Recent Global Changes and New Imperatives for SAARC

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Regionalism in South Asia was absent before Bangladesh proposed the idea of SAARC in May, 1980. Since then, South Asian regionalism has traversed through different stages and entered into an institutionalised form with the adoption of the Charter for SAARC in December, 1985. The lack of congenial political atmosphere inhibited any attempt at regional cooperation in South Asia before. The birth of Bangladesh in 1971 brought about a change not only in the power balance in the subcontinent but introduced a new pattern in South Asian relations. The emergence of Bangladesh created a sense of affinity among small states in the region. The South Asian scene hitherto dominated by two major actors, India and Pakistan, began to change with the participation of other countries. At the time Bangladesh put forward the idea of SAARC, the regional states were trying to get rid of mistrust in their bilateral relations by some confidence building measures. The functional cooperation initiated by agreement among the member countries of SAARC to work in non-political areas was designed to provide necessary impetus for cooperation in political field. But after nine years of launching the Integrated Programme of Action (IPA), no substantial progress has been made in the areas of cooperation. Inspite of meeting in periodic conferences and holding summit meetings, the members of SAARC have failed to show any tangible results in those identified areas. The frustrating performance after all these years has evoked sharp criticism of an observer who raises a note of caution, 'if SAARC turns into white elephant, no poor South Asian country would be ever ready to carry forward such a
burden purely as a prestige symbol. Questions may be raised with regard to the utility of such organization in terms of its outcomes. However, one may examine the whole problem in another perspective in the context of changes in international situation. This paper seeks to argue that instead of losing its relevance, SAARC is still the framework for a healthy cooperative relations in this region. Some new imperatives have to be considered in its favour while we argue for continuity of this organization.

Implications of International Systemic Changes

The disintegration of the Soviet Union and collapse of the communist states brought about momentous changes in the international system. There came the end of the cold war, destruction of bi-polar world and emergence of the US as the only superpower. The balance of power between two superpowers is no longer a subject of any serious consideration in the absence of any ideological differences. Collective security arrangements as a mechanism for preservation of status quo has been successfully used for the first time by the United States leading a 28 members coalition in the Persian Gulf crisis. The end of cold war reduces the risk of a superpower confrontation and nuclear war. Nevertheless these changes are not significant to the extent of eliminating all threats to peace or renunciation of use of force as a means of settlement of disputes. The future international system, as has been painted by some observers, could be one in which there will be substantial upheavals. In the absence of Cold War regional conflicts and intervention could be more frequent then before. The savings from nuclear arms control and force reductions may have to be spent offsetting the high costs of regional crises. The military establishments of major powers would have to be reequipped for rapid and prolonged deployment in places and against threats that will be very hard to counter.

As the ideological division of the world as capitalist and communist is almost over, the world is becoming a safe haven for free market economy. The United States and its West European allies are more engaged in expanding capitalist system. This economic transformation is being welcomed by the Third World and some socialist states in order to give an upward push to their
economy. The West Europe and the United States are anxious to see the application of the philosophy of market economy and political pluralism in the changed world today. And desirable economic and political changes are to be matched by such strategic changes which underscores a military supremacy to them. The US would not face a difficult situation to build up its military supremacy in the absence of any challenge by its former ideological rival Soviet Union. The absence of Cold War situation helped the birth of one super power situation and materially helped it to consolidate. If the Cold War has been still operating the US could not have asserted itself militarily in the Persian Gulf conflict between Iraq and Kuwait. The reduction of forces in Europe facilitated the US to shift its manpower and material from the European theatre to carry the Operation Desert Shield. The situation was also favourable for securing legitimacy and support from the UN for all the US actions. According to Joseph. S. Nye, Jr. the US military power proved effective in preventing Saddam Hussain from gaining control of 40 percent of World Oil reserves. Moreover, the success in mobilizing an international coalition against Iraq bears more significance than the actual use of force and it showed that the US retains a broader range of power resources than another country. Japan remains one-dimensional in its economic power, and even a reunited Germany's economy is only one-fourth the size of America's. Unless progress on political reunification in Europe accelerates well beyond current plan, the United States is likely to remain by far the largest power in the new world.

The new world order outlined by the United States offers an elusive idea of a new world in which nations recognize the shared responsibility for freedom and justice, a world where the strong respects the rights of the weak, the US would wish to maintain status quo in this world. It is possible that the US would not let any new source of threat to its vital economic interest. Its interest and initiatives in shaping the post-Cold War world would definitely touch upon a number of Third World regions particularly the Persian Gulf, the Indian Ocean and the Asia-Pacific. The US may choose various ways to deal with the so-called 'threat from the Third World.' These include economic incentives and pressures, political support and brow beating and supply of or restraint on sensitive industrial and
military technologies. Moreover, the US may not hesitate to use force directly or indirectly when its perceived strategic interests in the Third World would come under threat.6

The post-Cold War international system brings another important shift in the relations between regional antagonists and their external patrons. The Third World antagonists in any region may not expect to get same political and military support from their respective superpower patrons to balance each other's strength. Once the ideologically motivated competition of the US and USSR led their involvement in different regions in opposite sides. Their support to respective clients in military terms greatly helped the building up of an arms race in the region. The relations among Third World antagonists may be characterized as the product of a dialectical process of strained political relations creating arms race, and arms race furthering tension in their political relations. Thus superpowers' support to regional conflicts was motivated from their own interest in creating/sustaining their own sphere of influence.

Implications of the systemic changes are not confined to political and security aspects alone. There are already indications of serious economic implications accompanying the shift in the global system. Third world states in general are faced with a bleak prospect of economic aid, investment and trade in view of the former East European countries including the Russian Federation emerging as major competitors. The United States and the members of the European Community now focus their attention more on these countries in terms of their economic stability. The collapse of the Soviet Union and East European States may hit some of the Third World states with whom they had preferential trade links like barter trade or payment in local currency. Moreover a danger is hovering on the countries in the Third World in terms of a possible shrinkage of their trade relations. The economic competition among major economic powers is manifesting into powerful movement towards regionalisation of global economy with the emergence of cohesive trading blocs. Three such blocs—North American common market, European Community and Asia-Pacific Community—put together account for 65 percent of the world trade, leaving a meager 30 to 35 percent for the republics of former Soviet Union, China, Eastern Europe and the Third
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World. From these economic blocs would rise economic fortification and more protectionism which may be harmful to developing and industrialised countries alike. The economic recession in the Western economy may adversely affect the economy in the poorer countries in the developing world. According to Lawrence Summers, Vice President and Chief Economist of World Bank, sluggish growth in the industrialised world will be transmitted to those countries in three major ways. First, slow growth in industrialised countries would reduce demand for goods produced in the developing countries. Second, reduced demand means lower prices for their commodities. Third, slow growth would increase pressure for protectionist trade measures including barriers to import of products from poorer countries.

Lessons for South Asia

The countries in South Asia are facing challenges arising out of the above changes in many ways similar to other poorer countries in different regions. In a global system oriented towards uni-polarity the states in the region may find it difficult to assert sovereignty on major international issues of to-day. As elsewhere in South Asia, the convergence of ideology and broader interests of US and Russian Federation has resulted in breaking up the balance once existed between the two superpowers. External intervention either political or military in the regional affairs is, therefore, very likely if there is any threat to present international order. Back in the Cold War days in 50s, India and Pakistan had occupied very significant position in the US and Soviet foreign policy establishments. India's non-alignment was welcomed by the Soviets when Pakistan was being fitted into the alliance system sponsored by the US. This way the two superpowers could use these states for the sake of containing and counter-containing each other in the region. For two regional adversaries their external mentors were also of tremendous value. The intervention of extra-regional powers in the sub-continent was the result of different perception of security of the regional states. In order to bolster their defense capabilities they depended on external assistance in varying degree. The massive arms race did not bring any balance of power and both tried to catch up the other by
collecting new weapons. The experience of last four decades had shown that the involvement of extra-regional powers in the sub-continent has been detrimental to India's interest and has prevented it from exercising a natural leadership role in the region. The divergence of security outlook was not only confined between Pakistan and India, India's small neighbours like Bangladesh, Nepal or Sri Lanka did not share India's view about the regional security. Thus these countries security calculations led them to find security succour elsewhere. However this linkage between external patrons and conflict relationship of the regional states is no longer appropriate in the present circumstances. The ability of India and Pakistan to enlist support of external powers in their regional rivalry has been greatly reduced in view of improved prospects of detente between US and Russia. There is already some improvement of Sino-Indian relations which may affect Chinese military support to Pakistan.

The economic impact of the global changes on South Asia needs to be analysed now. These countries face the same adverse aid climate like other developing countries. With bleak prospect of greater flow of aid these countries have to accept stringent conditions in its utilization. In order to tap western sources of aid their economic philosophy is undergoing changes by stressing more on individual initiative in economic activities. The investment climate is not fair enough to instill confidence among the regional entrepreneurs. South Asia has to face stiff competition from Eastern European countries in offering tax holidays, cheap credit, subsidies and foreign exchange concessions to prospective investors. East Europe has a natural and cultural affinity with the West, enjoys geographical proximity and superior infrastructure and large trained manpower than South Asia. Thus it has a chance to be preferred by western investors over South Asia. Third World countries trading with the former communist states had some advantages to carry their trade on barter basis. This trading system helped them in the currency exchange matters. Since 1953 India and former Soviet Union have allowed two way trade in Rupee Payment Agreement (RPA) instead of hard currencies. Similar trading arrangements were extended between India and East Germany, Poland, Romania and Czechoslovakia. Among South
Asian countries India and Bangladesh lost sizable export market in East Europe ranging from 14 percent export for India to 5.5 percent for Bangladesh in 1991. In case of India trade under RPA with East Europe declined sharply in 1991 further compounding India's balance of payments problems. Its export growth fell to 9 percent in 1990 from an average 17.7 percent in the preceding three years. Export declined further in 1991 despite a number of export promotion measures undertaken including the 19 percent devaluation of rupees. Another negative aspect of South Asian trade is that the regional countries depend mostly on outside sources for their imports. In the face of their declining exports, financing of imports will be very much inconvenient. For countries like Bangladesh quota system for garments export is becoming a major hindrance to diversify its export.

New Imperatives for South Asia

The global political and economic changes in the past few years have created such an unfavourable climate that for the South Asian states, the SAARC becomes an indispensable forum for cooperation. Some new imperatives for cooperation, especially in the field of political and economic issues have to be considered by the policy-makers. The organisation is being criticised for its failure to create a meaningful cooperation. The functional areas selected for cooperation at the beginning did not create any moderating effects on the hostile political relations of members states. Its Charter did not provide for consideration of any contentious issue among members to save the organization from falling into a deadlocked situation. The bilateral disputes were the disincentives for keeping all political issues out of the purview of SAARC. India and its neighbours may no longer expect to get the support of their respective external patrons on their conflicting issues. The end of the Afghan war, possible rapprochement between Russia and China and between China and India, would no longer create any incentive for superpowers intervention in the region. As the utility of the South Asian states to their patron diminishes, the ability of these states to draw the external powers into their conflict or to play one against the other will correspondingly diminish. Time has matured that countries in South Asia
address the political disputes from SAARC platform. India may take a lead in introducing multilateralism instead of bilateralism which under the conditions of regional mistrust, is a dictating weapon in the arsenal of Indian diplomacy.\textsuperscript{17} Being the pre-eminent power in the region, India may aspire for a leadership role in SAARC. But for dispute relationship with neighbours, it has not earned the confidence of other SAARC members. By agreeing to introduce bilateral disputes on the agenda of SAARC deliberation, India can turn the organization into a forum for tackling the regional disputes with a true spirit of regionalism. As already indicated, changed global situation has left very little scope for Third World maneuverability on different international issues. Instead of facing this inhospitable situation alone, the South Asian partners may take a regional perspective. In order to build the regional perspective, the countries in the region may go for a re-evaluation of the security perception syndrome. The perceptual gaps will be found in closer analysis to be more imaginary than real.\textsuperscript{18}

In South Asia intraregional trade does not show any impressive record. There is great potentiality in trade within the region given the geographical proximity of the countries and the wide market available. However, from the inception the SAARC did not include trade on its agenda. The asymmetry between the economy of India and its neighbours in terms of productive capacity influenced the small partners’ decision in this regard. Establishment of custom union or free trade appeared as premature in the context of political differences and any reference to it would have been too ambitious. Any arrangement towards custom union or free trade involves restructuring of existing tariff levels and when tariff levels among these countries differ very widely, it would have been extremely difficult for them to agree on a common external tariff structure. Imports from South Asian neighbours do not figure prominently in India’s external trade. India and some of its neighbours export certain common items like Jute, Tea and cotton and, therefore, cannot trade among themselves in these items. The business circle in India is sometimes conservative to select import items from neighbouring countries. The balance of trade remain favourable for India against Bangladesh which has been steadily increasing over the years since 1972. The relatively
large size of its economy and range of its products requires some special measures from India to protect the smaller countries from undue pressure and disadvantages. India has to agree to provide preferential treatment to its small neighbours in order to organize viable trade relations in South Asia. The hard realities of contemporary international economic relations should be an eye opener for countries in this region. When they face a gloomy situation in terms of protectionism, quota system and import payment arrangement, their economic welfare could be enhanced by vigorous trade in their own region.

The initial Bangladesh proposal for regional cooperation underscored the need for joint industrial ventures to be set up by the member countries. This idea did not receive any consideration because of a feeling about Indian domination in this regard. Those who opposed argued that since India had an edge over other countries in technology and management skill it would bring in its favour greater advantage in economic terms. Thus the absence of enthusiasm in this regard was substantially influenced by mistrust among South Asian states. Nonetheless there were very strong push factors for joint collaboration among them. The resource endowment of the region could have been fruitfully utilized in setting up joint ventures. The vast regional market could also be another motivation. The historical bond and cultural affinity of South Asian people should be considered as positive factor for initiating any collaboration. The South Asian states have been trying hard to get foreign investment from outside the region. This may be called as a basic economic policy of these states. The governments are making necessary economic adjustments in conformity with prevailing philosophy of market-oriented economy. Inspite of these efforts, the investment prospect does not appear to be bright. And most of the countries of South Asia do not have a tradition of political stability, an indispensable condition for investment. Therefore, the scope for regional cooperation should be broadened by including joint collaboration with necessary capital, technology and management from within the region.
Notes and References


7. The Third World countries may find Eastern Europe more of a competitor on existing markets than a new trade partner for processed and semi-processed products. The major areas of competition would be Textile, Clothing, Leather goods and some raw commodities. See Edward Mayo, "Changes in East Europe Pose New Challenges to South", *Holiday*, August, 30, 1991.


