

Chapter 6

CONCLUSION

Twenty years have passed since SAARC was established. Twelve Summits and much number of meetings later, but the concrete results achieved for the advancement and well-being of the people of the region have been rather modest. Future generations will probably find it difficult to understand why their South Asian forefathers, constituting more than one fourth of mankind, blessed with great cultural affinities and economic complementarities and facing the same problems, failed so comprehensively and for so long to unite in order to create a better quality of life for their peoples.

In most other parts of the world, regionalisation has been accepted as the fastest route to prosperity, for promoting collective interests, ensuring protection against the negative fall-out of globalisation, and enhancing security through intra-regional interdependent relationships. Within SAARC, there has been little progress even in respect of intra-regional trade, which accounts for barely 5% as compared to 62% for the EU and 55% for NAFTA. No wonder that as a region we count for so little in the world: less than 1% of the share of global trade, just 1.5% of the World Gross Product, and even we count 450 million among the world's poorest people and 50% of the world's illiterates within our seven nations.

Many reasons exist for the uneven progress of SAARC: most have to do with intra-regional political tensions, and most involve India; the chronic tension, occasional conflict, and perennial absence of trust between India and Pakistan; the periodic hiccups in relations between India and her other neighbours — Sri Lanka, Nepal and Bangladesh; and so on.

India as the largest country with boundaries with all the other member states without doubt bears a disproportionate respon-

sibility for the success or failure of SAARC as compared with the others: it is condemned to be both the necessary engine as well as the likely obstacle in the fulfilment of SAARC's potential.

It must be said that except for occasional aberrations under particular Prime Ministers; India has been traditionally suspicious and/or lukewarm about SAARC. Quite apart from the environment of bilateral relations with Pakistan or one or other neighbour, there has been an underlying conviction within a substantial section of New Delhi's political and bureaucratic elite that SAARC bestows an undeserved sense of equality to its smaller neighbours, an opportunity for gauging up to the detriment of India's interests, that India can prosper more easily if it is not shackled to its immediate neighbourhood. It must be said that its neighbours for their part have often by their conduct only reinforced the logic of India's reservations; but at the end of the day it was India which could have demonstrated its self-confidence and commitment to the long term goals of SAARC despite the passing distractions in its vicinity, and thereby sustained a certain positive momentum of co-operation through good times and bad, but this has rarely happened.

SAARC was established in 1985 with neither a sincere, collective and grand vision, nor a strong political will among its member states to subsume short term nationalist objectives for the long term national and regional good. "It was a top-down concept, foisted on us without any preparation" is the common sentiment certainly of former Indian diplomats. There was no South Asian Robert Schuman to boldly declare a major project which would bind the destinies of peoples across borders, taking advantage of economic complementarities and disciplining self-destructive nationalistic ambitions. Instead of building on interdependence as the solid basis for creating peace, security and prosperity, the emphasis for the first several years was on co-operation of a technical nature in a host of areas — agriculture, education, meteorology, communication. This may have been well-intentioned and useful, but hardly likely to inspire the political and civil society elite of the region or be the basis for the Association to take off. The emphasis on a social agenda, poverty alleviation, free trade area, etc. came much later: by then SAARC had acquired a reputation of being a non-performing

entity even in the technical areas entrusted to it and lost much of its credibility.

There have been occasional Summits which have been declared successful and resulted in high sounding commitments; if no explanation is demanded from the governments as to why these commitments were not fulfilled, it is probably because they lacked credibility in the first place.

The political leaders who attend or postpone summits year after year, and their diplomats and bureaucrats who toast each other after every "successful" meeting, have only to analyse the statistical data on South Asia's performance in human development as compared to the rest of the world, on the burgeoning pavement-dwelling populace of South Asian cities, or the unemployed rural youth joining the ranks of insurgency movements and terrorist outfits, to realise how little these pious declarations have impacted on the real problems faced by people in the region.

An encouraging recent development in this regard is that people of South Asia are progressively learning the art of influencing government policy. The hopes for lasting peace between India and Pakistan lie as much with the present leadership of the two countries as with the people on both sides of the border, who might actually "make borders irrelevant" and thereby insulate the peace process from political vicissitudes. Similarly, the internal problems of Sri Lanka and Nepal will probably be resolved once the civil society consensus in each country on how to end them reaches a critical mass.

What is clear is that unless the pressing internal problems as well as key bilateral irritants which pollute the political environment are meaningfully addressed, SAARC will keep running into obstacles. An empowered and alert civil society alone can help the governments of the day on both counts. A key challenge for making SAARC achieve its potential is thus to move beyond governments and get civil society involved, enthused, motivated and focused. Indeed, it is civil society alone which can objectively monitor the implementation of commitments made at SAARC meetings and hold governments accountable for failures to honour them.

A major effort needs to be made to promote projects which strengthen strategic interdependence. Infrastructure, harnessing water resources in an integrated and transparent manner, energy security are examples of sectors in this regard. It is heartening to note that the SAARC has recognised the importance of co-operation on energy. This is one area where the logic of economic complementarity is truly compelling and the need to address it really urgent. The vision articulated by India's Minister for Petroleum and Natural Gas, of an Asian Gas Grid with a network of gas pipelines criss-crossing SAARC countries and making them energy hubs for the whole of Asia, is surely worthy of study and implementation once the feasibility is established for specific projects.

The business community must get into the driver's seat instead of following the lead of the government. For some reason, despite economic reforms everywhere representatives of trade and industry act as if they are less than free to trade and invest where they please. This must end: politicians increasingly depend on businessmen for their survival, not the other way round. The de-politicisation of economic activity is a *sine qua non* for economic growth, and indeed greater regional security, through cross-border projects.

India's neighbours must realise that India is their opportunity. It has one of the most dynamic and fastest growing economies in the world, is already an acknowledged leader in IT, pharmaceutical and knowledge based industries, and sits at the same table as the major powers in forums such as G-8. Its developing strategic linkages with the US, China, Japan, EU in addition to the traditional ties with Russia are potential windows for SAARC as well. Passing irritants should not be allowed to come in the way of co-operation, taking advantage of the size of India's market and its rise as an economic power.

There are huge intra-SAARC trade and investment opportunities involving India which should ease the traditional over-dependence of the region on developed nations. It would be fatal to ignore the tides of opportunity offered by simple proximity to India. SAARC will succeed if India's neighbours recognise that India will be its engine and economic driving force.

Now a days SAARC has become a focal point of attention and discussions. Powerful and prosperous countries are also showing

their interest to be associated with SAARC. The reasons behind this is not far to seek. More than one fourth of the total population of the world live here signifying a huge market that means a huge scope for trade. If China, as neighbouring country, is accommodated within the fold of SAARC, it will constitute a stupendous market of about two billion people i.e., half of the world's total populace. There is no denying that trade is a vehicle for prosperity. Prosperity, in its turn, will carry with it international peace, harmony and tranquillity.

India around which the other SAARC countries revolve is the main player in the region. As major player it has to face multifaceted and multi-dimensional problems, such as:

- to contain USA's unlimited political and business expectations in the region vis-à-vis accommodation of USA's interest in the region;
- to put China's political, economic or strategic influence on the SAARC members at a reasonable limit;
- to normalise India's economic, political and business relationship with Pakistan and maintain it to a sustainable limit.

Unfortunately, in this region economic interest is considered to be subservient to political interest. If the objective is to achieve economic development, economic interest is to be exalted over other interests including political.

The world as a whole is eagerly awaiting to see how India, as a major player, is tackling the above issues. Striking a critical balance between the conflicting interests of different nations in SAARC will be the determining factor for India's future in the region. Any amount of carelessness may dislodge its leadership and pave the way for foreign dominance in the region especially for USA to harvest its interest creating rivalry among China, India and Pakistan thereby reducing the concept of SAARC into a ridiculous one. India, therefore, should play a vital, important and respectable role along with its neighbours so that SAARC can attain success.

As has been noted earlier, India has the heavy responsibility of carrying along its neighbours in an environment of trust and confidence, even if it means occasionally having to "stoop to conquer." This means being generous to smaller neighbours, being

helpful without being intrusive, going the extra mile in accommodating others' sensitivities, and avoiding double standards on issues like democracy and insurgencies. A de-emphasis on bilateralism as the route to resolve all issues might also help. Greater transparency when it offers aid might help discerning cross-border fears that it has a self-serving agenda even when it is being generous.

Finally, a more credible long-term commitment to SAARC and sub-regional co-operation is called for. Thus, a change of mindsets both on the part of India as well as its smaller neighbours is a must if SAARC is to have a new life. The role of the media either in the making or unmaking of SAARC must be recognised, especially if we are agreed that SAARC will be successful only if it is underpinned by public awareness and support. The contribution made by SAFTA in this regard deserves to be appreciated and supplemented at the institutional as well as individual level through structured understandings within the SAARC media.

Although it is thought that SAARC has a bleak future, in reality it can survive and help in the development of all its member countries. Numerous trade opportunities are prevailing between the member countries. This is apparent from the foreign powers' immense interest in the region. It is the policy makers who need to have a proactive approach and look at the long term benefits of the nations in SAARC. If the trade opportunities are exploited for mutual benefit then SAARC can be a success, resulting in high economic integration among its member countries. But at the same time the larger more developed nations of SAARC need to be wary of the "observers" of SAARC and ensure that their influence in the trading bloc is monitored so that the welfare of the bloc is not compromised with.

6.1 RECOMMENDATIONS: MAKING SAFTA A SUCCESS

To help ensure that the SAFTA agreement is beneficial, the following steps are recommended in finalising it:

- Minimise negative lists and provide a schedule for phasing them out. This will satisfy the WTO's "substantial trade" requirement of Article XXIV, the provision governing the establishment of WTO-compatible regional trade arrange-

ments. Major export items from one country should not be listed on the sensitive list of another country.

- Simplify rules of origin so they are transparent and at least equivalent to the rules of bilateral agreements. Among existing bilateral agreements, the "best" rules will need to be agreed for SAFTA.
- India must take the lead in making significant tariff cuts. India's dominance in the region cannot be overstated, and market access commitments by India will largely determine how significant SAFTA's potential is for the smaller economies in the region.
- Provide for a trade facilitation process that harmonises standards, streamlines customs procedures, expedites banking procedures, and deals with other procedural or administrative barriers to regional commerce. Trade facilitation measures will help cut transaction costs, especially for small and medium enterprises and the poor.
- Remove constraints on the movement of capital to encourage regional and global investment.
- Make available technical co-operation and assistance for LDCs to enhance infrastructure, technology, and human capacity. Given proper commitments from developing countries, a country such as Maldives will benefit from such assistance.
- Encourage countries that stand to lose revenue to undertake fiscal reforms and examine other forms of taxation, such as direct or consumption taxes, to compensate for possible revenue losses.
- Discourage antidumping and counter-veiling actions, which impede trade and undercut the benefits of free trade.
- Minimise visa restrictions to permit free movement of people in the region. Maldives and Sri Lanka already provide visas on arrival to tourists from SAARC countries. Address co-operation in the services sector to facilitate trade and investment flows in the region.

If the SAFTA agreement is to succeed, all these issues must be addressed with firm commitment and measures implemented

according to some sort of schedule. In addition, unilateral liberalisation in trade in goods and services should be encouraged to minimise negative effects such as trade diversion.

When the heads of seven SAARC member countries signed the SAFTA framework agreement in January 2004, they signalled their determination to achieve regional economic integration. Frustrated by the lack of progress since then, however, some countries are exploring alternatives. For its part, in June 2005 Sri Lanka and Pakistan began implementing a free trade agreement, the first of its kind for Pakistan. Does SAFTA make economic sense for Sri Lanka? Yes, if doing so leads to deeper trade and investment liberalisation and sound trade facilitation measures. But for Maldives, with almost no raw materials or natural resources, few human resources, and a very narrow tax base, SAFTA will not be of much help, especially if rules of origin are cumbersome and inflexible and no technical assistance is provided. Maldives also needs to address revenue needs internally because financial compensation for revenues lost as a result of tariff reductions under SAFTA is unlikely.

If SAFTA is to succeed, trade liberalisation and facilitation must occur in tandem with depth of tariff cuts, rules of origin, non-tariff barriers, para-tariffs, and harmonisation of standards, customs procedures, and banking procedures. In addition, issues involving facilities for every mode of transport — air, sea or land — and the needs of landlocked countries for transit facilities should be addressed. Moreover, sensitive lists need to be smaller and phased out according to a schedule and rules of origin need to be simple and minimal. At the same time, all countries must carry out fiscal, monetary and trade reforms to facilitate regional integration. Regional agreements such as the SAFTA agreement can benefit member countries so long as the countries undertake trade reforms to avoid trade diversion. Maldives, for example, will benefit when its two biggest trading partners reduce barriers. Sri Lanka will benefit to the extent that SAFTA holds more promise than existing bilateral agreements with India and Pakistan. Regional co-operation holds great promise for tourism in particular, an industry important to both Sri Lanka and Maldives.

Several areas can be considered in which unilateral trade liberalisation and actions within the multilateral context remain critically

important and where possibilities of co-operation may exist.¹ Of course, in many cases, detailed and careful studies may be required before a final decision is made. Among the areas are:

- Unilateral and Multilateral Liberalisation.
- Trade Facilitation.
- Harmonisation of Standards and Policies.
- Meeting the Sanitary and Phytosanitary (SPS) Standards in the Third Markets.
- Trade in Services.
- Infrastructure Co-operation.

6.1.1 Unilateral and Multilateral Trade Liberalisation

It is critical that the member nations continue to liberalise their external trade barriers both on a unilateral basis and within the multilateral context. As long as the external trade barriers of the nations are high, the risk of trade diversion effects dominating within the SAFTA remains serious. In this respect, the region must avoid repeating the mistake committed by the countries in Latin America. These countries effectively abandoned their unilateral trade liberalisation programmes once they began moving on the bilateral track. The external trade barriers in South Asia being substantially higher than in Latin America, the countries in the region can hardly afford to freeze their unilateral liberalisation programmes. In the same vein, the focus on the regional market should not divert attention from the much larger extra-regional markets. This means active promotion of the multilateral negotiations since they will help open further the larger rich country markets.

6.1.2 Trade Facilitation

The region may also consider taking advantage of the instrumentality of SAFTA/SAARC in the area of trade facilitation. The cost of doing business through formal channels in the region is higher than through informal channels. While there are reasons

¹ Asian Development Bank, 2004, World Bank, 2005.

to be skeptical of this very strong conclusion, it certainly points to very high costs of trading via the formal channels. Such costs are especially bothersome because unlike tariffs they do not even generate any revenue. The countries in the region could co-operate on bringing down the costs of trade. This will also generate positive externalities for trade costs with extra-union partners. Trade facilitation has also been included in the Doha Round negotiations. To the extent that the concerns of the SAFTA countries in this area may be similar, there may be benefits to result from consultation and co-operation and, if necessary, development of joint positions. Given that the region's outside trade is going to be expanding rapidly in the forthcoming years, the importance of precisely what is negotiated on trade facilitation as a part of the Doha Round can hardly be underestimated. Finally, there may also be room for the SAFTA/SAARC instrumentality to be used for co-operation with the Asia Pacific Economic Co-operation (APEC) forum, which has a substantial programme of trade facilitation as well.

6.1.3 Harmonisation of Standards and Policies

The third area in which suggestions have been made for regional co-operation concerns harmonisation of standards and policies. SAFTA itself lists banking practices as a target area for harmonisation. Of course, if the region were to turn itself into a customs union, which is the first important step towards creating a single market, there would be a strong case for such harmonisation in areas such as competition policy, anti-dumping procedures and product standards and, preferably, towards practices that give due consideration to the interests of consumers. The case for harmonisation is much weaker, however, within the context of a free trade area. As such, while only further study of this subject can resolve more conclusively whether harmonisation should be a major subject within the SAFTA framework, our preliminary view is pessimistic. Unless we are dealing with a truly single market, it is not clear why Bangladesh and Sri Lanka should harmonise their policies with those of India rather than more significant trading partners even if they do not have free trade area arrangements with the latter. It may make more sense for the countries to go for the international "best practices" based on their income levels such

that they facilitate both intra-regional and extra regional trade. Of course, to a large degree, the move to the international best practices itself may result in a considerable harmonisation.

6.1.4 Product Safety and Quality Standards

The fourth area in which co-operation is worth serious consideration is how best to meet the product standards, especially in agriculture, in the rich country markets. With the mounting pressure on the rich countries to eliminate agricultural protection and subsidies, they are likely to increasingly adopt more rigorous Sanitary and Phytosanitary (SPS) standards to protect domestic producers against foreign competition. If the countries in the region are to take advantage of the eventual decline in the subsidies and tariffs on agricultural imports in the rich countries, they will need to develop expertise in how best to satisfy that SPS measures as also how best to challenge them in the WTO if they happen to be imposed with protectionist intent and without sufficient health and safety justification. Given the commonality of interests, there are possible synergies among the SAARC members in this area.

6.1.5 Trade in Services

The fifth area of co-operation is trade in services. To-date, SAARC initiatives in the service sector have been limited to consultations related to the tourism sector and recommendations to regularise the informal labour movement on the basis of regional norms and mechanisms and evolving rules and procedures for particularly health and education. Yet, given that the restrictions on trade in services are more akin to quantitative barriers, the likelihood of trade diversion in them is lower than in goods. Moreover, it may be easier to use the instrumentality of regional opening to open the market widely to all trading partners in the area of services. As such, it may be worthwhile to study carefully the implications of the inclusion of services into the SAFTA agenda more centrally. Opportunities for mutually beneficial trade may exist, for example, in the IT in which India is emerging as a leading exporter. Likewise, there may be room for joint projects across borders in areas such as education and health.

6.1.6 Co-operation in Infrastructure

The final area of co-operation is infrastructure. There can be issues of road and railway construction, building of bridges and telecommunication development in which the countries in the region have common interest. Of course, the SAFTA is neither necessary nor sufficient for such co-operation but may play a facilitating role. It should be remembered, however, that such co-operative projects should be subject to proper cost-benefit analysis since their opportunity cost is the alternative project forgone. Preferential trade already tilts the balance in favour of intra-regional trade and there is no reason to add to that bias by building intra-regional transport and communications links at the cost of extra-regional links without a carefully analysis.

The region should avoid substituting intra-regional trade liberalisation for extra-regional liberalisation. The countries need to stay the course on their unilateral and multilateral liberalisation. Such a caution should be taken seriously: in the countries in Latin America that have gone whole hog for preferential liberalisation, unilateral liberalisation has come to a standstill. Mexico, Brazil and Argentina have essentially suspended their unilateral trade liberalisation programmes in the past several years either because of protectionist pressures or in the hope that this will allow them to forge more preferential trade arrangements. South Asia by itself is too small a region for which to sacrifice external liberalisation.

In sum, regional economic co-operation in South Asia is likely to be complex and gradual, requiring the commitment and perseverance of all SAARC member countries. If the will for integration is present then it is possible to overcome political sentiments and other obstacles to work towards a harmonious existence and long term economic development of the region as a whole.

But as we see it today, the countries of India, Pakistan and Sri Lanka (the more developed of the SAARC nations), who were supposed to be reducing their tariffs by the rate of 5% per year has not been reacting much.² Pakistan declared that it would not reduce barriers for India till the various conflicts with India are settled. India on the other hands seems to be too protective of its

industries by the tariffs imposed on the Bangladeshi fish, *saris*, leather and ceramic products and the antidumping duties have almost wiped out the trade of the dry cell batteries among other products. India has kept two sensitive lists, one for Pakistan and Sri Lanka with 865 items and another for other member states with 744 items. Such myopic view of the developed nations is uncalled for as the developing ones look on helplessly. The vast potentials of trade within 2010 seem bleak with the immature attitudes of the developed partners. And this is what needs to be looked into. Both the developed nations should look beyond the political conflicts and understand the broader picture where trade and exchange of resources within the different regions will be beneficial for the entire region as a whole.

In this era of globalisation, there is no substitute for regional co-operation and creation of a free trade area lies at the core of such co-operation. As other regional organisations have shown, SAARC will only succeed if all the member countries forsake their national interest for the greater benefit of the region. SAFTA will be beneficial to the entire region only when all its provisions will be implemented in letter and spirit. Afterall the regional economic integration is a comprehensive package and as such no interest should be overlooked or considered in isolation.

6.2 AGENDA FOR THE FUTURE OF SAARC

The future of SAARC lies mainly in the hands of its bigger influential members and the political whims of the member countries. The ground paper work for the free trade area has been set. It is up to the intentions of the countries involved in SAARC which has to be worked with now. The policy makers need to overcome their political sentiments and look at the economic benefits which come along with the success of SAARC. Hence the future agenda for the SAARC would be to identify opportunities in trade and get the business and legal community involved "hands on" to establish trade links with their neighbours. The obstacles to trade need to be dealt with by the governments.

If the free trade area actually comes into existence in the real world, the member countries will be able to reap enormous benefits from trade as SAARC will act unanimously to establish trade with

² *The Daily Ittefaq*, July 7, 2006.

other trading areas of the world. Then the agenda would be to further establish ties with the neighbouring countries and look to form a common currency like the European Union has done. But it still seems like a far fetched idea. For a common currency to be set a lot of economic factors have to be taken into consideration. But for now we can concentrate efforts on the bonding of trading relations with the member countries and removing the obstacles to trade. Here India will have to play a crucial pioneering role to initiate trade by helping to lower the hindrances. The India-Pakistan trade disputes need to be settled as soon as possible although they have been postponed till the next summit in Delhi. The agenda for implementation of the SAFTA is already going behind schedule and if the disputes between the two most powerful nations of the SAARC cannot be solved then the smaller developing ones will not be able to do much in this respect.

The monitoring of the "observers" of SAARC also needs to be done very carefully. With the entry of the USA, China, Japan, EU and Korea as observer to SAARC, it is evident that these nations are not here only to oversee the activities of SAARC. Behind their involvement lies a motive far stronger. May be SAARC will be used as a pawn in the competition for supremacy in the region. Maybe the member countries in SAARC will be exploited to serve the political interests of the super powers. The answers might shock the very existence of SAARC. But how SAARC stays unified to control the powers of these observers is questionable. Without being unified and strongly integrated, the wellbeing of SAARC may be overlooked while the member countries may only be exploited in the quagmire of power game of the world.

6.3 AGENDA FOR FUTURE RESEARCH

The trade opportunities which India can avail as a major player in SAARC has been highlighted in this research study. So far India has been ignoring most of these opportunities. Hence trade within the region remained weak. Future research can be conducted on the politics of SAARC which in itself is a true barrier to the trade of the region. If the political motives of the greater economic powers and the sentiments underlying the endless tensions in the region are studied in greater details maybe we can come to the source of

these conflicts. Different governments have come to rule over each of the SAARC countries over time. But their initiatives to enhance or development of the region remained placid. What were the trade causes for such attitudes? Why does India not come out to develop the region for its own benefits? These are the questions to be answered. If the politics in the SAARC is understood which maybe the policy makers can then appreciate their deficiencies stood for ways to overcome them. Hence understanding the and politics of the region can be the agenda for future research.

Another agenda can be to look into the interests of the observers in the SAARC and their motives behind the position. For a region as seen very little development as a trading bloc, becoming that highly popular is something that needs to be further researched. Understanding the observers roles need to be looked into to perceive their future course of actions in the trading bloc.

6.4 REALISTIC FUTURE DIMENSIONS OF SAARC

SAARC holds immense potentials in trade for all its member countries. In the presence of the various hindrances, these potentials get overshadowed. A detailed analysis of the hindrances studied in this report shows that they can be dealt with if the outline power for co-operation is present. Even if all the member will powers do realise their benefits in free intra-regional trade, they countries have the economic power to go ahead unaided. This is do not India's role is highlighted. India as the largest economic power in the region has to come out of the "big brother" attitude where in the region has to come out of the "big brother" attitude power concentrate on efforts to enhance trade in the region. Without and co-operation, trade will not be able to progress much.

India's stand in this situation is somewhat different. It is But looking towards the west for its economic development. What it fails to realise is the fact that if it does open up and encourage trade with its neighbours, then it would be to its own gain. If India's current attitude prevails in the long run then the other member countries of SAARC will look elsewhere for their economic development. Hence the entire concept of SAARC will fail and such an outcome can be seen in the near horizon.

USA, EU and Korea have been granted the observer status in the SAARC. China and Japan have already been given such a status.

This shows that these countries and trading blocs do realise the potentials the region holds as a future market as well as production zone. The potentials in growth of the region as a whole are immense as has been outlined in the report. If the SAARC does succeed in being united then it would be a very strong trading zone. But the question remains whether the member countries realise this fact themselves, especially India. The expensive and time consuming meetings of the SAARC ministers are being held ever so often. Many promises are made, only to be forgotten in the numerous pages of a report. The implementations of plans are pushed further down the time horizon as has been done recently by India and Pakistan for opening up trade. The interest of the USA in SAARC needs to be further studied. Now it seems that the entire concept of SAARC is just a façade to deceive the members of their much needed economic development. But who is gaining from this pretense of co-operation? Not the member countries at least. With the rise in the number of observers in SAARC, it seems that we can expect the member countries to be pawned in the chess game of political supremacy in the world. India's role is now crucial as it is in the delicate position of balancing its relationships with the world and the SAARC. How the region tries to control the influence of the larger superpowers will depend a lot on the India-Pakistan relations and how they let themselves be used by the USA. It is high time that the policy makers realise the potentials of the SAARC region and try to protect them for their own wellbeing and prevent being exploited by the larger superpowers of the world.

Looking realistically down the future, we can assume that with matters going on at the current pace, SAARC might not be able to exist and the numerous memorandums and promises made will be restricted to the pages of the SAARC Ministry and vanished into the limbo of oblivion.

Keeping itself closer to two super-power Russia and China, India is very optimistic about the prospect of BRIC which can be a ladder to ascend India as a permanent member of UN Security Council. These sorts of sanguine initiatives have made India more reluctant about SAARC as well as the neighbouring countries. However, if India is to play the role it aspires to in the world beyond it must carry the region with it. It includes the goal of a

permanent seat in the Security Council of the United Nations, for opposition to all aspirants in this regard – Germany, Japan, Brazil and South Africa to be coming from their neighbours.

It is common phenomenon in international relations that a small neighbour had to live under fear when its large neighbour has 'expansionist' policy and there are unresolved and complicating factors in their relations. This is particularly true in the case of South Asia as India continuously shows her hegemonic flavour towards her small. Bhutan and Nepal are continuously living under this threat of becoming next Sikkim and bilateral disputes are especially acute with each and every country at any given. To some extent India also sees SAARC as a forum for ganging up to withstand Indian hegemonic pressures, which is just an illusion. To create a sense of 'easiness' among her neighbour, the former Indian Prime Minister I.K. Gujral adopted a doctrine called 'Gujral Doctrine' as a tool of conflict management in the region. The Gujral Doctrine is a set of five principles to guide the conduct of foreign relations with India's immediate neighbours as spelt out by I.K. Gujral, first as India's Foreign Minister and later as the Prime Minister. Among other factors, these five principles arise from the belief that India's stature and strength cannot be divorced from the quality of its relations with its neighbours. It, thus, recognises the supreme importance of friendly, cordial relations with neighbours. These principles are: first, with neighbours like Bangladesh, Bhutan, Maldives, Nepal and Sri Lanka, India does not ask for reciprocity, but gives and accommodates what it can in good faith and trust; second, no South Asian country should allow its territory to be used against the interest of another country of the region; third, no country should interfere in the internal affairs of another; fourth, all South Asian countries must respect each other's territorial integrity and sovereignty; and, finally, they should settle all their disputes through peaceful bilateral negotiations.

Former Indian Prime Minister I.K. Gujral in his book (*A Foreign Policy of India: 1998*) writes: "The Gujral doctrine, if I may call it so, states that, with neighbours like Bangladesh, Bhutan, Maldives, Nepal and Sri Lanka, we do not ask for reciprocity but give what we can in good faith." (It is noted that Pakistan is excluded in the list of countries). But in reality it has never been applied or

discussed at the policy level. Indian bureaucrats were sceptical about the idea. Also once Gujral was out of power, the doctrine went with him.

Amartya Sen asserts that this debate between perceived duty and consequence is as valid now as then. Indeed, it is the philosophical capacity of the Indian psyche to be able to objectively weigh considerations on both sides of a debate that must drive India's policy in the region. India must be the elder, not the big brother, with a special responsibility. It must not only be the largest country in the heart of South Asia, but also the country with the largest heart. It is as simple, or as difficult, as that.

Appendix 1

Summit	Date	Place	Decisions towards Economic Integration
1st	7-8 December 1985	Dhaka	The Heads of State or Government signed a Charter of the South Asian Association for Regional Cooperation on the 8th of December, 1985. They also adopted the Dhaka declaration.
2nd	16-17 November 1986	Bangalore	They issued the Bangalore Declaration. A Memorandum of Understanding on the Establishment of the SAARC Secretariat was signed by the Foreign Ministers of the SAARC countries in their presence.
3rd	2-4 November 1987	Kathmandu	They issued the Kathmandu Declaration providing a renewed thrust and direction to the future course of regional cooperation in South Asia. They expressed their happiness at the signing of the SAARC Regional Convention on Suppression of Terrorism and the Agreement establishing South Asian Food Reserve by the Foreign Ministers of the SAARC Member States in their presence. They firmly believed that the Convention and the Agreement constituted landmarks in their collective endeavours to eradicate terrorism and hunger from the region.
4th	29-31 December 1988	Islamabad	The Heads of State or Government noted with satisfaction that modalities for studies to be carried out for cooperation in the areas of trade, manufactures and services had been worked out by a Group of Experts, which met in Islamabad recently. They emphasized the need for the completion of the studies within the agreed time schedule. They directed that the Fourth Meeting of Planners should examine the possibility of cooperation in agreed areas of trade, manufactures and services, which would promote the objectives of meeting the basic needs of the peoples of the region. The report of the Planners should be considered at the next Council of Ministers meeting, with a view to making specific recommendations to the next Summit.

(Contd.)

(Table continued)

Summit	Date	Place	Decisions towards Economic Integration
5th	21-23 November 1990	Male	The Heads of State or Government noted with satisfaction that the national studies on Trade, Manufactures and Services had been completed. They underlined the need for expeditious action for completing the Regional Study within the timeframe stipulated by the Council of Ministers. They expressed the hope that it would open new avenues of cooperation for the prosperity of the peoples of the region. There was also a welcome trend towards the opening up of the global economy and integration of national economies into the mainstream of the world economy. They further noted the trend of increasing integration of the pattern of global production, consumption and trade, growing multi-polarity of the world economic structure and integration of the markets of the developed countries in order to maintain their technological lead and competitive edge. These changes presented new challenges and opened up new opportunities to the South Asian countries, as to the rest of the developing world. The Heads of State or Government were convinced that their mutual cooperation can be a critical factor in enabling them to pursue these objectives more effectively.
6th	21 December 1991	Colombo	The Heads of State or Government emphasized the vital importance of assessing the nature and extent of international economic interdependence and of the need for reviving the North/South dialogue. They approved that the Inter Governmental Group (IGG) set up on the recommendation of the Committee on Economic Cooperation should formulate and seek agreement on an institutional framework under which specific measures for trade liberalization among SAARC Member States could be furthered.
7th	10-11 April 1993	Dhaka	The Heads of State or Government welcomed the finalization of the framework Agreement on SAARC Preferential Trading Arrangement (SAPTA). They expressed their deep satisfaction over the signing of the framework Agreement. The Leaders stressed that all necessary steps should be taken to begin the first round of trade negotiations to exchange trade preferences among Member States under the Arrangement.

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Summit	Date	Place	Decisions towards Economic Integration
8th	2-4 May 1995	New Delhi	The Heads of State or Government noted with satisfaction that subsequent to the signing of the Framework Agreement on SAARC Preferential Trading Arrangement (SAPTA) during their Seventh Summit in Dhaka in April 1993, the first round of trade negotiations to exchange trade concessions among Member States has been completed. They directed that all necessary steps should be taken to facilitate ratification by all Member States and operationalize SAPTA by the end of 1995 as mandated.
9th	12-14 May 1997	Male	The Heads of State or Government noted with satisfaction the entry into force of the Agreement on SAARC Preferential Trading Arrangement (SAPTA) on 7 December 1995. They recognized the importance of achieving a free trade area by 2001 and reiterated that steps towards trade liberalization must take into account the special needs of the smaller and the least developed countries and those benefits must accrue equitably.
10th	29-31 July 1998	Colombo	The Heads of State or Government reiterated the importance of achieving SAPTA as mandated by the Ninth SAARC Summit. To this end they decided that a Committee of Experts, in consultation with Member States, be constituted with specific Terms of Reference (TOR) to work on drafting a comprehensive treaty regime for creating a free trade area. The Heads of State or Government expressed the view that such a treaty must incorporate, among other things, binding time-frames for freeing trade, measures to facilitate trade, and provisions to ensure an equitable distribution of benefits of trade to all states, especially for smaller and least developed countries, including mechanisms for compensation of revenue loss. They emphasized the importance of finalizing the text of the regulatory framework by the year 2001.

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Summit	Date	Place	Decisions towards Economic Integration
11th	4-6 January 2002	Kathmandu	Recognizing the need to move quickly towards a South Asian Free Trade Area, the Heads of State or Government directed the Council of Ministers to finalize the text of the Draft Treaty Framework by the end of 2002. They also directed that in moving towards the goal of SAFTA, the Member States expedite action to remove tariff and non-tariff barriers and structural impediments to free trade. They also instructed to conclude the meeting of the Inter Governmental Group on Trade Liberalization for the Fourth Round of Trade Negotiations under SAPTA as early as possible as per the decision of the Tenth SAARC Summit in Colombo.
12th	2-6 January 2004	Islamabad	We affirm our determination to create an inclusive, just and equitable partnership for peace, development and prosperity. Satisfactory progress has been made in the SAARC Preferential Trading Arrangement (SAPTA). The signing of the Framework Agreement on the South Asian Free Trade Area (SAFTA) is a major milestone. It is important to maintain this momentum and move towards further broadening of economic cooperation and to ensure equitable distribution of benefits of trade and cater to the special needs of the small and LDC Member States by providing them special and preferential treatment.
13th	12-13 November 2005	Dhaka	The Heads of State or Government stressed the importance of the entry into force of the SAFTA Agreement on the scheduled date (January 1, 2006). The launching of SAFTA would mark an important milestone on the road to a South Asian Economic Union. They directed that the negotiations on the outstanding issues under the Agreement should be completed by end November 2005. They further directed that the necessary national procedures should be completed in time to facilitate the operationalization of the Agreement.

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Summit	Date	Place	Decisions towards Economic Integration
14th	3-4 April 2007	New Delhi	The Heads of State or Government noted with satisfaction timely ratification of SAFTA Agreement by all member countries. They stressed the need for ensuring effective market access through smooth implementation of trade liberalization programme and directed the SAFTA bodies to review the progress on a regular basis. They emphasized that SAFTA should be implemented in letter and spirit. Successful implementation of SAFTA will catalyze other areas of regional economic cooperation. They stressed that to realize its full potential, SAFTA should integrate trade in services. They called for a finalization of an Agreement in the services sector at the earliest. They also directed that the Agreement on Investment Promotion and Protection be finalized.
15th	27 July-3 August 2008	Colombo	Recognizing the need to continue to address the major barriers hindering effective trade liberalization in the region, which include sensitive lists of items and Non-Trade Barriers (NTBs), they directed that the decision to revise the sensitive lists by the SAFTA Ministerial Council (SMC) be implemented early. They also recommended that while revising the Sensitive Lists, special consideration should be given to the LDCs. The Leaders directed that SAFTA Committee of Experts (SCoE) to expeditiously resolve the issue of Non Tariff Measures (NTMs) and Para Tariff Measures (PTMs) in order to facilitate and enhance the trade under SAFTA. The Heads of State or Government underlined the need for taking concrete measures to improve trade facilitation in terms of the mutual recognition of standards, the adoption of common tariff nomenclatures, the harmonization of customs procedures. They directed the relevant SAARC bodies to expedite their work in these areas. They also recognized the importance of development of communication system and transport infrastructure and transit facilities especially for the landlocked countries to promote intra-SAARC trade. They welcomed the signing of the text of the Agreement on the Establishment of the South Asian Regional Standards Organization. They also welcomed the signing of the Protocol on Afghanistan for Accession to SAFTA.