:

The Indian Empire is in the strategic center of the third most important position of the globe... But her Central and commanding position is nowhere better seen than in the political influence which she exercises over the destinies of her neighbours near and far, and the extent to which the fortunes revolve upon an Indian axis.⁵ I would like to stress that regional cooperation in South Asia is not a new concept. The efforts in this direction in the early 1980's project clearly a long felt need among the ruling elites and opinion makers in this region that there is an inherent geographic and cultural unity in South Asia that needs institutional expression of mutual cooperation among South Asian countries.

South Asia is a region, which is not only poorest of the world. But it is an area, where largest number of illiterates, disables, blind and other varieties of miserable people of the world are living. According to the World Bank estimates, out of estimated 6 billion people of the world, 2.8 billion, almost half live on less than $2 a day, and 1.2 billion, a fifth, live on less than

⁴ Ibid., p.3.
$1, a day, with 44 percent living in South Asia. Needless to say that across South Asia, regional Cooperation, especially in the field of economy, will enhance the life-standard of the hapless people of all seven countries. Another factor, which inspired South Asian leaders to establish SAARC, was the successful work of European Economic Community (EEC, 1957) and Association of South East Asian Nations (ASEAN, 1967). Of course, like South Asian countries, they had also suffering with bilateral animosity, France and Britain fought decade long wars, but they cooperated to enhance life-standard of their society.

With these concepts and realities to mind, South Asian leaders also thought to make a forum, through which they can negotiate to remove their economic backwardness through mutual cooperation and understanding.

In 1979, the late President Zia-ur-Rahman of Bangladesh mooted the idea of South Asian Regional Cooperation. Once the proposal for regional cooperation had been accepted by the South Asian countries, Bangladesh prepared a working paper, which was circulated in November 1980 to the other countries of the region. The working paper identified the areas on which prospects of cooperation could be worked out for mutual benefits of the countries of the region. This paper had encouraged this process. Preliminary meetings are held in Colombo (1980), Islamabad (1982) and Dhaka (1983).

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7 Gopal, Krishna, Geopolitical Relations and Regional Cooperation (New Delhi: Trans Asia Publications, 1996), p.3.
The process for regional cooperation in South Asia moved a significant step further when the foreign secretaries decided to raise the level of interaction to the political plane. In August 1983 the Foreign Ministers of seven South Asian countries met at New Delhi to adopt a declaration on South Asian Regional cooperation. This important ministerial meeting took appended important decisions:

1. The Integrated Programme of Action for cooperation in the fields of agriculture, meteorology, health and population activities, postal services, rural development, science and technology, telecommunications, transport and sports, art and culture be implemented.

2. It was decided that the Foreign Ministers would meet once a year to review the progress of regional cooperation.

3. A summit meeting of the heads of State/Government to recommend the dates of the meeting of Foreign Ministers in the Maldives.

4. The Foreign Ministers signed the declaration on South Asian Regional Co-operation setting out the objectives; and

5. Approved principles of such co-operation incorporating provisions regarding institutional and financial arrangements.

The objectives of SAARC as set out in the declaration were inter-alia, promotion of the welfare of the people of South Asia and improvement in the

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8 Bobb, Dilip, "Harbinger of Hope", India Today, August 31, 1983.
quality of their life, promotion and strengthening of collective self-reliance among South Asian countries, and acceleration of economic growth, social progress and cultural development in the region. The principles of sovereign equality, territorial integrity, political independence, non-interference in internal affairs of other states and co-operation for mutual benefit were reiterated in the declaration. It was envisaged that the cooperation would be complementary to, rather than a substitute for the existing bilateral cooperation.\textsuperscript{10}

India has always been promoting Regional Cooperation among South Asian countries. In the second meeting of the Foreign Ministers was held at Male, Maldives on July 10-11, 1984.\textsuperscript{11} This meeting laid strong emphasis on a collective regional approach to solve global economic issues. The Indian Foreign Minister P.V. Narashima Rao in his speech in the meeting dwelt at length on the grim international security and economic environment.\textsuperscript{12} He said:

... we have witnessed an intensification of conflict in many parts of the globe. The arm race continues unabated and threatens world peace and security. All this has had an inevitable fall-out in our own region. Meeting as we do in the middle of the Indian ocean, we cannot but recall with regret that our long struggle to rid the Indian ocean of tension and conflict has yet to bear fruit.\textsuperscript{13}

India was very concerned towards the weak position of developing countries to deal with the dominant North. Continuing in the same vein the

\textsuperscript{10} Ibid., pp.58-60
\textsuperscript{11} Financial Express, New Delhi, 10 June 1985.
\textsuperscript{12} Shankar Uday, "Recent Major Development in South Asia", Strategic Analysis (New Delhi), August 1985, pp.431-40.
Minister mentioned about the international economic situation and the plight of developing countries particularly in South Asia. He said:

'The situation is equally given on the economic front; some developed countries are now beginning to emerge from the recession. But the recovery is by no means strong and its promised impact on the developing countries is nowhere in evidence. Meanwhile the stalemate in the North-South dialogue continues. The debt burden of many developing countries has reached crushing proportions and threatens not only the prosperity and stability of these countries but also the commercial banking system in the industrialized world. The flow of resources to the developing countries, instead of increasing, has actually diminished. The level of resources agreed upon for IDA VII in lower even in nominal terms than that of IDA VI. This is a matter of particular concern to the countries of this region who are major recipients of IDA resources.'14

To continue this process, the heads of the State/Governments of seven South Asian countries – Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka formally established the South Asian Association for Regional Cooperation (SAARC) in their first summit meeting held in Dhaka on 7-8 December 1985.15 They adopted a charter for SAARC in this summit meeting. The basic objectives set forth in the charter were, inter-alia, to promote the welfare of the people of South Asia and to improve their quality

14 Ibid., p.217.
15 Membership for Afghanistan and Burma was also considered for the organization. Iran was offered an observer status, Muni, S.D., *Post Cold War Regionalism in Asia with Special Reference to the SAARC Sub-region*, Institute of Developing Economics, Tokyo, No.258, February 1996, p.61.
of life; to accelerate economic growth, social progress and cultural development in the region; and to promote and strengthen collective self-reliance among countries of South Asia.

India and Other Six in SAARC

Formally committed to the principles of non-alignment, India was extremely cautious to avoid any kind of overt political or security overtones to the regional cooperative endeavour in South Asia. This attitude was borne out of past experience of political/security pacts bringing in the influence of extra-regional powers in the region in utter disregard to the objectives of non-alignment. The contents of Bangladesh proposal for a regional co-operative arrangement were thus acceptable to India since it emphasised economic, scientific, technical and cultural cooperation. India hoped that the cooperation in those fields would ultimately help in resolving political disputes in the region. The hard realities of the sub-continental politics, however, indicated otherwise as noted by a South Asian scholar as under:

1. External powers involvement in the region – deliberately sought, and more importantly, used to blunt the edge of Indian predominance.

2. India's neighbours share a few common characteristics but not borders, making for generally minimal contacts among themselves. The single most important issue for all of them is how to relate to India, the focal point of their threat perceptions.

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Seven countries of South Asian Region differ not only in size and stages of economic development but also in their political framework and economic objectives. The countries have neither neighbour equal per-capita income nor equal growth rate in industrial and agricultural sectors. However, in terms of geographical proximity, historical experiences and the ties of languages, art, culture and religion, they are closer to each other than the member countries of many regional organizations like EEC and ASEAN.

It is the commonality of these factors that provided those countries a distant regional identity, which ultimately led to the formation of South Asian Association of Regional Cooperation (SAARC) in Dhaka in December 1985. During the formation of SAARC, its objectives and principles were formulated to achieve the large goal of enhance the life-standard of 500 million hapless people across South Asia.

**Objective of SAARC**

1. To promote the welfare of the people of the South-Asia and to improve their quality of life,
2. to accelerate economic growth,
3. to promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields,
4. to strengthen cooperation among themselves in international forums and with other development countries,
5. to promote and strengthen collective self-reliance among the countries of South-Asia,

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18 op.cit., n.7, p.173.
6. to strengthen cooperation with other developing countries,
7. to contribute to mutual trust understanding and appreciation of one another's problems and
8. to cooperate with international and regional organizations.

Principles of SAARC

1. Such co-operation shall be based on respect for the principles of sovereign equality, territorial integrity, political independence, non-interference in international affairs of other states and mutual benefit.
2. Such cooperation shall not be substitute for bilateral and multi-lateral cooperation but shall complement them.
3. Such cooperation shall not be inconsistent with bilateral and multi-lateral obligation.

With the broad parameters of the above objectives, an integrated program of action (IPA) had been adopted in areas such as telecommunication, meteorology, transport, shipping, tourism, agricultural research, joint ventures, market promotion, scientific and technological cooperation, education and cultural cooperation. However, a few more areas like checks on terrorism, drug trafficking, environmental protection, women in development, sports, food security and prevention of child labour have also been agreed upon by the member countries.

It was fixed that meeting of heads of State Governments, which take place once a year are the most significant even in the evolutionary process of the SAARC. Apart from providing the assembled leaders an opportunity to

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20 op.cit., n.7, p.178.
establish personal contract and to exchange views on all matters of mutual concern and interest the meetings focus on the nature, scope and direction of cooperation among the seven member countries under the SAARC framework.

Development in SAARC Since 1985

The SAARC has completed its 17 years of existence in December 2002. The establishment of SAARC on 8th December 1985 was seen as a clear manifestation of aspiration of the peoples of South Asia, to cooperate with each other in search for solutions to their common problems.

The second summit level meeting of SAARC leaders was held in Bangladesh, on November 16-18, 1986. Inaugurating the Conference, the Indian Prime Minister Shri Rajiv Gandhi stressed the need for peace and referred that the arms race, distant economics and waste resources could be used to ameliorate the human miseries. Focusing attention on the economic problem of the region be suggested that the national efforts should now to complemented by regional cooperation. "We must rely on our own effort and at the same time find common solution to common problems." 21

Third summit level meeting was held in headquarter of SAARC, Kathmandu on November 2-4, 1987. Opening the summit, King Birendra told the leaders that terrorists were threatening peace in the region, and they should be given no room in any country within or outside its territory. He

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21 *Indian Express*, New Delhi, 17 November 1986.
called for a spirit of five and take among member nations and asked them to oppose efforts of Balkanisation of the region.\textsuperscript{22}

The fourth SAARC Summit, which was held in Islamabad during 29-31 December 1988, marked a turning point in the history of the world's largest and yet young self-venture in regional cooperation. This conference was very successful because two largest adversaries of South Asia met and promised to settle their disputes in an amicable manner.\textsuperscript{23}

The fifth summit conference was held at Male on 21-23 November 1990. The Male Summit began on a high note of political system, with the new Pakistani Prime Minister, Benazir Bhutto declaring that "the difficulties that our (in SAARC) experience last year are a matter of the past and we can look forward to even increasing cooperation within our association."\textsuperscript{24}

The sixth summit was held at Colombo in 1991 and decided to establish a SAARC Preferential Trading Arrangement (SAPTA), which laid the foundation of cooperation in the vital area of trade. This agreement was subsequently signed in Dhaka in April 1993 during the seventh SAARC summit, which provided an umbrella framework of rules providing for step by step liberalization of intra-regional trade and envisage periodic rounds of trade negotiations for exchange of trade concessions on tariff and non-tariff measures, SAPTA also contains provisions giving special and favourable treatment to the least developed countries in the SAARC region. The summit decided that eradication of poverty in South Asia, preferably by the year

\textsuperscript{22} The Hindustan Times , New Delhi, 3 November, 1987.
\textsuperscript{24} Indian Express , New Delhi, 22 November 1990.
2002 A.D. Through an agreed agenda of Action determination to continue in future the practice of intra-SAARC consultations on maters of common concern.25

The sixth SAARC summit of Colombo commissioned the independent South Asian Commission on poverty alleviation to address the various aspects of this most formidable problem. The reports of the commission were presented on the eve of the seventh SAARC summit and it agreed on a South Asian conference on poverty eradication through this commission.

The eighth summit conference of the SAARC head of states or governments was held at New Delhi on 2-3 May 1995. Expressing happiness that SAARC members had ratified the SAARC convention on narcotic drugs and related substances. Indian Prime Minister Narasimha Rao said that this provided a very effective instrument at the regional level to fight the menace of drug trafficking, which needed to be eliminated.26

The ninth summit was held at Male in 1997. The Indian Prime Minister Inder Kumar Gujral stressed the need of mutual all round cooperation among South Asian countries. He said:

"Economic cooperation has received the focus it deserves in recent years and is making rapid progress. The third round of SAPTA will be launched shortly and will further accelerate the pace of trade liberalism in the region. However, tariff concessions have to be deepened and extended to cover all product lives and accompanied by dismantling of non-tariff barriers, so that the objective of South Asian Free Trade Area (SAFTA) by the turn of the country or very shortly thereafter, to which we are pledged is achieved".27

26 Indian Express, New Delhi, 3 May 1995.
27 The Hindu, New Delhi, May 12, 1997.
The summit leaders significantly decided to make a comprehensive appraisal of SAARC to further enhance the effectiveness of the Association. This summit is considered a major milestone in evolution of regional cooperation in South Asia. Some important decisions on economic matters were taken and it was decided to set up a 'Group of Eminent Persons' to make a comprehensive appraisal of SAARC. The summit decided to advance the date of implementation of SAARC Free Trade Area (SAFTA) by four year to 2001.

The tenth SAARC summit was held at Colombo, in July 1998 after India and Pakistan exploded nuclear devices and declared themselves as nuclear powers. This was a very significant development in South Asia, which attracted global attention, and the major western power imposed sanctions on India and Pakistan. Serious doubts were expressed as the smooth continuation of the SAARC process in the wake of overt nuclearisation of South Asia. The informal bilateral meeting between the Prime Minister of India and Pakistan on the sidelines of SAARC summit acquired a great deal of political significance.28

The Indian Prime Minister referred to the East Asian crisis in his address to the tenth summit and urged for appropriate SAARC response when he said:

"...the financial crisis of many countries including in East Asia has exposed the vulnerability of even relatively dynamic developing economics as well as the weakens of the international monetary and financial system to cope with the strains of global financial liberalization. There is need for SAARC countries to identify, understand and face up to these challenges. We have so far, not

28 The Times of India, New Delhi, 2 August, 1998.
had to face similar difficulties in South Asia. We need to identify the
strength and weaknesses of our structure and policies, so as to
make sure that we are able to avoid the difficulties, while taking full
advantage of globalisation and liberalisation that we are determined
to follow.29

The Indian Prime Minister retaliated commitment to his country to the
ongoing efforts to economic cooperation in the form of SAFTA; and to the
goal of SAFTA and a South Asian economic community.30 The tenth summit,
also known as the economic summit of SAARC discussed a wide-range of
issues including the position of SAARC in the changing international
economic environment.31

Integrated Programme of Action (IPA): Current Status

The SAARC summit deliberations underline slow progress in core-
areas of cooperation. The activities covered by the IPA, however, continued
to dominate proceedings of SAARC. Initially there were 9 Technical
Committees (TCs) to pursue the activities of the IPA. These were extended
to 12 and later decreased into 11 committees. Following a review of the
functioning of the technical committees, the Council of ministers at their
meeting in Nuwara Eliya[Sri Lanka] in March 1999 decided that the existing
11 committees should be replaced by the 7 new committees.32

It was decided that activities of the IPA should be accelerated. To
achieve this target core areas of concern i.e. – Agriculture and Rural

30 Hindustan Times, New Delhi, July 30, 1998.
32 SAARC Newsletter, SAARC Secretariat, Kathmandu, September and October 1999,
Development, Transport and Communication, Forestry, Environment and Meteorology; women, children health and population have been put together under four different committees. The technical committee on science and technology had been retained as such and two more committees one for Human Resource Development and the other on energy have been established.33

It was stressed that without adequate financial resources, aims and objectives of the IDA’s could not be achieved. It was agreed that various countries will donate fund to pursue activities of the IDA. It is appended below.34

Commitment of Funds by Member States for SAARC Activities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>TK-7 M</td>
<td>TK-7 M</td>
</tr>
<tr>
<td>Bhutan</td>
<td>NU-2 M</td>
<td>NU-2 M</td>
</tr>
<tr>
<td>India</td>
<td>1Rs-20 M</td>
<td>1Rs-25 M</td>
</tr>
<tr>
<td>Maldives</td>
<td>RF-1 M</td>
<td>RF-1.5 M</td>
</tr>
<tr>
<td>Nepal</td>
<td>NRs-7 M</td>
<td>NRs-7 M</td>
</tr>
<tr>
<td>Pakistan</td>
<td>PRs-21 M</td>
<td>PRs-22 M</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>SRs-5 M</td>
<td>SRs-5 M</td>
</tr>
</tbody>
</table>

The basic objective of SAARC was to strengthen and accelerate economic co-operation among member states. SAARC Preferential Trade Arrangement (SAPTA) has been on integrated effort to pursue this goal of cooperation. However, it entered in the form of SAPTA in 1995, significantly this was two years ahead of schedule as envisaged.\textsuperscript{35}

The commencement of SAPTA is an important landmark in SAARC history. This was not only first step in economic cooperation but also towards cooperation in 'Core' areas. The provisions of the arrangement provide for preferences to contracting parties through reduction in tariffs, non-tariffs barriers (NTBs) and direct trade measures; and for safeguard measures in respect of balance of payments and for least developed countries (LDCs) among member-states etc. SAPTA also stipulates the most favoured nation status principle, which implies that any concessions given by one member to another has to be extended unconditionally to all other members (except preferences extended to LDCs).\textsuperscript{36}

In the first round of preferential tariffs under SAPTA 226 items (100 for LDCs) were covered. The maximum numbers of Concessions (106) were offered by India. These products resulted in trade liberalization of only 6 percent of intra-regional trade.\textsuperscript{37}

\textsuperscript{35} Mukerjee, I.N., "South Asian Preferential Trade Arrangement: Assessing Trade Flows in the first Round of Trade Negotiations, Friedrich Naumann Stiftuing, New Delhi, 1996


The second round (SAPTA-II) resulted in a much wider exchange of concessions – as many as 2013 products. This round was finalized to enter into force by March 1, 1997.

**Number of products offered concession under SAPTA-II**

<table>
<thead>
<tr>
<th>Favoured Offered</th>
<th>Bangladesh</th>
<th>Bhutan</th>
<th>India</th>
<th>Maldives</th>
<th>Nepal</th>
<th>Pakistan</th>
<th>Sri Lanka</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td></td>
<td></td>
<td>222</td>
<td>2</td>
<td>26</td>
<td>13</td>
<td>7</td>
<td>272</td>
</tr>
<tr>
<td>Bhutan</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>10</td>
<td>33</td>
<td>3</td>
<td>47</td>
</tr>
<tr>
<td>India</td>
<td>513</td>
<td></td>
<td>1</td>
<td></td>
<td>375</td>
<td>2</td>
<td>911</td>
<td></td>
</tr>
<tr>
<td>Maldives</td>
<td>3</td>
<td>9</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>2</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>Nepal</td>
<td>41</td>
<td>38</td>
<td>12</td>
<td></td>
<td>172</td>
<td>14</td>
<td>277</td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>26</td>
<td>10</td>
<td>230</td>
<td></td>
<td>99</td>
<td>-</td>
<td>21</td>
<td>386</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>16</td>
<td>4</td>
<td>22</td>
<td>3</td>
<td>14</td>
<td>53</td>
<td>-</td>
<td>112</td>
</tr>
<tr>
<td>Total</td>
<td>600</td>
<td>54</td>
<td>474</td>
<td>18</td>
<td>152</td>
<td>646</td>
<td>59</td>
<td>2013</td>
</tr>
</tbody>
</table>

In the third round, concluded on November 23, 1998, SAPTA covered a total of 3456 tariff lines. The cumulative tariff lines offered country wise were

**SAPTA-III, November 1998**

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of tariff lines offered for concession</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>1917</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>481</td>
</tr>
<tr>
<td>Pakistan</td>
<td>295</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>82</td>
</tr>
<tr>
<td>Nepal</td>
<td>189</td>
</tr>
<tr>
<td>Bhutan</td>
<td>124</td>
</tr>
<tr>
<td>Maldives</td>
<td>364</td>
</tr>
</tbody>
</table>

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57
The share of intra-SAARC exports in total SAARC exports increased from 3.16 percent in 1990 to 4.25 percent in 1996. The shares of intra-SAARC imports likewise have shown an increase from 1.91 percent to 4.25 percent during the same period.\textsuperscript{40} The intra-regional exports, however, are the lowest shares in SAARC among the major regional grouping in the world as shown in the appended table.

**Export within Groupings\textsuperscript{41}**

<table>
<thead>
<tr>
<th>Regions</th>
<th>1980</th>
<th>1990</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAFTA</td>
<td>33.6</td>
<td>41.4</td>
<td>47.5</td>
</tr>
<tr>
<td>EU</td>
<td>61.0</td>
<td>66.0</td>
<td>61.5</td>
</tr>
<tr>
<td>MERCOSUR</td>
<td>11.6</td>
<td>8.9</td>
<td>22.8</td>
</tr>
<tr>
<td>ASEAN</td>
<td>16.9</td>
<td>18.7</td>
<td>23.2</td>
</tr>
<tr>
<td>SAARC</td>
<td>4.8</td>
<td>3.2</td>
<td>4.3</td>
</tr>
</tbody>
</table>

According to reports based on tripartite study undertaken by the business, academia and government (BAG) groups in SMCs indicate that the obstacles to intra-SAARC trade are weak transport infrastructure, cumbersome documentation procedures, differing product standards and quality control measures, lack of transit facilities, differences in custom valuation methods, lack of trade information about member states.\textsuperscript{42}

These obstacles are there, but the largest one is the animosity between India and Pakistan. Since these two nations belong more than 80


\textsuperscript{41} World Bank, World Development Indicators, 1998.

percent of total SAARC area, resources and so on. Therefore, prevailing
tension between both traditional adversaries have decreased the process of
economic cooperation among SAARC countries. It is vindicated through
appendied table.43

**Trends in Intra-Regional Trade in SAARC Region: 1980-1994**

<table>
<thead>
<tr>
<th>Year</th>
<th>Intra SAARC Trade (US$ million)</th>
<th>World Trade of SAARC Countries (US$ million)</th>
<th>Trade in World Trade (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>1264</td>
<td>38009</td>
<td>3.33</td>
</tr>
<tr>
<td>1985</td>
<td>985</td>
<td>43358</td>
<td>2.27</td>
</tr>
<tr>
<td>1990</td>
<td>1587</td>
<td>65490</td>
<td>2.42</td>
</tr>
<tr>
<td>1991</td>
<td>1908</td>
<td>63435</td>
<td>3.01</td>
</tr>
<tr>
<td>1992</td>
<td>2475</td>
<td>71159</td>
<td>3.48</td>
</tr>
<tr>
<td>1993</td>
<td>2440</td>
<td>71852</td>
<td>3.40</td>
</tr>
<tr>
<td>1994</td>
<td>2918</td>
<td>83110</td>
<td>3.51</td>
</tr>
</tbody>
</table>

The eleventh summit scheduled to be held in Nepal in the second half
of 1999 had to be postponed due to Kargil conflicts between India and
Pakistan and revival of military regime in Pakistan. India seems to have
expressed strong reservations against participation of an 'illegitimate' military
regime in the deliberations of SAARC summit.44

After various postponements, the eleventh summit finally held at
Kathmandu in January 6, 2002. The famous handshake occurred in that
summit between Indian Prime Minister Atal Bihari Vajpayee and Pakistan

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43 Computed from different annual issues of Direction of Trade Statistics, IMF.
44 *The Economic Times*, New Delhi, 2 November 1999.
military dictator General Pervez Musharraf. It was agreed that it is in larger interest of the common masses across South Asia to enhance multi-dimensional cooperation among SAARC countries. The twelfth meeting was scheduled at Islamabad in early 2003 but it could not happen due to prevailing tension between India and Pakistan. This rivalry has certainly created strong obstacles into the smooth path of SAARC activities.

The reasons for slow progress of SAARC are primarily a lack of positive political environment, which cannot be achieved without a serious effort by all the member countries to resolve their major inter-state conflicts, and failure to evolve a shared regional strategic approach towards international politics. In the absence of a conducive politico-strategic framework, there are serious limitations on achieving SAARC objectives on social and economic cooperation.

After the postponement of twelfth summit, the future of SAARC at least at the temporary level hangs in balance. This postponement has also vindicated the reality that until cordial relation between India and Pakistan would not be cemented, the future of SAARC would not be very bright. SAARC countries are the most backward among comity of nations. It is the need of the hour to strengthen SAARC and through this forum something can be done to reduce animosity between neighbours, which are spending their precious resources on defence preparation, pulling famine aspirations of the hapless strata of societies across South Asia. It is also very pertinent

45 The Hindu, New Delhi, 26 March 2003.
to mention here that SAARC has the potential to reduce tension and strength good relationship among rivals in South Asia.

SAARC and the security in South Asia

We have already mentioned that South Asia is one of the worst deprived parts of the contemporary world.

According to Human Development report, 2000, South Asian countries are far behind the global wave of sustainable development. It is vindicated through the appended table.

<table>
<thead>
<tr>
<th>Population below poverty line</th>
<th>India</th>
<th>Pakistan</th>
<th>Bangladesh</th>
<th>Nepal</th>
<th>Sri Lanka</th>
<th>Bhutan</th>
<th>Maldives</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-</td>
<td>34</td>
<td>48</td>
<td>-</td>
<td>22</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Population without access to health service (million)</td>
<td>143</td>
<td>63</td>
<td>68</td>
<td>-</td>
<td>1.3</td>
<td>0.6</td>
<td>0.01</td>
</tr>
<tr>
<td>Population without access to safe water (million)</td>
<td>180</td>
<td>50</td>
<td>19</td>
<td>12</td>
<td>10</td>
<td>0.80</td>
<td>0.01</td>
</tr>
<tr>
<td>Population without sanitation facilities (million)</td>
<td>797</td>
<td>87</td>
<td>79</td>
<td>21</td>
<td>9</td>
<td>0.57</td>
<td>0.09</td>
</tr>
<tr>
<td>Illiterates adults (million)</td>
<td>446</td>
<td>87</td>
<td>76</td>
<td>14</td>
<td>1.7</td>
<td>0.95</td>
<td>0.01</td>
</tr>
<tr>
<td>Malnourished children under 5 (million)</td>
<td>59</td>
<td>9</td>
<td>8</td>
<td>2</td>
<td>0.54</td>
<td>0.10</td>
<td>0.02</td>
</tr>
<tr>
<td>Five mortality rate (per 1000 bith)</td>
<td>105</td>
<td>136</td>
<td>106</td>
<td>100</td>
<td>19</td>
<td>116</td>
<td>87</td>
</tr>
<tr>
<td>People with disabilities (million)</td>
<td>1.80</td>
<td>6.50</td>
<td>0.92</td>
<td>0.63</td>
<td>0.07</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

This table has shown the gravity of grim situation across South Asia. Without proper empowerment of this hapless section of South Asian societies, peace and cordiality could not be established in South Asia. It is also very pertinent to mention here that without peace, SAARC could not achieve its desired goal. Pakistan is the second largest country of south Asia. Unfortunately since its inception, it have been captured and ruled by either military regimes or military dominated and less effective democratic regimes. Military has become so powerful that they are not willing to allow to the restoration of democratic culture of participatory system. Even today, Army is ruling over Pakistan on the proxy basis of Indian threat. It is the reality that India never attack on Pakistan and minus India, Pakistan have no bad cordial relation with all its neighbours. So in this context, what is the utility of huge expenses on military. It is going on due to the fact that Army is very mighty and avail barrage of privileges.

The negative effects of militarism on society overall are often dramatically shown through analysis of the policies of repressive governments in the less developed world – from Myanmar (Burma) to Pakistan. Those dictatorial regimes clearly choose militarism over basic freedom and human rights. High levels of military spending in less developed and developed countries prevent all of these from fullfilling the basic economic and social rights articulated in the International Bill of Human Rights.47

Academic studies from the 1980s to the mid-1990s have also proved the negative relationship between militarism and economic growth.\textsuperscript{48} Militarism has the potential to push economic development into the background. It is also an open secret that militarisation is a global phenomenon. Expensive and sophisticated weapons are sought and purchased everywhere in the name of security and self-determination. Worldwide military spending of $815 billion in 1992 equaled the income of nearly half the world's population. Military expenditures in developing countries rose three times as fast as those of the industrialised countries between 1960 and 1987, from $24 billion to $145 billion, an increase of 7.5 percent a year.

In 1990s, the ratio of military expenditure to social spending (calculated as military expenditures as a percentage of the combined education and health expenditures) was an astounding 373 percent in Syria, 222 percent in Myanmar and 190 percent in Ethiopia. Some of the poorest countries are among those, who spend more on their military than on health and education. (Angola, Mozambique, Pakistan, Somalia and Yemen, as well as Ethiopia and Myanmar).\textsuperscript{49}

It is clear though above-mentioned facts that domestic political compulsion of Pakistan is the biggest hurdle to establish good relation with India. India has already accorded Pakistan as 'most favoured nation' under SAFTA provisions. Despite that, Pakistan didn't have reciprocated. The

\textsuperscript{48} Ibid., p.34.
legacy of Partition has also been an obstacle between Indo-Pak relations. The creation of Pakistan and India and, later on, Bangladesh on the gruesome landscape of communal hatred has left memories of a holocaust that it passed over generation to generation. About one million people died in communal violence in the wake of the partition of the sub-continent and another 15,000,000 moved across the borders for their safety.  

Consequently as I have hinted earlier, the elites of Pakistan, conscious of the survival of their newly created nation, considered the elites in India as their eternal enemies. Thus a Zero-sum cooperation between the two most powerful regional countries make the diplomatic and political history of the region which has had a far reaching impact on the subsequent events that shaped the gloomy security spectrum of South Asia.

May 1988, atomic explosion by India and Pakistan has further altered the security scenario in this part of the globe. Kashmir issue has also played an apple of discord role and Pakistan is playing this card again and again according to its convenience. However there are some other views too for the impact of nuclearisation. Keneth Waltz maintains that limited and controlled proliferation of nuclear weapons can be a stabilizing factor in many parts of the world.  

Geopolitical and economic asymmetry of the region helps to project India’s image as an unequal partner and causes fear and mistrust.

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Availability of nuclear weapons in the hands of India and Pakistan, may serve mistrust and it is not good for cooperation.

South Asia is a twilight zone of security in the aftermath of the nuclear tests by the two regional powers. These kinds of argument also predict that hostility between major powers in any regional grouping would not allow the acceleration of cooperation. But the reality is not like this. Nuclear weapon can stabilise the animosity between India and Pakistan. This was the reason that despite infiltration by the terrorists, supported by the Pakistani Army in Kargil (1999), full-scale war didn’t escalate. Again after December 2001 attack on the Indian parliament by Pakistan supported terrorists could not escalate war between India and Pakistan. In absence of atomic weapons, the things would have been certainly different.

There is no regional block in the world, where bilateral rivalry is not existed. In European Economic community (EEC), France and Germany are members. Both fought fierce war against each other during Second World War. Now they are cooperating for the all round development of their respective societies. One can find the same thing in case of ASEAN members too.

SAARC is a forum where members can discuss their matter; top leaders can talk once in a year. Rivalry, hatred animosity can be reduced only through dialogue and of course, SAARC can provide the platform for that dialogue.

Similarly for the smaller member countries too, SAARC as a forum helps to develop bridges with India. There is a political role, which SAARC is
playing at the national, bilateral and regional levels for the member countries, irrespective of the success or failures in areas strictly considered as part of regional cooperation. SAARC thus provide an alternative structure not only for India, but also for the other member countries in conducting themselves and when required building positive linkage with each other. The working of SAARC has further clearly shown that it has not diluted the national interests of the member countries.

SAARC can also become a venue from where its members could initiate confidence-building measures (CBMs) and ensure economic empowerment of the poorest masses of the region. SAARC ought to explore the possibility of regional security dialogue within its present or adapted future framework. Besides political leaders and technocrats, strategic think tanks, bureaucrats and the members of the armed forces in the region should interact on a regular basis so that tensions do not assume critical levels.

Certainly India will have to play a big and very responsible role to accelerate economic cooperation among SAARC countries. India is the only country with border with all other South Asian nations, while none of the others have frontiers with each other’s. If India has free trade arrangements with all its neighbors, the region would be integrated even without a formal multilateral treaty under the SAARC. India has always has open trade arrangements with lane locked Nepal and Bhutan. It has free trade arrangements with Sri Lanka that has worked well and is being upgraded. A liberal trade regime
with Bangladesh would then be a big move towards regional economic integration.

More important is the fact that there is the possibility of the participation of the Indian Prime-Minister in next SAARC summit, which is scheduled to be held at Islamabad in January 2004. At the same time it is also an open secret that the SAARC process is seen as having become the hostage to India-Pakistan tensions. The latest attempt of the Government of India and Pakistan to improve bilateral relations has now extended to the economic spheres. Trade between India and Pakistan is at the best of times a meager 4 200 million a year. Unofficial trade smuggled or routed through West Asia and Dubai, is estimated as 10 times to this amount. Still the volume of total trade between the two countries is insignificant given their size and broadly similar economic structures. The South Asia free Trade Area was supposed to have been established in 2002, yet even the preparatory union, the South Asia Prefential Area, has not developed fully. Intra trade within South Asia is still a mere four percent of the region's total intra trade. It is clearly vindicated through above-mentioned discussion that SAARC has the potential to reduce security threat from South Asia. It can reduce the cloud of war from South Asia through economic cooperation among South Asian countries. The deprived section of this region can ensure better life through heavy economic engagement among SAARC countries.

It is also a reality that in comparison with EEC, ASEAN and NAFTA, SAARC's achievements have been symbolic. There is a strong need to
enhance economic and other varieties of cooperation among SAARC countries. After the end of the Cold War, regional cooperation has become compulsion of developing countries to fight for their due share in the international system. SAARC has not only the potential to defuse tension but it can also boost the prospects of a better and economically well-equipped South Asia, which can talk for their due share in international system.