CHAPTER IV

REGIONAL-EXTRA-REGIONAL INTERFACE
ASEAN EXPERIENCES OF DIALOGUE PARTNERSHIP AND POSSIBILITIES OF ASEAN-SAARC COOPERATION

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Introduction

The Association of Southeast Asian Nations (ASEAN) was established on 8 August 1967 in Bangkok by the five non-communist countries in the region, namely Indonesia, Malaysia, the Philippines, Singapore, and Thailand. The association was primarily designed to end conflicts among the regional members and promote peace and stability within the region. The unwritten objective of the grouping was undoubtedly to contain the spread of communism through the development of each member’s national resilience and their collective regional resilience. The creation of a friendly and peaceful regional environment enabled the ASEAN members to concentrate on solving their internal problems, particularly on developing their economies. It was believed that only by developing the economies and improving the general standard of living could the ASEAN countries resist communist incursion, which was then expanding aggressively into the region. By forming a regional grouping, the ASEAN members also felt a greater sense of confidence in facing the Chinese communist giant to the north. Although ASEAN does not have any official objection to communism, till the end of the Cold War the membership of ASEAN was restricted to the non-communist countries, and the only new member admitted was Brunei which joined the association in 1984, shortly after achieving its independence from the British.
This anti-communist and development-oriented characteristic of ASEAN helps to explain both the emphasis placed by ASEAN on fostering close cooperation with major industrialized countries and international development agencies on the one hand, and the strong support shown by the latter towards ASEAN on the other. The ASEAN sub-region's relative stability, open economy and friendly policy to the West stood in sharp contrast to the communist Southeast Asia, particularly when Vietnam was winning the war against the United States. At the same time, the establishment of ASEAN was also partly aimed at improving the individual member's access and acceptability to the international community, particularly to the West. This was especially true of Indonesia, which had just come out of a confrontation against Malaysia and the western world, and needed badly to refurbish its international image and mobilize international support for its economic development.

ASEAN established formal dialogue relations with several industrialized countries, which in the beginning mostly took the form of recipient-donor relations. The dialogue relationship, in fact, constitutes a central and indispensable part of ASEAN cooperation and contributes greatly to ASEAN's success. The dialogue partners not only provide the necessary funding to carry out various ASEAN projects, but their formal recognition of ASEAN give the association prestige at both home and abroad. The annual gathering of the foreign ministers of the dialogue partners in different ASEAN capitals to attend the ASEAN Post-Ministerial Conference (ASEAN-PMC) not only brings direct economic benefits to ASEAN through various cooperation projects, but it also adds luster and importance to the association as a whole. The expansion of the dialogue relations in recent years shows that to become an ASEAN-Dialogue Partner is a coveted position, not least because the ASEAN-PMC also provides an opportunity for the Dialogue Partners to interact with each other. Consequently, ASEAN
has also served as an interlocutor for countries that may not otherwise have relations with each other.

With the end of the Cold War and the settlement of the Cambodian conflict, the ASEAN vision of one Southeast Asia came to be realized. By 1999, all ten Southeast Asian countries have become full members of ASEAN. Although the fight against communism is no longer an issue, the importance of the dialogue-relationship has not diminished for it has developed its own momentum. In fact, the breaking down of ideological barriers has made it possible for ASEAN to expand its dialogue relationships to include The People’s Republic of China and Russia.

The breadth of ASEAN’s external relations and the dialogue mechanism established has made it possible for this relatively small regional organization to play the lead in, and become the focus of the development of new supra-regional organizations such as the ASEAN Regional Forum (ARF) in which there are several great powers participating. ASEAN has also been instrumental in bringing the relations between Western Europe and East Asia closer together. The long-established dialogue relation between ASEAN and the European Community, now European Union, has served as the foundation for the development of Asia-Europe Meeting (ASEM) which group together the EU countries, the old ASEAN countries, China, Japan and South Korea. Recently, the links between ASEAN and its North East Asian neighbors have also been formalized and strengthened with the creation of the ASEAN+3 forum, the three countries being China, Japan and South Korea. At the same time, there are moves to forge formal links between the ASEAN Free Trade Area (AFTA) and the sub-regional economic grouping CER (Common Economic Region) consisting of Australia and New Zealand.
Brief Overview of ASEAN Dialogue Partnerships

Currently, ASEAN has developed full dialogue partnerships with nine countries plus one regional organization namely, the European Union, and one multilateral aid agency, namely the United Nations Development Program (UNDP). The first ten dialogue partners participate in the ASEAN Post Ministerial Conference (ASEAN-PMC), the forum which brings together the foreign ministers of ASEAN and the dialogue countries every year following the ASEAN Ministerial Meeting. Since 1994, the ASEAN Foreign Ministers and the Foreign Ministers of the Dialogue Partners also convene the ASEAN Regional Forum to discuss regional political and security issues immediately after the conclusion of the ASEAN-PMC.

In addition ASEAN also develops sectoral dialogue relationships on certain limited economic and technical issues. Pakistan has recently become a sectoral dialogue partner of ASEAN. The association has also developed cooperation with other organizations such as the Andean Group, the Southern African Development Community (SADC), the Economic and Social Commissions for Asia and the Pacific (ESCAP), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the Economic Cooperation Organization (ECO).

The following are the countries and organizations that have achieved full dialogue partners status of ASEAN and the types of issues that are covered in their cooperation:

1. UNDP: The relations between UNDP and ASEAN had developed since the very early years of the establishment of ASEAN, though close cooperation between the two only began in the early 1970s. UNDP showed that from the very beginning, it was interested in helping to strengthen the ASEAN institution and regional cooperation as a whole. The Kansu Report published in 1972, which
provided the basis for subsequent ASEAN economic and technical cooperation was funded by UNDP. The report took two years to prepare and involved 41 international experts. UNDP was officially designated as an ASEAN Dialogue Partner in 1977, the only multilateral aid organization to be accorded this status. ASEAN-UNDP ties were further strengthened with the launching of the ASEAN-UNDP Sub-regional Programme in 1990 designed to assist ASEAN better with its regional cooperation and integration efforts.

2. The European Union: The European Economic Community (EEC) was the first dialogue partner to establish informal relations with ASEAN in 1972 through the Special Coordinating Committee of ASEAN (SCCAN). On 7 May 1975, an ASEAN-EEC Joint Study Group was formed to look into collaborative endeavors between the two regions. ASEAN's relation with the EEC was formalized in 1977 and the first ASEAN-EEC Ministerial Meeting was held in Brussels in September 1978. The links with the EEC were institutionalized on 7 March 1980 with the signing of the EC-ASEAN Cooperation Agreement at the Second ASEAN-EEC Ministerial Meeting in Kuala Lumpur. Under the Agreement, objectives for commercial, economic and technical cooperation were established and a Joint Cooperation Committee (JCC) was formed as a mechanism to monitor ASEAN-EEC cooperation. As Europe is a major destination of exports from ASEAN countries, one of the issues covered in the ASEAN-EU dialogue is how to ensure continued market access for ASEAN in the face of growing European protectionism.

3. Australia: ASEAN-Australia formal dialogue relationship began in 1974, making Australia the very first Dialogue Partner of ASEAN. Initially, the dialogue was focused on providing technical assistance through regional projects,
primarily research and development in food-related areas to ASEAN. In the early 1980s, however, the dialogue experienced a marked shift in emphasis in response to the rapid changes in ASEAN's economic environment. Economic issues, in particular the problem of ASEAN manufactured exports' access to Australian markets, dominated the agenda of ASEAN-Australia relations. In 1991, the scope of cooperation was further broadened to include education, environment, telecommunication as well as science and technology. At the 15th ASEAN-Australian Forum in 1993, political and security issues were also included as new topics for discussion.

4. **Japan:** ASEAN and Japan first established informal relations in 1973. The ties were later formalized with the establishment of the ASEAN-Japan Forum in March 1977, which meets every 18-24 months. On the occasion of the Third ASEAN Summit in Manila in 1987, ASEAN and Japan announced "a new partnership toward peace and prosperity". Japan is ASEAN's top trading partner for many years and Japan has also been a major investor in ASEAN. As part of ASEAN-Japan cooperation the ASEAN Promotion Centre on Trade, Investment and Tourism was established in Tokyo in 1981, jointly funded by contributions from Japan and ASEAN member countries. ASEAN and Japan have also set up a Working Group on Economic Cooperation in Cambodia, Laos and Myanmar to assist in the development of these transitional economies. In addition to being one of ASEAN's economic partners, Japan is a major contributor to development cooperation activities in ASEAN and has given substantial contribution to the ASEAN Cultural Fund established in 1978.

5. **New Zealand.** New Zealand became ASEAN's Dialogue Partner in 1975. Trade and economic issues figure prominently in ASEAN-New Zealand Dialogue relations. In
1995, ASEAN and CER Trade and Economic Ministers (Australia and New Zealand) agreed to establish a dialogue to facilitate trade and investment in the two regions and in 1996, ASEAN and CER Ministers signed an MOU to promote cooperation on standards and conformance. New Zealand also provides funds for development activities in ASEAN. New Zealand Official Development Assistance (ODA) to ASEAN is channeled through the ASEAN New Zealand Economic Cooperation Programme (ANZECP), formerly known as the ASEAN Regional Programme.

6. Canada: The first formal meeting between ASEAN and Canada was held in February 1977. At that meeting the Canadian Secretary for External Affairs informed the Chair of the ASEAN Standing Committee of her proposal to extend a program of development assistance to ASEAN. The commitment was later formalized with the signing of the ASEAN-Canada Economic Cooperation Agreement (ACECA) which came into force on 1 June 1982. The ACECA provided for industrial and commercial cooperation in addition to technical cooperation. On July 1993, a revised ACECA was signed incorporating new areas of cooperation which included science and technology and environment policy networking, institution-building, organizational and management development programs and efforts to stimulate private sector activities, market development and bilateral business cooperation. The agreement entered into force on 1 April 1996. Canada has been particularly active in extending development cooperation to ASEAN in the areas of forestry, human resources development and fisheries. Canada co-funds a project on skill development for women, which comes under the purview of the ASEAN Women’s Subcommittee.

7. The United States of America. The ASEAN-US dialogue relationship began in 1977. During the early years of the
dialogue, priority was given to commodities, market and capital access, operation of transnational corporations, the transfer of technology, the development of energy resources, shipping and food security. US assistance was extended in areas such as regional plant/crop protection centres; forestry resources and conservation; agricultural development planning and non-conventional energy research. By the mid 1980s, however, with the higher levels of development in ASEAN and changes in the US’s priority in development cooperation, there was a decrease in official development assistance from the US. There was a shift away from basic human needs towards regional cooperation and human resources development. During the 1990s, a program approach was adopted and the focus shifted to trade and investment, technology transfer and human resources development. It was decided that project selection would now adhere to the criteria of mutuality of interest, comparative advantage in the project and its sustainability. These changes reflected a maturing of the relationship between ASEAN and the US.

8. South Korea. The ASEAN-Republic of Korea (ROK) Sectoral Dialogue Relations were formalized on 2 November 1989, followed by the establishment of the ASEAN-ROK Joint Sectoral Cooperation Committee (JSCC) to facilitate the Sectoral relations which were limited to the areas of trade, investment and tourism. The ROK was elevated to the status of a Dialogue partner in July 1991 at the 24th ASEAN Ministerial Meeting (AMM) in Kuala Lumpur, Malaysia. Since then, the areas of cooperation have expanded to cover science and technology and human resources development. At the third ASEAN-ROK Dialogue in Manila in May 1997, both sides agreed to convene meetings on trade, investment, human resources development, and development cooperation to consolidate
cooperation. There were also plans to improve people-to-
people contact between the two sides. Trade between
ASEAN and ROK has increased rapidly since the
establishment of the sectoral dialogue, and the same is
true of the ROK’s investment in ASEAN. In 1990, the
ASEAN-ROK Special Cooperation Fund (SCF) was set up
to finance development cooperation projects in the areas
of science and technology, tourism and human resources.
Subsequently, the ASEAN-ROK Joint Management
Committee (JMC) was established to oversee the
utilization of the SCF. The JMC, which is co-chaired by
the Secretary-General of ASEAN or his representative,
meets at least once a year at the ASEAN Secretariat in
Jakarta.

between ASEAN and China began when the Chinese
Foreign Minister was invited to attend the opening session
of the 24th AMM in Kuala Lumpur as a guest of the
Malaysian government on 19 July 1991. The Chinese
minister expressed China's interest in strengthening
cooperation with ASEAN for mutual benefit by identifying
and developing specific fields of cooperation, particularly
in science and technology. ASEAN responded positively to
the Chinese approach and began preparing initiatives for a
formal ASEAN-China relationship. In September 1993, the
two sides agreed to establish two Joint Committees, one
on economic and trade cooperation and the other on co-
operation in science and technology. The two committees
were formalized by the ASEAN Secretary-General and the
Chinese Foreign Minister on 23 July 1994 in Bangkok. At
the same time, ASEAN and China agreed to engage in
consultations on political and security issues of common
concern at the Senior Official level. In July 1996, China
was accorded full Dialogue Partner status at the 29th
AMM in Jakarta. The Chinese Vice Premier and Foreign Minister, Qian Qichen, attended the meeting as a representative of a Dialogue Partner of ASEAN for the first time. Because of their proximity and open economies both China and ASEAN have increased their trades with each other in recent years and each side is keen to take advantage of the other's vast market. ASEAN's economic ties with Hong Kong are also significant. On development cooperation, both parties have proposed various projects, particularly in science and technology, which will be jointly funded by ASEAN and China. A Joint Science and Technology Committee was established in 1995 which meets every two years.

10. Russia: Since 1991, Russia has attended consultative meetings at the AMM and ASEAN PMC as an observer. At the 26th AMM in 1993, the Russian Foreign Minister expressed his country's desire to institutionalize relations with ASEAN. In recognition of its strategic importance, Russia was invited to be a member of the ASEAN Regional Forum (ARF) when it was established in 1994. Russia was elevated to the status of a full Dialogue Partner of ASEAN in July 1996 at the 29th AMM in Jakarta, Indonesia, at the same time as China. In June 1997, the two sides established the ASEAN-Russia Joint Cooperation Committee. The JCC agreed that four institutions would constitute the ASEAN-Russia Joint management Committee of the ASEAN-Russia Cooperation Fund; the ASEAN-Russia Business Council and the ASEAN Committee of Moscow. Russia has also expressed its intention to establish private sector links through the ASEAN Chamber of Commerce and Industry (ASEAN-CCI). This interest reflects the growing two-way trade and investment between ASEAN and Russia. The JCC has agreed on six areas of cooperation, and people-to-people
interaction. An ASEAN-Russia Working Group on Science and Technology has also been established, which held its first meeting in Moscow in 1997. Areas of cooperation include biotechnology, new materials, information technology, microelectronics, meteorology and geophysics. In addition, Russia has also proposed to undertake cooperation projects using Russian technology and equipment for carrying out aerospace zoning of earth's surface, monitoring of volcanic and seismological activity, warnings of typhoon and other emergency situation, cargo airlifting and transcontinental railway development.

11. India: At the Fourth ASEAN Summit in Singapore in January 1992, the ASEAN Heads of Government agreed that a Sectoral Dialogue with India be established which was realized the following year. The ASEAN-India Joint Sectoral Cooperation Committee (AIJSCC) was set up to conduct the Sectoral Dialogue Relations in the areas of trade, investment and tourism. Cooperation in science and technology was added later on. In addition, the following mechanisms were also established: the ASEAN New Delhi Committee; the ASEAN-India Business Council (AIBC) and the ASEAN-India Joint Management Committee (JMC). India was accorded the status of a full Dialogue Partner at the Fifth ASEAN Summit in Bangkok in December 1995 and from thence India also became a full member of the ASEAN Regional Forum, whose membership is now identical to the participants of the ASEAN-Post Ministerial Conference. The ASEAN-India Experts Group on Trade and Investment Cooperation presented its report in 1995 at the second AIJSCC meeting in India, and an ASEAN-India Working Group on Trade and Investment has now been established to carry out work in this area. In the area of science and technology, the ASEAN-India Fund has been used to organize three workshops. India has
proposed a joint project on the establishment of an informatics-training centre in ASEAN. ASEAN is currently studying the project proposal to determine the most suitable location of the centre. ASEAN and India have also agreed to cooperate in human resources development. In addition, people-to-people interaction is to be promoted through the exchange of prominent speakers and scholars under the ASEAN-India Lecture Series and ASEAN/India studies.

Besides the full Dialogue Partners, as mentioned earlier, ASEAN has also developed Sectoral Dialogue relationships which carry out cooperation in more limited scope. A Sectoral Dialogue Partner is not invited to participate in the ASEAN-PMC or The ASEAN Regional Forum. On 5-7 November 1997, the inaugural meeting of the establishment of ASEAN-Pakistan Sectoral Dialogue Relations was held in Islamabad which adopted the Terms of Reference of the ASEAN-Pakistan Joint Sectoral Cooperation Committee (APJSCC). The APJSCC will be the body that oversees and facilitates the process of cooperation between the two sides. The ASEAN-Pakistan Sectoral Dialogue will initially cover the sectors of trade, industry, investment, environment, science and technology, drugs and narcotics, tourism, and human resources development. The first meeting of the APJSCC took place in Bali on 5 February 1999, in which both sides agreed to intensify their efforts to make their Sectoral Dialogue mutually beneficial and substantive.

There are at least four rationale for ASEAN dialogue partner relations. These are:

i. to provide technical and development assistance for common ASEAN projects;

ii. to obtain trade and economic concessions through ASEAN collective lobbying for both the group as a collective and the individual members;
iii. to strengthen political relations between ASEAN as a group and individual ASEAN members with the dialogue partners; &

iv. to boost ASEAN economic standing and enhance ASEAN status as a whole.

These four rationale were specially true in ASEAN's dialogue relations with the industrialized partners during the early years of ASEAN. In later years, as we have seen, ASEAN-Dialogue Partners' relations have become more mature and based on relative equality in which cost for common projects are shared and concessions are given and taken by both sides. ASEAN's dialogue relations with other developing countries further emphasize this equality and reflect ASEAN's growing confidence and relative prosperity.

During the early years, it can be argued that ASEAN's dependence on the funding and technical assistance provided by the Dialogue Partners was almost absolute. At a time when ASEAN economic cooperation was almost non-existent and its political cooperation limited, the various common development projects undertaken by the ASEAN countries with one or the other of the Dialogue Partners were the ones that sustained the ASEAN cooperation activities alive. It is also important to note that during these early years, the ASEAN members themselves were not willing to commit funding for common ASEAN projects. The Dialogue Partnership relations were seen as an important source for obtaining extra funding and technical assistance by each of the ASEAN members on top of what they could obtain on bilateral level. Although with the rapid economic growth that the ASEAN members enjoyed for over two decades, they are now able to provide matching funding, the assistance provided by the Dialogue Partners remain very important for carrying out the myriad of ASEAN projects and activities. Although most of these activities and projects are relatively
small-scale, yet they keep the ASEAN officials busy attending over 200 meetings a year, and in the process help to strengthen ASEAN cooperation as a whole and foster the ASEAN spirit.

ASEAN's economic relations with its industrialized Dialogue Partners have undoubtedly played an important role in promoting both the collective interests of ASEAN as well as the interests of individual members. The ASEAN members have utilized the dialogue relationships to demand economic concessions from the Dialogue Partners, whether on behalf of ASEAN as a whole or in support of one particular member. ASEAN has mostly acted as a cohesive unit which considerably enhances its bargaining position vis-a-vis a third party. For instance, during an aviation dispute between Australia and Singapore, Australia found that it had to confront all of the ASEAN members instead of just Singapore. ASEAN countries work closely to demand market access from the Dialogue Partners.

The formal forum for ASEAN-Dialogue Partner relations is the ASEAN Post Ministerial Conference (ASEAN-PMC) which follows immediately after the annual ASEAN Ministerial Meeting (AMM) which is represented by the Foreign Ministers of the participating countries. The ASEAN-PMC is the highest decision-making body for the dialogue partnership relations. During these meetings, ASEAN has an advantage over the Dialogue Partners as the former can meet the latter on an ASEAN+1 basis and on an ASEAN+10 (the current numbers of Dialogue Partners excluding the UNDP), while the latter have not really coordinated themselves as a block to face ASEAN.

The benefits of the ASEAN-Dialogue Partners' relations have clearly not been one-sided in favor of ASEAN. As mentioned at the beginning, the industrialized countries' enthusiastic support for ASEAN was initially heavily influenced by strategic considerations, for ASEAN was
regarded as an important shield against communism in Southeast Asia. At the same time, all of the original ASEAN members were enjoying relative political stability and very rapid economic growth, making the ASEAN region a very promising market and investment destination for the Dialogue Partners. ASEAN has also been one of the most successful regional organizations which plays an important role in the wider regional and international fora and whose support can prove to be useful for the various Dialogue Partners. The many benefits of becoming the Dialogue Partners of ASEAN have led to the expansion of the memberships in recent years, though ASEAN tries to keep the numbers to a manageable level. Otherwise, the ASEAN-PMC will become an unwieldy and an interminable affair.

**ASEAN's External Relations Beyond the Dialogue Partnerships**

The establishment of ASEAN-Dialogue Partners' relations has spawned several other ASEAN-centric or ASEAN-related forums, which bring together ASEAN and the Dialogue partners in different permutations. The first to emerge was the ASEAN Regional Forum, the first and so far the only supra-regional forum for holding multilateral political and security dialogues in the Asia Pacific. Initially, the idea was to expand the ASEAN-PMC agenda to include discussions on regional security issues in the light of the changing regional dynamics after the end of the Cold War and the collapse of the Soviet Union. The emergence of multi polarity and new threats to regional security due to the increasing fluidity and uncertainty of intra-regional relations, coupled with the new opportunities presented by the breaking down of the ideological barrier that had divided the Asia-Pacific region into two antagonistic blocs, led ASEAN and the Dialogue Partners to the conclusion that regional security must be discussed at the multilateral level. When this idea was first mooted in
1993, neither China nor Russia was a Dialogue Partner, yet it was inconceivable to engage in a multilateral security dialogue in the Asia-Pacific without the participation of these two countries. Finally, it was decided to establish a separate forum in 1994, called the ASEAN Regional Forum, which would include China and Russia besides ASEAN and the Dialogue Partners. The primary objective of the ASEAN Regional Forum is to promote peace and stability in the wider Asia-Pacific region through the development of Confidence Building Measures (CBMs) and Preventive Diplomacy.

In 1996, a new forum was also created by ASEAN, the European Union and ASEAN's three Dialogue Partners in North East Asia (China, Japan and South Korea) known as the Asia Europe Meeting or ASEM. From ASEAN, only the original six members and Vietnam participated. ASEM is designed to complete the side of the triangle that links Asia to the United States on one side and the United States and Europe on the other. The European Union was obviously concerned that East Asia was tilting too much towards the United States with the development of APEC (Asia Pacific Economic Cooperation) which may marginalize the former's interests in the region. ASEM brings together the heads of governments of the participating countries. During their meeting, the ASEM leaders do not confine themselves to economic and development issues only, but also discuss political, regional and global issues. The ASEM summit takes place every two years and the venue alternates between Asia and Europe. The first one took place in Bangkok in 1996, the second in London and the third one in Seoul. In response to the recent economic crisis, the ASEM Leaders during their meeting in London in 1998 decided to create the ASEM-EU Asian Financial Crisis Response Fund (ASEM Trust Fund) at the World Bank. The ASEM Fund is intended to help eligible countries (China, Indonesia, Korea, Malaysia, Philippines, Thailand and Vietnam). Contributions to the Fund amount to
about $45 million, with the European Commission the largest contributor. The World Bank administers the ASEM Trust Fund. One major obstacle to the smooth running of ASEM is the EU's policy of enforcing a total embargo on Myanmar which brings it into conflict with ASEAN.

Another important recent development has been the establishment of the ASEAN+3, which brings together the 10 ASEAN members with China, Japan and South Korea. The ASEAN+3 forum has come about as the East Asian countries' response to the financial crisis that recently swept through the region. The primary aim of the ASEAN+3 cooperation is to prepare these countries better against future financial shocks and increase their ability to help each other in time of needs. So far the ASEAN+3 forums consist of two separate gathering of ministers, namely the economic ministers and the finance ministers. The first meeting of the ASEAN+3 Economic Ministers took place on 3 May 2000 in Yangon. Among the major areas of cooperation discussed and agreed at the meeting were:

1. Strengthening efforts in accelerating trade, investment and technology transfer;
2. Encouraging technical cooperation in information technology and e-commerce;
3. Encouraging active participation in the development of growth areas involving ASEAN, including the Mekong River Basin;
4. Heightening cooperative efforts on Human Resources Development;
5. Promoting broader private sector participation through networking initiatives such as East Asian Business Council and industries specific business fora;
6. Promotion of agriculture, industrial cooperation and tourism;
7. Strengthening small and medium enterprises and supporting industries;
8. Cooperation in scientific and technological development; and
9. Coordination and Cooperation in various international and regional fora.

Despite the impressive list of cooperation agenda compiled by the ASEAN+3 Economic Ministers, it was the meeting of the Finance Ministers that had attracted the most excited attention because of their decision to provide an alternative form of funding to supplement the existing sources of international funding. The East Asian countries' desire to establish an Asian Monetary Fund led by Japan during the early days of the financial crisis was sharply criticized by the IMF, the United States and the European Union. The criticism was because of the concerns that access to such an alternative fund would weaken the commitment of the crisis-hit countries to carry out painful but necessary economic reforms and financial restructuring. While no moves have been made towards the establishment of the Asian Monetary Fund, during their second meeting on 6 May 2000 in Chiengmai, Thailand, the ASEAN+3 Finance Ministers decided to carry out cooperation in three main areas:

1. Utilization of the ASEAN+3 framework to facilitate the exchange of consistent and timely data and information on capital flows;
2. Formation of a network of contact persons with the aim of facilitating mutual surveillance in the region as a first step toward the establishment of an economic and financial monitoring system in East Asia;
3. Need to establish financing arrangement to supplement the existing international facilities to strengthen the self-help support mechanism in East Asia.
As a result of the Chiang Mai Initiative formulated by the ministers, the countries from now on will expand the currency swap agreement that already exists among the 5 original ASEAN members to all ASEAN members and expand the currency swaps and repurchase deals on a bilateral basis among the 10 ASEAN countries and Japan, China and South Korea.

Prospects for ASEAN-SAARC Relations

Although there is geographical proximity between Southeast Asia and South Asia, and despite the extremely close cultural links between these two regions in the past, it cannot be denied that in recent time these two regions have drifted away from each other. The emphasis placed on economic development by the ASEAN countries have led them primarily to focus on fostering relations with the developed countries which can provide financial aid, loans, investment, technological assistance as well as markets for ASEAN exports. As outlined above, till recently ASEAN had only dialogue relationships with a number of major industrialized countries. Individual countries in Southeast Asia continued to maintain bilateral relations with countries in South Asia. For instance, Indonesia has close relations with India, both for India's unstinting support for Indonesia during its revolutionary struggle for independence and for the prominent roles played by the two countries in the Non-Aligned Movement. Indonesia also maintains close relations with Bangladesh and Pakistan, and fellow members in the Organization of Islamic Conference. Yet, despite these close historical and cultural ties, economic interaction between Indonesia and Southeast Asia as a whole with South Asia has been very limited. There seemed to be little interest, at least from the ASEAN side to foster closer economic, cultural and technological ties between the two regions.
The situation has changed considerably in recent years. The opening of the Indian economy and India's achievements in science and technology have opened vast possibilities for cooperation between India and ASEAN and its individual members. India is also a major power with a growing military capability, which will have an impact in the development of the wider regional order. These facts led to the decision by the ASEAN Heads of Governments to invite India in 1992 - first as a Sectoral Dialogue Partner and later as a full Dialogue Partner of ASEAN. By becoming a Dialogue Partner of ASEAN, India has become integrated into the multi-dimensional dialogue processes taking place in Asia Pacific. Pakistan has also been accepted as a Sectoral Dialogue Partner of ASEAN. Thus, two major members of SAARC are currently already engaged actively in fostering close linkages with ASEAN.

What is the possibility of ASEAN-SAARC dialogue relationship, similar to the one developed between ASEAN and the European Union? One cannot dismiss the possibility entirely, but it must be admitted that the prospect for establishing such a wide-ranging and far reaching dialogue relations between ASEAN and SAARC is not bright in the short term. As mentioned earlier, the primary impetus for ASEAN Dialogue Partnerships was to obtain development assistance and economic concessions from the Dialogue Partners. This focus has shifted a great deal in recent years, transforming the recipient-donor relations to a relatively equal partnership with shared responsibilities. Nevertheless, it cannot be denied that ASEAN is still not yet in a position to give much, particularly as it has expanded its membership to include a number of Least Developed Countries that need assistance and the recent economic crisis that several major ASEAN countries are experiencing. Developing a full dialogue relation with another regional organization such as SAARC, whose members are also developing countries like most,
ASEAN members, cannot be a matter of high urgency for ASEAN.

Nevertheless, fostering links between ASEAN and SAARC is clearly desirable as these two organizations have much in common and the two regions have enormous potentials, particularly due to their huge combined population. This interaction can start modestly and then built up gradually. The linkages already developed by ASEAN with the Southern Africa Development Community (SADC) and the Andean community of South America can provide a model for ASEAN-SAARC relations.

The ASEAN-SADC linkage started with the first meeting of ASEAN Economic Minister (AEM) with the SADC Ministers of Information who were present in Singapore to attend the WTO Ministerial Conference in December 1996. This was followed by the holding of Informal Consultations between the ASEAN Economic Ministers with the representatives of the SADC on 17 October in Subang Jaya, Malaysia. The two sides discussed the need to carry out concerted action in the face of globalization, such as in the context of WTO. The two sides also agreed that there is a basis for enhanced cooperation given the economic potentials of the two regions, especially in sectors such as metal engineering, telecommunication, agriculture and infrastructure development. The ministers agreed that the initial cooperation activities focus on trade and investment promotion and facilitation-strengthening private sector linkages; links between research institutions; and transfer of technology between the two regions. The two sides also agreed that ASEAN and SADC continue to hold regular consultations on the occasion of the AEM and SADC Council of Ministers Meeting and on the occasion of international meetings where AEM and SADC Ministers are involved. As for ASEAN cooperation with the Andean Community (Bolivia, Colombia, Ecuador, Peru, Venezuela),
this has so far taken the form of jointly organizing symposium which takes place alternately in the ASEAN and the Andean regions. The first "Symposium on ASEAN-Andean Cooperation in the New Millennium" took place on 8 May 2000 in Bangkok. The next symposium is planned to take place in the year 2001 in Lima.

For the short term, ASEAN-SAARC cooperation can aim at coordinating their members' position in various international fora. If ASEAN is able to act as a fulcrum in coordinating the common interests of the regions with which it has established linkages which include SADC, the Andean Community and SAARC, they can enhance their collective bargaining power considerably in their common efforts to protect and further the interests of developing countries in the face of globalization. To promote cooperation between ASEAN and SAARC in other areas such as trade and investment, social, cultural and technology, the two members of SAARC which already have established relations with ASEAN can serve as the channel of communication between these two groups during the initial stage.

Endnotes
1. Materials for this part are taken from the literature provided by The ASEAN Secretariat which are also available on the internet. See. www.aseansec.org/dialog/
THE NEED FOR (RE-) LINKING SOUTH ASIA'S INFRASTRUCTURE

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Introduction

Travelling from Dhaka to Islamabad overland makes one feel adventurous. At the same time, one is surprised to see that it is not so difficult to travel, provided one is a foreigner and has no difficulties to obtain visa, have enough time and stamina to endure the various means of transportation, and is optimistic enough to set out in the face of lacking basic information about travel regulations, road conditions and time tables. I have done this and similar exercises later and found that things have become easier, especially technically. I shall concentrate on this aspect and also try to compare the situation in South Asia with that within the European Union (EU) and the Association of Southeast Asian Nations (ASEAN).

It is necessary, indeed, to stick to the idea of regional cooperation at a time when two of the member states are engaged in a nuclear arms race and at times in open border war. SAARC certainly is the only regional cooperation in the world where two of its members are on hostile terms. In South Asia, some of the other intra-regional relations had been and have been strained at times to a considerable extent, too. It has to be commended that intra-regional relations are to be discussed within an extra-regional environment. To what an extent these relations are intertwined will be discussed in this paper.

Infrastructure

When I talk of infrastructure, I basically mean the economic or physical infrastructure, i.e., the permanent
structures in the ground connecting points in space, the hardware so to say. I shall later touch on the social, institutional and political infrastructure. The word infrastructure was first used by the military to describe NATO installations in the ground like pipelines and telephone wires. Infra is Latin and means below, beneath. The Oxford Advanced Learner’s Dictionary of Current English defines infrastructure as “the parts of a system that compose the whole”. Infrastructure is a term of stocks, not of flows; the flows that infrastructure generates usually come under services, like transport or communications. The equivalent term in the goods producing industry would be the superstructure; infrastructure and superstructure correspond (to some extent) to Albert Hirschman’s social overhead capital (SOC) and direct productive assets (DPA).

In the South Asian context, it is the infrastructure that facilitates the exchange of goods and services, of ideas and opinions across borders. The infrastructure that is being used not necessarily has to be located within South Asia. To send goods from Chittagong to Karachi via Singapore, takes a flight from Dhaka to Peshawar via Dubai. The internet and e-mails are used via the USA. Infrastructure and related services can substitute primary production, as we know from shipping perishables: they just rot if transport is too slow. There is also a legal side to infrastructure, which is smuggling of goods across national borders.

Typical features of infrastructure are indivisibility, step costs and economies of scale. Infrastructure is considered to establish so-called natural monopolies, because only one single (production) unit can realize economies of scale, which, for example, is the case with railway links and power grids. This is why government or semi-government agencies often run them. There are interesting solutions to overcome
government ownership and/or management by privatization and government regulations, although not all such attempts have been successful.  

Accordingly, the following infrastructure is of importance in order to increase regional integration:

a) Energy: pipelines, power transmission lines;

b) Transport: roads, railways (tracks), water ways;

c) Communications: telegraph and telephone lines, optic fibre lines;

d) Irrigation: canals, water pipelines;

e) Civil engineering: sewerage systems.

The first three areas mentioned i.e., energy, transport and communications, need no further elaboration, but a word has to be said regarding irrigation and civil engineering, because they are not always treated under infrastructure. In regions with an arid and semi-arid climate, however, water easily becomes the limiting factor for agricultural production, more important even than land. And tanks, canals and barrages may have been the earliest public works in South Asian history; their maintenance most probably was a major feature in the development of government institutions and of states. As means of distributing water among countries and regions they are of utmost political importance. Civil engineering traditionally has been a local problem, but in the face of an almost total absence of water treatment plants, liquid industrial waste and generous doses of fertilizer and pesticides, we have an increasing problem of transnational water pollution affecting downstream countries in an unprecedented way.

In the title of my presentation I have put the "re" of "re-connecting national infrastructure" in brackets. This is
because at the time of the partition of India, there was very little infrastructure and only some of it was disconnected after 1947, and in the case of Pakistan, the country comprised two distinct and separate 'wings', so little was affected by Bangladesh's independence.

**Disrupting Infrastructure: Political Reasons**

Energy: In 1947, there were only a few pipelines connecting the oil fields with railway stations. There were only isolated power grids; the major grid affected by the partition was in the west and until the early 1950s electricity was exported from West Pakistan to India.

There was, of course, the railway network, the steel frame of the Raj, and although regional networks were using and are still using broad meter and narrow gauges, the railways still constitute some of the best functioning organizations on the subcontinent (especially in India). With the war of 1965, services between India and Pakistan were disconnected and have been of little importance ever since. Roads originally had their role as feeders for the railways, only few of them, like the Grand Trunk Road from the Khyber to Calcutta, gained an early importance for long distance transport. Inland water transport in the west had already come to a virtual halt when the railways and the large irrigation networks were built in the late nineteenth century: competition by rail, blockages of water ways by bridges and barrages, and lack of water because of irrigation were the main factors. The closure of watercourses in the wake of the Indus Water Treaty (1960), thus, was of no consequence with respect to water transport. In the east, inland water transport had been oriented towards Calcutta; increasing hostilities, the construction of jute factories in the then East Pakistan and the building of a new harbor in Chalna/Mongla led to a re-orientation of water transport. Water transport lost its importance almost
everywhere, not only as a medium for transport of persons and goods between Bangladesh and India, but even within Bangladesh. As for sea and air transport, the infrastructure needed is almost exclusively local harbors and airports. However, South Asia lost its position in international trade as an outcome of a combination of technical as well as political factors. With the shift from coal to diesel for ships and from small airplanes to wide-bodied jets there was no need to refuel in South Asia. Karachi, Bombay, Colombo, and especially Calcutta lost their importance as mid way stations to the Far East. Dubai and Singapore have taken over as regional hubs. As a result of their inward looking policies South Asia’s share in world trade fell from over four percent in 1950 to less than half a percent in the 1980s. Still, India has a much smaller trade than quite a number of smaller Asian states and is a minor trading partner for the industrialized countries (e.g. for Germany it ranks around thirtieth among trading partners and occupies a similar position like Slovenia).

India was connected to the ‘mother land’ by a sea cable since the late 19th century. Whenever telephone and telegraph connections were disrupted between the South Asian states, it was only for political reasons and of little consequence for third countries. Once satellites were used for transmission of information, cables lost some importance. Governments also lost much of control since their citizens can directly tap the sources of information via satellite. Attempts at trying to maintain such a control result in less efficient connections to the international exchange of data as Bangladesh presently is experiencing after the government decided to forgo the opportunity to be linked by fibre optic cable in the mid 1990s.\(^3\)

To sum up, the partition as such did not disrupt any infrastructure. It was only due to increasing hostilities
between India and Pakistan, that the exchange of goods, including electricity, was disrupted.

**Lack of Transnational Linkages**

Since almost nothing was built to connect the countries of South Asia, we now have the following picture and infrastructural bottlenecks, which will be felt more, once the region is really moving towards integration.

Nepal and Bhutan are the only trans-national power lines to India for the export of surplus electricity in the Himalayan kingdoms. A gas pipeline from Bangladesh to India has been discussed controversially. Power lines and pipelines from India to Pakistan have also been discussed, but the plans could not be materialized for political reasons. Plans to export electricity from Pakistan to India also failed for political reasons.

Rail transport between India and Pakistan is almost nil; only one line is open between Lahore and Amritsar. Repeatedly, there had been plans to reopen the Jodhpur Line to Sind and Karachi, but they always failed in the last minute.

Railway tracks have been removed at the border at all crossings except at Wagah but could be laid again within a few days time. Pakistan Railways has been neglected for decades and altogether is in a poor shape. General Musharaff, has, however, expressed that railways should get priority again. There are two railway lines from India to Nepal but no ongoing lines there. Bhutan has no railways and is a good hour of driving away from India’s nearest railway station at New Alipurduar. Railway links between Bangladesh and India, disrupted since 1965, are being to be resumed these days. The fact, that the re-opening had to be postponed after the
floods of autumn 2000, shows the fragile situation of railway installations in the border areas.

As for roads, trucks and buses reach almost all regions in mainland South Asia and Sri Lanka. Cross border transport could be intensified, if bureaucratic hurdles are removed and security is re-established.\(^5\)

The civil war in Sri Lanka since 1983 has disrupted the ferry service between the Island and India. The Sri Lankan navy has not succeeded in controlling boats crossing the Palk Street, but the official passenger traffic is restricted to air transport. Sea trade among the five maritime SAARC members has not been subject to any infrastructural bottlenecks, although merchant fleets are comparatively small; sea trade suffers from congested and ill-equipped harbors. Singapore and Dubai are the main ports of call in southern Asia, and bilateral maritime trade between SAARC countries has been indirect via those two mega ports rather than direct. The two land locked countries have to rely on India for transshipment to the Indian ports and on India's willingness to allow transit to Bangladesh ports.

Communication has already been improved between the South Asian states, thanks to third country links. Bangladesh, however, is cut off as long as there is no direct access to a high-speed fibre optic cable. India has an edge over the other South Asian countries, thanks to its efforts and success in space and information technologies.

Water and waste management are of increasing importance. The Indus Water Treaty provided a solution, which could be judged as second best from the economist's point of view, but because of its simplicity and clearly defined rights of the two neighboring countries to the individual rivers it has worked out politically surprisingly well. It might be less
suited as a model for solving the Ganges water problem, as the proponents of the Brahmaputra-Ganges-Canal seem to presume.

**Extra-regional Dimensions**

As I mentioned earlier, there is an extra-regional dimension to infrastructure. This especially applies to energy. Only India produces substantial quantities of crude oil; it also produces natural gas but is deficient in both. Pakistan and Bangladesh both have substantial gas reserves may be even to the extent that they could export it. Since West and Central Asia as well as Myanmar are gas exporters themselves, the only buyer for uncompressed gas from Bangladesh and Pakistan would be India. India as a major energy importer is interested in a pipeline from Central Asia, which has to cross Pakistan and either Afghanistan or Iran. Under discussion are royalties in the range of 200 m US$ per annum for Pakistan as a transit fee. Political hawks in Pakistan as well as in India are against such a pipeline.

In transport, there are the old dreams of trans-Asian railways and highways. As for railways, the last missing link between Europe and the subcontinent is in Iran between Jasd and Zahidan. From Zahidan there is a worn out single-track line to Quetta and on to Lahore. In the east, there are still no links to the Myanmar railways: it could be linked from India or Bangladesh and then to China or Thailand. The Iran gap will be closed within the next years. South Asia (almost) up to the border of Myanmar (India and Bangladesh) then would have a rail connection to Europe. As for roads, trucks were running between Europe and South Asia, but only up to the Indian border, since India did not allow them into their country. The road transport system gained momentum and was fairly efficient until the Iranian Revolution and the Soviet invasion of Afghanistan, both in 1979. Overland transport
came to a virtual halt and has not been resumed in a comparable dimension. Since roads have been greatly improved in Turkey and Iran, increasing the transport volume would be no problem; all South Asian countries have been expanding their roads. As for the east, road connections into and from Myanmar are said to be in a deplorable state. Central Asia is linked by rail and road to Iran and Afghanistan. Railways only reach the Afghan borders from all sides. There are no railways through Afghanistan; road transport is difficult due to worn out streets and fighting in Afghanistan’s northeast. There is a road from China to Pakistan, winding over the Karakoram and through the Indus valley, as is one between Katmandu and Tibet; the road between Himachal Pradesh and China has been re-opened. There is only minimal traffic over high mountain tracks between Bhutan and China.

Altogether, overland transport between mainland SAARC member states could be expanded without much difficulty as far as infrastructure hardware is concerned. The same would be true for overland transport to Europe and to a lesser extent to Central Asia. The technical difficulties should be more in the east and across the Himalayas. Intra-regional trade, thus, could be many times than what the official figures tell.

**Smuggling as a Proxy for Transport Capacities**

An indication of existing transport capacities is smuggling. Much, if not most of bilateral trade within SAARC and also between Pakistan and Afghanistan are illegal, uncontrolled and unaccounted. It is impossible, however, to substantiate the figures. While an enormous illegal trade is quite evident and easy between Pakistan and Afghanistan due to very generous transit regulations, and likewise between Nepal and India (less to Bhutan), it is difficult to imagine, that smuggling of Indian goods into Pakistan could be to the tune
of US$1.5 bn a year as claimed by the Chairman of the Pakistan Federation of Chambers of Commerce. This would only be possible, if the armed forces on both sides were involved, due to the heavy military build up all along the border from China to the Arabian Sea. As far as smuggling between Bangladesh and India is concerned, this is much easier due to more or less open borders and inland water transport. Entering India from Nepal, Bhutan and Bangladesh is also no problem; what surprises is the substantial number of Bangladeshis, who are said to live in Karachi. Their existence would be in line with claims that the border between India and Pakistan is not that tightly controlled as one is made to believe.

The existence of so many goods from neighboring countries, however, does not mean that they are smuggled across common borders. They could also be imported through the main and official trading points, without being properly checked, registered or taxed, undeclared and/or under-invoiced or as products of third countries.

The existence of substantial smuggling within SAARC and a de facto free trade zone implies that there are substantial capital transfers for payments, which are not officially accounted for. This would be an indication that the institutional infrastructure is developed enough to facilitate regional cooperation.

The EU and ASEAN Experiences

Both the EU and ASEAN have very different histories, although both are children of the Cold war. In Europe, the EU helped overcoming old feuds especially between Germany and France and in integrating Germany into the system of the Western Alliance. The national economies of Central Europe always had been integrated, even in the immediate pre-and
post war years. Rail and road links were always open, although subject to one's travel documents. Inland water transport always was of particular importance for heavy industry. The iron and steel industries of Lorraine, Saar, Luxembourg, Ruhr and Vallonia have been connected by waterways with one another and the harbors along the North Sea since the beginning of industrialization on the continent. Improving connections between the Ruhr area and the Dutch and Belgian harbors helped to make the benefits of a European Community (now Union) visible to the Dutch and the Belgians.

In Southeast Asia, ASEAN had been created as a civilian counterpart to SEATO, and one may doubt that the rapid economic growth of Singapore, Malaysia and Thailand can really be attributed to ASEAN (only). Singapore has developed as a regional hub and around half of all intra-ASEAN trade is with Singapore. What is left, as genuine intra-ASEAN trade would be less than ten percent of aggregate ASEAN trade. Since the original five members had only few common land boundaries, developing the trans-national infrastructure was not so important. The major exception has been the railway line and the road from Thailand through Malaysia to Singapore. The recent additions to ASEAN, i.e., Myanmar in the west and Vietnam, Laos and Cambodia in the east, have their isolated infrastructures.

**Putting SAARC into practice**

For the time being, it is not clear whether SAARC really is high on the agenda of South Asian governments. There are still no direct flights between Islamabad and New Delhi, and India has still to grant permission for direct flights from Islamabad or Lahore to Katmandu. And anybody from Guwahati in Assam or Shillong in Meghalaya, who wants to
travel to nearby Bangladesh, first has to go to Calcutta personally to obtain visa. By way of conclusion, it may be said that putting SAARC into practice is a matter of political will. Even where heavy investment is needed as in the case of the pipelines from Central Asia and may be also from Bangladesh to India, these would not constitute major technical or financial problems. As border crossings are opened, one would expect a lot of local trade, especially in the densely populated border areas of Punjab and Bengal. This has not necessarily to follow the pattern of the official trade or of smuggling. Because of the high transaction costs, low profit and high volume/weight products might gain most. As far as India, Bangladesh, Nepal and Bhutan - the new “growth quadrangle”, is concerned, things are much easier. For Bangladesh, Nepal, and Bhutan, India is the only neighbor but one, and given the poor relations Nepal and Bhutan have with China and Bangladesh has with Myanmar, India's position as the main trading partner is obvious. Once India's relation becomes better with China and Myanmar, the infrastructure of Bangladesh Nepal, and Bhutan will be needed to connect India with its northern and eastern neighbors.

Endnotes
2. Success stories have been the privatization of telecommunication in many countries. Much less successful have been the privatization of British Rail and the deregulation of electricity supply in Northern California. In South Asia, the privatization of public enterprises and the admission of private investment in services traditionally provided by the government have led to charges of corruption on the largest scale; examples would be the Hub Power and the Islamabad-Lahore Motorway in Pakistan and Enron in India.
3. Attempts of controlling the flow of information by way of limiting the local internet providers' through put of data, like obviously is being done in
Pakistan, are counter productive and destroy any hopes of becoming a software exporter.

4. Such plans were discussed especially in the mid 1970s when the Shah of Iran was interested in a direct link between Iran and Western India. Despite the excellent relations between Iran and Pakistan during those years the project did not materialize.

5. Presently only one road crossing, i.e., at Phuentsholing, can be used between India and Bhutan, after separatists in India have been controlling the border areas on both sides. The situation deteriorated in late 2000, when Bhutanese travelers were killed in Assam on December 20 and 21, 2000; the border crossing at Samdrup Jongkhar, thus, remains closed. "Transportation Dilemma", in Kuensel, Feb 24, 2001, p. 5.

6. In March 2001, there were reports in Dawn, Karachi, that royalties totaling US$8 bn over the years have been offered to Pakistan.

7. In 2001, plans for a pipeline from Iran to India were discussed in Pakistan and royalties of up to US$8 bn over a longer period.

8. The rather limited smuggling to and from Bhutan is because of the very limited Bhutanese market, a fairly impenetrable Chinese border (at least for the time being), restrictions to air traffic (few flights, small planes, topography, and only one international air field), and an efficient and uncorrupted Bhutanese customs and police service.

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THE DEVELOPMENT OF THE EUROPEAN COMMUNITY: FROM ECONOMIC COOPERATION TO POLITICAL INTEGRATION

Antonio de Souza Menezes

Reviewing the development of the European Communities is to go through a unique process of economic and gradual political integration of sovereign nation states unrivalled throughout the world.

Today, one finds a host of largely unconnected European organizations in which mainly European states cooperate with one another. We may refer in this context to organizations such as the Organization for Economic Cooperation and Development (OECD), the Western European Union (WEU), the North Atlantic Treaty Organization (NATO), and the Council of Europe. Looking over the edge of Europe we can also note an increasing tendency world wide towards an intensified regional cooperation. Some of these are the Gulf Cooperation Council (GCC), the Black Sea Economic Cooperation (BSEC), the North American Free Trade Agreement (NAFTA), the American Pacific Economic Cooperation (APEC), MERCOSUR (the “Southern Common Market” between Argentina, Brazil, Paraguay and Uruguay) in South America, the Association of South East Asian Nations (ASEAN), and last but certainly not least the South Asian Association for Regional Cooperation (SAARC). There are also various parallel initiatives such as BISMTEC (Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation), SAPTA (South Asia Preferential Trade Agreement) and SAFTA (South Asia Free Trade Agreement).
However, all of these endeavors do not extend beyond the scope of normal international cooperation. The states engaging in such organizational arrangements undertake to cooperate with their partners in certain areas which are defined in advance, without in any way or to any degree ceding or sharing their national sovereignty. In comparison to this, the European Communities, which form an integral part of the European Union, have been set to undertake economic integration of their Member States their willingness to waive part of their national sovereignty to the supranational European Communities creating a realm of shared and thus common sovereignty.

This transfer of sovereignty together with the creation of a Community legal order that takes precedence over any national legal order is the outstanding and unique characteristic of the European Communities. We may well look at these elements as the basis for the success of European economic integration up to now. But also, we may see in them the cause of delay in times past of the integration process and of at times seemingly insurmountable difficulties and obstacles to further economic integration.

There are different stages of economic integration. We will look at them shortly in a general way in order to understand better the integration process which took place and which is still continuing within the European Communities. A first stage of economic integration is the creation of free trade area. In such an area, member countries abolish import duties and other customs barriers to the free movement of products manufactured in the territory of their partners. However, each country retains its own external tariff and customs policy vis-à-vis third countries, and it also retains entirely its national sovereignty.
The European Free Trade Association (EFTA) is the best example of this. Founded in 1959 on the initiative of the United Kingdom, and comprising at the time beside the UK, Norway, Sweden, Denmark, Austria, Portugal, Iceland, Switzerland and Finland as associated members, EFTA was conceived as a political alternative (of the so-called “Outer Seven”) to the economic integration process which started a few years earlier with the creation of the three European Communities (of the so-called “Inner Six”). Soon, however, it became apparent that the economic integration process undertaken by the European Communities was more successful and was yielding more economic returns for the members of the European Communities than EFTA could secure for its associates. This led the United Kingdom together with Norway and Denmark only two years after the establishment of EFTA to apply for full membership in the European Communities. The accession of Sweden, Finland and Austria to the European Union as of 1st January 1995 can be regarded as the definite rejection of European countries of the concept of establishing a mere free trade area instead of full fledged economic integration.

Further down the road of integration, there is the customs union. In a customs union, the free movement of goods concerns not only products manufactured in the territory of one of the participating countries, but all products irrespective of origin, situated in the territories of the member countries. In addition, in customs union member countries lose their customs autonomy and apply a common external customs tariff to third countries. There is, therefore, already at this stage, some surrender of national sovereignty to the community of states and its institutions.

Still further down the road of economic integration, we find the stage of the common market. In such a market, all
goods and services can be offered on the same conditions as on a national (internal) market. The common market establishes by virtue of the pre-existent customs union, on the one hand, and the gradual approximation of national economic policies, on the other hand.

During the stage of a common market, not only the free movement of goods and services must be implemented fully, but also steps must be taken to ensure the free movement of production factors within the territory of the common market. Moreover, in order that a large common (internal) market may function efficiently, common support policies are necessary, implying a further surrender of national sovereignty of the member countries to the Community and its institutions.

But even the accomplishment of a common market does not lead entirely to a genuine single market. As the member countries to the common market still have retained their own national currencies, barriers to trade can still arise out of currency fluctuations and the exchange risk. Thus, the interpenetration of the financial markets and the establishment of undertakings in places where the production factors appear to be most propitious are hampered.

To resolve this, we will have to progress to a next stage of economic integration, which is called economic and monetary union. This implies a common monetary policy, which is directed towards the creation of a common currency. Moreover, a close coordination of economic policies has to be undertaken with a view to achieving convergence leading to the approximation of the short-term structural economic conditions in the countries and regions, party to the economic and monetary union.

We may now understand that even before this stage of economic integration is completed, the member countries will have developed a multitude of economic and political links
between themselves. This fact will make them feel the need to approximate their non-economic policies as well. An alignment of their foreign policies appears necessary so that the economic giant they have eventually created has a voice in international affairs commensurate with its size. A common defense policy suggests itself for the joint protection of the goods and assets shared by all, and to back up the emerging foreign policy. And last, but not least, a common internal policy is desirable concerning the immigration of citizens of third countries into the community area, as well as the protection of external borders against smugglers, arms and drug traffickers and other forms of organized crime. At this point of integration, we will have passed the stage of mere economic integration and will have reached the stage of open-ended political integration.

How did the European Communities, which have become an integral part of what we refer now to as the European Union, perform compared to this more theoretical outline of economic and political integration? Where did they encounter traps and pitfalls? Where did they achieve advancement possibly unplanned and unexpected? Let us have a closer look at this European experience in integration now lasting for a little more than forty-seven years.

The real Europe must be striven for "through setting up of joint economic bases and at the same time creating new authorities, recognized by the states". These were the words of Jean Monnet in 1950, in an Europe economically and politically devastated by a war which only ended five years earlier, justifying his idea of the creation of a common market in two important economic sectors which had until then been used for military purposes, namely the coal and steel sectors. The plan was taken up by Robert Schuman, the French Foreign Minister at the time, in a historic declaration of 9 May 1950, proposing that France and Germany pooled all their
coal and steel production under a joint High Authority, a forerunner of the European Commission, within a supranational organization open to any other country in Europe. Schuman’s strategy was pragmatic. “A united Europe will not arise overnight, or in one grand design. It will be built on practical achievements, creating at first de facto interdependence”.

Behind this proposal lay the thought of binding the post-war West-Germany economically and politically into a firmly based grouping of European states, and to provide a basis for the essentially needed Franco-German conciliation and cooperation. France, Germany, Italy, Belgium, the Netherlands and Luxembourg eventually signed the Treaty establishing the European Coal and Steel Community (ECSC) in Paris in April 1951. It entered into force in July 1952.

The main immediate objective of the Treaty was to eliminate the various barriers to trade and to create a common market in which steel and coal products from the Member States could move freely in order to meet the needs of all Community inhabitants, without discrimination on grounds of nationality. Capital and workers in both sectors were to circulate freely. In addition, the Treaty laid down certain rules on investment and financial aid, on production and prices, agreements and concentrations and on transport and commercial institutions, including the already mentioned High Authority and a special Council of Ministers, the decision of which were binding on all Member States. Furthermore, ambitious despite its restricted scope, the ECSC Treaty introduced a European Assembly, which later turned into the European Parliament, and a European Court of Justice.

But Robert Schuman’s vision went beyond the coal and steel sectors. He envisaged the creation of a common market
for all products, in which the conditions would be fulfilled for rapid and regular economic expansion through economies of scale, better division of labor and improved use of new production techniques. The failure of an over-ambitious proposal for a European Defense Community in 1954 - an attempt in early European political integration - together with the obvious functioning and economic advantages of the common market in coal and steel paved the way to the Treaties establishing the European Economic Community and the European Atomic Energy Community in 1957.

Whereas EURATOM, the popular name of the European Atomic Energy Community, focused on a common market for nuclear materials and equipment and introduced a joint research program which was to make technology progress and stimulate nuclear production in Europe, the Treaty establishing the European Economic Community by virtue of its nature and scope soon dominated the other two European Community Treaties.

The Treaty establishing the European Economic Community, which in 1992 was renamed as European Community (EC), is a framework Treaty. Apart from its provisions relating to the attainment of customs union, it confines itself to setting out certain objectives and to giving pointers as to the general guidelines for policies to be pursued in selected areas of economic activity. For the rest, it affords to the Community institutions the possibility, whenever the Treaty is silent on the matter, gradually to introduce with the unanimous agreement of the Member States common or Community policies, which they deem essential in order to attain the general objectives, set forth in the Treaty.

It is important to note in this context that the EC Treaty is not a conventional international treaty, which creates rights and obligations for the Member States and the Community
institutions alone. Rather, the Treaty and the legislation derived from it engender rights and obligations also for the nationals of Member States. National courts and eventually the European Court of Justice are called upon to defend and protect these 'Community rights' of the European citizen. The principle of precedence of Community law over national law thus not only secured the integration process, but also in many instances has advanced it.

The essential task, which the EEC Treaty assigned to the Community institutions, was the creation of common market between the Member States. In the first instance, this involved the achievement of customs union entailing, on the one hand, the abolition of customs duties, import quotas and other barriers to trade between Member States and on the other hand, the introduction of a Common Customs Tariff (CCT) \textit{vis-
\textit{a-vis}} third countries. Beyond that the Treaty called for the implementation of four basic freedoms within the Community: the free movement of goods, services (including the freedom of establishment), capital and workers.

It is interesting to note in this context that in the preamble to the EEC Treaty, the Member States declared that they were "\textit{determined to lay the foundations of an ever closer union among the peoples of Europe}" and that they were "\textit{resolved by} ... \textit{pooling their resources to preserve and strengthen peace and liberty,... calling upon the other peoples of Europe who share their ideal to join in their efforts}". This clearly indicates the path to political integration, although the EEC Treaty as well as the two other Community Treaties in the end governed only relations between the Member States up to the common market stage. We find in this starting position not only an explanation of some of the difficulties along the way in developing and determining the scope of European Community policies, but also the seed for significant further
advance in European integration, namely the Single European Act of 1987 and the Treaty on European Union, more commonly known under the name of Maastricht Treaty, of 1992. Only five years later, with the Treaty of Amsterdam of 1997, this ever closer union of the European peoples, this "organized Europe" in the form of a European Union experienced a further molding, but certainly not the last.

The EEC Treaty of 1957 mapped out a detailed 12-year timetable for the gradual introduction of a comprehensive common market by the end of 1969. That target, however, was not met. The only real success was in securing the free movement of goods through the establishment well ahead of schedule of a customs union including agreement on a common customs tariff (CCT) vis-à-vis third countries, paving the way for free trade inside the Community. But in other important areas such as the free movement of persons, services and capital, freedom of establishment and liberalization of payments, no substantial progress was made except in a few isolated instances. In the face of the economic crises of the 1970s, followed by economic stagnation and doubts about the sense and usefulness of European integration, the goal of achieving convergence between national economic policies also failed to make any real headway. Until well into the 1980s, a true common market in which national borders no longer interfered with economic activity between the Member States remained but a promise.

Nevertheless, the Communities grew from the original six Member States in 1952 to a Europe of twelve by 1986. Factors in this development were the fear of European countries to risk political isolation by remaining outside the Communities, a changing pattern of world trade in which the rapidly growing Community market offered an ideal opportunity to revitalize national economies as a whole, and the considerable financial
support a full member of the Communities was able to obtain from the structural funds which had been set up to promote economic restructuring of the Member States, particularly in the agricultural sector.

A new successful political stimulus for economic integration finally was given in 1985 from the Commission in the shape of the 1992 Single Market Program, which in 1987 was incorporated into the EEC Treaty by the already mentioned Single European Act. The Community was now called upon within 7 years to adopt altogether 282 measures “with the aim of progressively establishing the internal market....[comprising] an area without frontiers in which the free movement of goods, persons, services and capital is ensured....”.

The completion of the single market by 1992, though, was not the only step that was put forward by the Single European Act of 1987. Rather, it incorporated into the ongoing integration process:

- a strengthening of economic and social cohesion between the Member States;
- the establishment of a research and technology Community;
- the consecration of the objective of economic and monetary union, of the European Monetary System (EMS) and of the ‘ECU’;
- the confirmation of the Communities’ responsibilities in the social policy sphere; and
- finally, recognition of the Communities’ powers concerning the environment.

After the successful establishment of all elements of a customs union, the achievement of the single market objective needed the removal of all technical barriers to trade within the
The Development of the European Community

Community, and the removal or at least reduction of tax barriers between Member States. Furthermore, a full implementation was to be secured of those freedoms complementary to the free movement of goods, namely the free movement of persons (not just workers and their family members alone), the freedom to provide services including the freedom of establishment and the mutual recognition of diplomas, certificates and other evidence of formal professional qualification, and the free movement of capital.

The European Community succeeded in almost all of these areas. On 1 January 1993, twelve European Community Member States alongside with six remaining EFTA countries - both of which at that time had agreed to form the so-called European Economic Area (EEA) - swept aside the frontiers, which had separated them for centuries. They abolished border-crossing formalities and substituted a single goods certification system for previously eighteen compulsory ones. This considerably reduced not only the costs of manufacturing but also of transport. The forecasts of the 1988 Cecchini Report on the advantage of the internal market were gradually realized.

The liberalization of capital movements contributed to an improvement of the allocation of resources within the Communities. Public procurement is now open in all Member States to tenders from all Community undertakings. Furthermore, the completion of the single market has prompted a high degree of fiscal harmonization, although for time being tax borders still appear to Member States to be a necessity.

The completion of the single market created a need for strengthening economic and social cohesion and, therefore, prompted a major step forward for the Communities' regional and social policies. It has reinforced the legal foundations of
consumer and environmental protection policies and those of research and development policies. It has also led to considerable progress in Community transport policy.

The consolidation of the single market finally was the driving force behind the 1992 Maastricht Treaty on European Union. On the foundations of the European Single Market, this Treaty added economic and monetary union and political union to the emerging edifice of a European Union.

The completion of the single market, though, contained risks also. A functioning Community-wide internal market steps up competition and thus pressures on the Communities' weakest regions and countries. In light of their persisting structural handicaps, however, countries and regions whose development is lagging behind cannot on their own successfully restructure and transform their economic activities. There is thus a danger that a handed down geographical division of labor will persist and that existing regional disparities between the centre and the periphery of the Communities continue. However, no community built on the basic principle of non-discrimination is sustainable if some of its members feel that others are profiting from it at their expense. Insofar as competition and trading terms in the internal market profit certain regions of the Community, the latter must take an effort to help the weakest to overcome their difficulties. These difficulties may even increase within the established Economic and Monetary Union (EMU), given that the weaker states will not be able to manipulate currency exchange rates and budgetary deficits to support their industries, albeit on a temporary basis. It is not enough simply to boost growth and make European firms more competitive. The resulting benefits also have to be more fairly distributed. There is, therefore, no alternative to the European Community conceiving a system of balancing equity.
Undoubtedly, the Community will cross the finishing line united or not at all.

Economic and monetary union (EMU) so far is the most daring and far-reaching step in European integration incorporated in the 1992 Maastricht Treaty on European Union and now pursued by twelve out of fifteen Member States as the UK, Denmark and Sweden have 'opted out' until a later date. Under the EMU, participating Member States regard their economic policies as a matter of common concern and are obliged to coordinate them within the Council which will issue guidelines and recommendations on a qualified majority basis. Target issues are price stability and low inflation rates, a sound ratio of government deficit and debt to gross domestic product, a convergence of interest rates, and stability and growth pact, the main elements of which are:

- an early warning system to identify and correct slippage in budgetary policies as soon as possible;
- the objective of balanced budgets over the medium term; and
- the ultimate possibility of financial sanction against Member States with a persistent excessive public deficit.

But even more intrinsic is the decision to introduce a common currency, the euro. By 2002, the new common European currency will completely replace twelve national currencies, which since 1999 still coexist with the euro but on 1 January 2002 will cede to exist. Although the euro since its introduction in 1999, has been subject in the international financial markets to a continued process of re-evaluation against the US dollar, the European common currency is underpinned by sound and stable economic fundamentals. The time until the introduction of the euro banknotes and coins will show the strength of the currency and its eventual success in financial markets, provided the Community of
fifteen can on the political front develop and demonstrate the unity which in the past has always pushed forward the European integration process.

We have already seen that the original Treaties establishing the three European Communities included reference to a political rapprochement and eventual integration of European countries. This is an expression of the belief of the Communities' founding fathers that economic integration would inevitably lead to a political unification of Europe. While economic integration was the first practical step, it was never seen as an end in itself, but merely as a stage on the road to political union.

On the other hand, already by the early 1960s, there was no illusion anymore that a successful economic community would automatically generate a close-knit political community. Rather than tackle the tricky ideological issues of European political unification, the Community leaders at the time confined themselves to confirming their "belief in the political objectives which give the Community its full meaning and purport", and to proclaiming a still undefined 'European Union' as the ultimate goal by the 1980s. The idea was taken up again in 1987 in the Single European Act the preamble of which spelled out the will of the Member States "to transform relations as whole among their States into a European Union". This European Union was to be based on the three European Communities, on the one side, and on "European cooperation between the signatory States in the sphere of foreign policy", the European Political Cooperation (EPC), on the other side.

The 1992 Maastricht Treaty on European Union together with the 1997 Treaty of Amsterdam revising some parts of the Maastricht Treaty, represent till today the preliminary final point of European political integration. Within the framework of the Treaties' rules, the Member States agreed to pursue the
gradual development of a common foreign and security policy (CFSP), and extensively to cooperate in justice and home affairs (JHA). Both areas (or pillars), however, are determined by the principle of intergovernmental cooperation, ruling out the use of European Community decision-making procedures and any decision itself becoming part of the Community legal order. Although the Treaty of Amsterdam has reviewed the decision-making procedures within the CSFP, allowing under certain conditions for qualified majority voting, or for ignoring 'constructive' abstentions of Member States not accounting for more than one third of the votes in Council, neither in the CFSP nor in the third pillar there is yet foreseen any transfer or share of national sovereignty to the supranational Community or Union institutions.

We may draw a conclusion from this that European political integration by far has not that much progressed as European economic integration. The European Union may thus be visualized as on-going construction in which the three European Communities, among which the European Community (the former European Economic Community), the dominant element constitute the main edifice, solid and functional, but nevertheless still being worked on. Next to it, the CSFP and the JHA are growing shells under the Treaty on European Union. Their edifices need to be patiently built up with political but also legal measures.

At the same time, this European Union under construction is approaching a critical juncture. After accommodating the last three new Member States in the beginning of 1995, the Union has embarked on a road to open up further out to the East, to the Southeast and to the Mediterranean. The next enlargement rounds will affect countries with very specific socio-economic structures and political traditions. Many of the prospective candidates are
still in the highly exhilarating but also highly difficult process of establishing fully functioning market economies and open, democratic, and pluralistic regimes. All this gives rise to new challenges for the European Union, which could hardly be met without substantially increasing the Union budget and further institutional changes.

**What do we actually want to achieve as a European Union?**

First, to manage more effectively our relationship with our nearest neighbors. The member states' ability to do that effectively is plainly less than that of the EU acting as whole, deploying to the full extent the full range of policies over which the Community has competence, from trade to external assistance, from environmental cooperation to competition policy, as well as some aspects of justice and home affairs. Our aim is the projection of stability.

Second, we should try to bring our experience of multilateral cooperation to a wider stage. The EU has been a tremendous force for stability and prosperity on this continent. It has reconciled long-standing enemies and helped make further wars between them unthinkable.

Europe had a mixed record in the last century; our continent spawned two world wars. But we also showed a happier face to the world, becoming a powerful example of how intractable problems can be overcome by national states working together, given the political will and the right framework.

The European Communities in the past succeeded to accommodate national concerns and interests. Institutional elasticity has been a permanent feature of the European integration process. However, all this should not mean that we are about to consolidate a ‘Europe a la carte’. Also, it is by no means evident that a widening will take place at the
expense of a further deepening of the economic and political integration process. The major challenges will rather be to engineer institutional changes in such a way that Member States which are ready to move forward can do so without being held back by minimalist countries; and to strengthen the possibilities of achieving common objectives and goals without getting lost in a 'variable geometry approach'.

With an Intergovernmental Conference charged to prepare the European integration process for enlargement to new member states, proposals will have to be put on the table on how best to combine integration, intergovernmental cooperation and Community solidarity which, in changing proportions over time, have given the European Union its unique character, its unique ambitions and its unique capabilities. The acceptability of the solutions proposed for member states will be crucial for the continuation in the years to come of European economic and political integration, of a successful pursuit of the promise of an ever-closer union among the peoples of Europe.

The relevance of our experience to South Asia depends on one's capacity to innovate and adapt to one's given situation. However, without the political will to put economic considerations first and foremost, South Asia may continue to stagnate as a poverty trap sandwiched between rings of growing prosperity of the Middle East and Southeast Asia.
European Regional Cooperation – A Success Story?

For a long time, the absence of war was the most authentic judgement on regional cooperation in Europe. Now after the latest outbreak of violence among the Balkans, this has been brought down to earth.

On the other hand, the economic achievements still look bright on Europe's list of successes. But some reservations have to be noticed as, for example, the enormous intra-regional transfers cum subsidies, some closed shop attitudes against the outsiders, and increasing expenses for seemingly decreasingly efficient interactions between the commission in Brussels and the national governments. Widespread dislike towards the Euro points out to a constitutional uncertainty whether the European Union (EU) aims at cooperation in diversity or at integration.

Until now, it consists mainly of free trade, free travel, and a new dimension of centralism. But, the political superstructure of the EU neither involves civil society nor does it have any substantial participation of the people.

As long as the European project is more ambitious and therefore also more complex, it can hardly be seen as a blue print for other regions of the world. The perspective of SAARC, for example, will surely not be a South Asian Union around a dominant India, but optimistically the establishment of regional cooperation and its utilization for much faster economic and social progress.
Globalization and Regional Cooperation

Only the information technology has driven the old liberal concepts of free trade, open-door policy, and market economy as well as international agreements on rules and standards to a worldwide transformation, well known as globalization. Its new features are fast movements and almost unlimited availability of information, capital, goods, and services any time and everywhere. Internet, online banking, electronic stock exchanges, and by satellite navigated logistics are the media of the global game. To become a player, one only needs access.

Naturally, big powers and larger entities have at first the better chances than weaker and smaller ones. Therefore, and if globalization is believed to be inevitable, the latter will have to look for allies.

Less obviously as it happened to the world economy, international politics also has become globalized since the end of the Cold War. At the time of bipolarism, international politics had been stuck by the scheme of mutual deterrence, while the superpowers could get through their intra-bloc leadership regularly undisputed. Now, after bipolarism has changed to an American monopoly, the variables of international politics are much more than before, and almost paradoxically, unilateral action of the remaining superpower has begun to fail. Meanwhile, new alliances and coalitions emerged, at times across the old patterns. Unilateral moves to pursue national interests are generally unlikely to advance. The opposite, only multilateral concepts of foreign policy are in future capable to meet the challenges of globalization. National interests have better chances to succeed, if defined in their regional context and adjusted with corresponding interests of neighbors within a well working regional cooperation. Therefore, multilateralism and regional cooperation are preconditions for further participation in international politics.
Globalization needs to be Balanced Politically, Socially, and Culturally

Under the impression of vagabond funds of trillions of dollars around the globe, now and then eruptions of a new disaster type as the Asian crisis, and the unstoppable infiltration of any different civilization by American fast food, video clips, and short-sense idioms, globalization has acquired a gloomy image. It tells about ‘world companies’ of which subsidiaries do not match the social culture of their host countries, and about cheap selling mass production, which edges out local industries. The brighter picture, of what cosmopolitan intellectuals and frequent travellers call the ‘global village’ seems to be less popular as yet.

Between both the purely economic restructuring and the diplomatic summit industry, some other areas as political values, social principles, and cultural diversity need to be put in a global perspective too. Therefore, the informal institutions and associations of social life should have access to the growing global networks. The extent, to which people immediately benefit from these networks, will finally prove the social compatibility of globalization. Its occasional destructive fall-out must be curbed by political counter action or corresponding rehabilitation.

Political Globalization naturally involves Civil Society

Since, international activities traditionally are carried out by multinationals, foreign offices, intelligence services, media, and conference professionals, in future, the civil society must become significantly involved. Spearheaded by wealthy globetrotters, people to a varying extent follow an innate urge to broaden their horizons. To meet this individual outlook, globalization needs to function as acceptable invitation rather than as hostile intrusion. If initiated out from civil society,
cross-border activities have quite a different effect than usual political interaction.

Since ancient rules and artificial politeness of traditional diplomacy have elevated formality high above contents, common views and prevailing prejudices can hardly be changed. In contrast to this, people-to-people meetings give rise to spontaneous communication, which is always the first step to a better understanding.

By no means, the more sophisticated tools of political interaction, as for example confidence-building measures or security dialogues shall be underestimated. Regional cooperation can only work on both tracks together, or better, official diplomacy and track-two initiatives should stimulate each other.

**Confidence Building Measures and Security Dialogues**

Confidence building measures have been a key element within the policy of détente. At the time of the Cold War, first a hotline between the White House and the Kremlin had to be installed to overcome the political speechlessness. Nowadays, when secret services can read car plates and listen in on phone calls of the other side by satellite observation, confidence building measures targets far beyond the decision-making elites.

Who knows whether the spectacular summit of the two Korean Kims or rather the reunion of hundreds of ordinary people from North and South Korea has been the more sustainable contribution to confidence building?

However, people talking about everyday life are less inclined to hostile attitudes. A more serious source of danger is religious and ethnic extremism, which powerfully emerged again after the end of the Cold War. These somehow
brainwashed fanatics may be immune against confidence building measures. But they will hardly maintain a following in regions where a lively civil society takes advantage of religious and ethnic diversity.

Security dialogues, which recently have come in vogue again, were introduced with the Conference for Security and Cooperation in Europe in the early seventies. The idea was to make the deterrence of armament more plausible by a disclosure of respective military secrets. The first step, simply to avoid miscalculation, was followed by a mutual revision of 'enemy' perception, and subsequently by a sophisticated concept of conflict prevention.

All these elements of comprehensive security architecture are today and in future as valid, deployable, and efficient as in the past. But, conflict prevention can succeed only if the people immediately benefit from peace and good neighborhood. Therefore, and again, dialogues between political elites need inspiration from communication on the civil society level.

**NGOs as Infrastructure of Regional Communication**

Non-governmental Organizations (NGO) — from small associations, civic action groups, local networks, cooperatives, private institutes, political foundations, charitable societies, up to professional associations and trade unions — are the driving power of a civil society. Their capability to mediate the participation of people in public opinion-forming and democratic decision-making will finally prove if modern concepts of a 'slim' public sector can be successful. Furthermore, regional and international NGOs as well as their fast improving networks develop to an infrastructure of civil interaction and communication.
In this context, the origin of an international NGO is less important than its dedication to certain political values. The German political foundations, for example, work in about 150 countries of the world and are exclusively committed to values like peace, democracy, and social justice. They have taken the challenge of globalization and interact as partners within an international social community.

In South Asia, the SAARC process has lost momentum. The seven governments by various reasons are currently not willing or not capable to utilize regional cooperation as modus for conflict management and, in a wider sense, as alliance for pushing common interests towards the challenges of globalization.

Track-two initiatives are not to replace necessary action on track one, but may keep a minimum of communication alive in between. In this respect, the specific contribution of German foundations is to mediate cross-border communication and to help network building between social society organizations in the SAARC countries and international NGOs.
THE COMMON FOREIGN AND SECURITY POLICY OF THE EUROPEAN UNION AND THE COOPERATION FOR JUDICIAL AND POLICY MATTERS - THE SCHENGEN CONVENTION

Jean-Guy de Wargny

Introduction

Since the Maastricht Treaty of 2 February 1992, confirmed by the Amsterdam Treaty of 2 October 1997, the European Union consists of three pillars:

- The first pillar is composed of the traditional European Communities, as they were created from the Treaty of Paris (ECSC= European Coal and Steel Community) and from the Treaty of Rome (EEC-European Economic Community; and EAEC= European Atomic Energy Community), the two being modified in the European Single Act and the Maastricht and Amsterdam Treaties.

- The second pillar is related to the common foreign and security policy; and lastly,

- The third pillar concerns with the judicial cooperation on penal and police matters, to which it is convenient to attach Schengen Convention about which the visa applicants seem to be well aware of.

The Common Foreign and Security Policy (CFSP)

Above all, it should be pointed out that the Common Foreign and Security Policy (CFSP) provides, since the application of the Maastricht Treaty (November 1993), a new fundamental dimension of the European integration.
Why a Common Foreign and Security Policy?

Despite some historical reservation to transfer the powers even though partial that are fundamentally relevant to the sovereignty of the State, two basic historical movements have contributed to reconciliation of the Foreign policies.

First, it comes as normal consequence to the developments of the European construction. As a matter of fact, the European integration has produced a better mutual understanding and has increased the common interests: economic and commercial interests, common democratic values, closer foreign policies due to increase of external actions of the EEC (common trade policy international agreements and association agreements, development aid policy, increasing conjunction between the economic and commercial matters and the foreign policy).

Besides, the end of cold war has contributed together with the end of the bipolarity, to accelerate the process undertaken since the beginning of the European construction. At the same time, the European Economic Community has been entrusted first with the responsibility to assume the stabilization process in Eastern Europe. The crisis in the Balkans, from 1990 onwards, has also contributed to make Europe an adult and independent actor.

How the CFSP functions?

The functions of CFSP are:

1. The European Council, which defines the principles and the general orientations of the CFSP including the questions with implications in defense matters.

2. The Council, which is a decision-making authority and takes its decisions on the basis of the orientations given by the European Council. It is composed of the Ministers representing the member States.
3. The Commission which is entirely involved in the actions of the CFSP. Even though it does not have the monopoly of initiatives, as in the first pillar, it has the right to issue initiatives as any member states do.

4. The Presidency is entrusted with a confirmed function as representative of the EU towards the third countries and the international organizations. It is in charge of the application of the decisions of CFSP. It expresses the position of the EU in the international organizations and at the international conferences.

5. The General Secretariat of the Council gives assistance to the Presidency in the running and management of the works.

What are the specific organs and tools of the CFSP?

1. The Political Committee plays a major role in the preparation and management of the works of the CFSP. It is composed of the political directors of the 15 member States.

2. The network of the European correspondents is managed by the Chiefs of Service of CFSP from the 15 member states. The Chiefs assist the political directors.

3. The working groups, numbering about 30, work either on a geographical level (Africa, America, etc.) or a thematic level (non-proliferation, disarmament, United Nations, etc).

4. The crypted transmission network, called COREU, is a link between the 15 Ministries of Foreign Affairs, the Commission and the General Secretariat.

Finally, it may be noted that the Amsterdam Treaty brought the following innovations: the General Secretary of the Council, the High Representative of the CFSP, and the unit for policy planning and rapid action, which has a function of analysis and fixation of strategic priorities for CFSP.
What are its Instruments of Action?

Its instruments are more or less the same as those of a State. It means that the 15 CFSP states can:

1. Adopt common positions. Until now, there are over 70 common positions (just to name a few: some 20 on the Balkans alone).

2. Take up common actions, adopted by the Council. Currently, about 50 common actions have been taken on various issues (like the Balkans, the Middle-East peace process and the Grand Lakes region, etc.)

3. To adopt a common strategy, express publicly the stand taken, make representations to Foreign governments, keep on having political dialogues with other governments or regional groupings, work on the spot under the guidance of the Ambassador assuming the Presidency of the European Union and sending of special representatives.

How the Common Policy of Security and Defense Began?

The Treaties of Maastricht (article-J-4) and Amsterdam (article-17) have established the minimum legal basis to endow the Foreign policy with a defense capability. The two make the WEU (Western European Union) the 'armed branch' of the EU. The Cologne declaration underlines that the European Union should be prepared with an autonomous capacity of action backed by the credible military forces ready to take part without prejudice in actions taken by NATO. The Helsinki report drafted under the Presidency of Finland allows to provide the EU with an autonomous power to take decisions in the face of crisis. In concrete terms, it fixes a headline goal so that the EU may acquire, in horizon 2003, an ability to quickly form (within 60 days) the equivalent of an army corps of fifty to sixty thousand and to maintain it for a year with necessary logistic.
At the same time, decision was taken in Helsinki on creation of permanent political and military organs particularly with political and security committees under the control of the Council. The Military Committee is composed of the Chiefs of Staff of the Armed Forces and the Headquarter is in charge, among others, of analyzing the situations, strategic planning and rapid alert.

In short, the CFSP is a major innovation in the European integration as well as in the history of diplomacy. Its strong points are that the EU from now on has a real existence in the international scenario, its taking of stand has become an object of reference for many groups of countries. Here, I would like to recall the presence of the high ranking European Representative at the summit meeting at Sharm-El-Sheikh. At the United Nations Organization, the Europeans raise only one voice on more than 90% issues. These weaknesses come from sluggishness in the process in taking unanimous decisions, the quick rotation of the Presidency and from the inequality in the diplomatic means.

Judicial Cooperation in the Penal Matters, Police Cooperation and Schengen Convention.

i. The judicial and police cooperation

The basic treaties of the EU do not contain in their initial version, arrangements relating to cooperation in the filed of justice and the police. The insertion in the Maastricht Treaty founding the EU of the section VI concerning "the cooperation in the field of justice and interior affairs" has institutionalized these cooperation, but they are endowed with the judicial framework distinct from Community system, the third pillar.

The judicial cooperation in penal matters relates, for example, the execution of judgements, the extradition and the steps to warn the conflicts of competence. They are also
concerned with adopting measures relating to penal offences, sanctions applicable in the filed of organized criminality, the terrorism, the drug trafficking, reconciliation of the legislation and the rules of criminal law in the member states.

The police cooperation, on the other hand, was put into action from 1975 with creation of "TREVI group" (police cooperation for fight against terrorism), the creation in 1981 of an ad hoc group on immigration with responsibility to work out the devices in respect of crossing of external frontiers by the citizens of the non Schengen countries.

ii. The Schengen Accords

Except those who are already aware, the visa applicants coming to the Embassies of the member states of the EU are all surprised to discover that, with a visa issued by one member of the Schengen convention, he could very well travel freely within the Schengen areas.

What are actually Schengen Accords?

The Schengen Accord signed on 17 June 1985 in the nice city of Schengen in the grand duchedom of Luxembourg has lead the first ever foundation of cooperation initiated by Germany, France, Belgium, Luxembourg and the Netherlands: that is to say the founder of the European Union. The principal aim of this primary accord is "open border for the citizens of the member states and free movement of the goods and merchandises".

The convention for application of this accord was concluded five years later. It provided abolition of restrictions during cross border movements inside Schengen as well as an interdependent management system in the Schengen areas in order to transfer these controls to the frontiers outside this