

DEVELOPMENT CO-OPERATION IN SOUTH ASIA: A NEPALESE PERSPECTIVE

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Introduction

Regional co-operation thrives on the shared interests of its members. It is like a joint enterprise which involves initial investment costs but ultimately offers positive benefits. The question of the sustainability of co-operation, like enterprises, is therefore the legitimate concern of its beneficiaries. This is why there is a momentous growth of cooperation organizations for development in both developed and underdeveloped regions alike. This growth has also led to the belief that there is more benefit in cooperation than noncooperation.

The Charter of the South Asian Association for Regional Co-operation (SAARC) sets its objectives of peace, freedom, social justice and economic prosperity through mutual understanding, good neighbourly relations and meaningful cooperation in the region for achieving *national and collective self-reliance* and promoting *people-to-people* understanding at the regional level (SAARC n.d.a). Common civilization heritage, ecology and geographical proximity claim the importance of economic co-operation in South Asia. Moreover, to tackle the common challenges of growing population, inequality, environmental degradation and chronic poverty as well as to prevent the continuous marginalization of the region from the world market, benefits of co-operation are highlighted by several studies.

The growth of regionalism in many parts of the worlds both as a result of the globalization process and the inability of nation-states to fulfil basic human needs has brought regional economic co-operation as a major line of development strategy. Institutionalised co-operation in south Asia, however, is of late origin: only with the onset of SAARC in the first half of the 1980s. It is an institutionalised co-operation among its constituent members—Nepal, India, Bangladesh, Sri Lanka, Pakistan, Bhutan and the Maldives—aiming to solve common socioeconomic problems and generate regional harmony, peace and development (Wagner 1994).

Objective of the SAARC

SAARC Charter spells out eight specific objectives, consisting of promoting the welfare of the people; improving their quality of life through accelerated economic, social, and cultural development of the region; shaping collective self-reliance, collaboration and mutual assistance in various fields, including the development of their common position in international organisations. The initiation of the Integrated Program of Action (IPA), consisting of twelve agreed Areas—agriculture, education and culture, environment, health and population activities, meteorology, prevention of drug-trafficking and drug-abuse, rural development, science and technology, communications, tourism, transport, and women and development—involve the function approach to evolve and integrated community. Two SAARC regional institutions—the Agriculture Information Centre in Dhaka (SAARC 1993), and Tuberculosis Centre in Kathmandu—as well as agreement to establish two additional Centres for Documentation, and Meteorology Research respectively in New Delhi and Dhaka as regional actors with stake in their survival and expansion of goals, are likely to generate further momentum toward regional integration processes.

The Charter of SAARC relies primarily on mutually beneficial co-operation where bilateral and multilateral co-operation will be *consistent and complementary* to each other. That is, it will depend on the nation state until the spillover process brings substantial change in the political culture, sentiment, and attitudes of South Asian governments and the people; it increases their structural and functional *interdependencies* both at sectoral and general levels among the regional states, interest groups, and political parties; and it increases the power of the SAARC Secretary General and the secretariat in decision-making which is binding to the national governments. One decade of SAARC's existence reveals that institutional pluralism has entailed regional coordinating mechanism.

As the size and power potential of SAARC members are unequal, the benefits and costs are proportional. Policy-making in SAARC is the responsibility of the Council of Minister, consisting of the foreign ministers of seven member states, who meet twice a year. Below it is the Standing Committee, comprising foreign secretaries charged with the responsibility of monitoring and co-ordination, project approval and modality of financing, determining intersectoral priorities, mobilization of internal and external financing and identification of new areas of co-operation based on concrete studies. Below this are Technical Committees to look into specialised functional areas and to report to Standing Committee. The latter can also create Action Committees concerned with the implementation of projects.

The ultimate decision-making power, however, rest with the apex body: Heads of States or governments of seven members who meet once a year.

The SAARC Funding

Contribution of each member state, on voluntary basis, regional mobilisation, as well as mobilisation from 'appropriate' external sources on the approval of the Standing Committee constitute the financial basis of SAARC. Recommendation for the appointment of costs for implementing programs is made by technical committees. So far there are three sources of funding for SAARC activities. The SAARC Fund for Regional Projects is made up of contributions accorded by member states; the SAARC Special Fund is mainly the contribution of the Japanese government on an annual basis; and the SAARC Regional Fund consists of the contributions made by donor countries, private agencies, and international organisations. Recently, a feasibility study is being carried out for the proposed South Asian Development Fund (SADF) expected to finance selected projects in the fields of Food Security Reserve. The Secretariat has also received proposals for co-operation from ITU, the World Meteorological Organisation, the South Asia Co-operative Environment Program, the International Trade Centre, UNICEF and ESCAP.¹ Contrary to the initial hesitation, that taking funds from outside would dictate SAARC's policies, confidence in such collaboration is growing.

The rules of the game defined for SAARC postulate that decisions at all levels are made on the basis of unanimity and that bilateral and contentious issues are excluded from the deliberations of SAARC (SAARC n.d.b.). This was a sound strategy until the take off of co-operation both at functional and institutional levels.

Building Blocks of South Asian Regionalism

The economic order contrived by the South Asian governments, however, did not spur positive environment for co-operation until the beginning of the eighties.² Unlike ASEAN,³ absence of acceptable political understanding, lack of a regional institutional framework, persistence of ancient suspicions and rivalries, and conflicts between India and its neighbours prevented the evolution of sufficient political will for economic co-operation. Therefore in the initial stage of SAARC its strategic option was only muddled about allowing tremendous scope for debates, but limiting the actual capacity to allocate goods and services, values and institutions (Schmitter 1971). After seven consecutive summits in the various cities of member states, the scope and the level of its activities in functional, issue-specific and institutional areas have considerably increased.

The democratisation of all the South Asian states has created a new environment where the rise of non-state actors engaged in activities within and across national boundaries are creating new opportunities. The demands for the redistribution of resources, statuses, and identities are proliferating. The scarcities of resources, tendencies toward ethnic, linguistic, socio-cultural and regional loyalties, and the forces of interdependence are becoming global in scope. These scarcities are not only the crucial cause of regional economies but a consequence of the unstable nature of a global political economy that prescribes adjustment for the South Asian states rather than offering options for policy flexibility. Adjustment is less easy politically because of the weak national consensus on this policy, the less efficacious legitimacy, the poor development performances of the countries of the region.

The third summit laid stress on the strengthening of inter-governmental efforts with increased people-to-people contacts and called for greater participation of NGOs, including professional bodies in the private sector, in the process of promoting socioeconomic and cultural development of the region. There is also the need for coordinating national NGOs at the regional level for the exchange of technology, goods, capital and knowledge in respect to their potential to augment growth and the level of education and thereby bring the poor and marginalized sections of society into the mainstream of development.

The recognition received by SAARC Chambers of Commerce and Industry, an NGO comprising the chambers of commerce of all the member states, and the possibility of granting similar recognition to the associations of lawyers, architects, and accountants, underline the gravity of non-state actors in promoting understanding among the people for developmental co-operation (Kanesa lingam 1993). Increased emphasis on people-to-people co-operation implies a shift from the central role of state bureaucratic instruments to decentralised social, political and economic development composed and nourished by the people themselves. Strong sociocultural ties among the region's peoples, interest groups, and pressure groups are likely to generate dampening effect on the potentials of interstate conflicts. Once the irreversibility of these ties has been proved by ensuring benefits to the member states, it will unleash more rewarding chances to enter into sensitive areas.

Trade-off between arms and human development is a must in the region because of the need to create development funds, training of the people for nation-building, buying technology and tools and so forth to make the region as a whole competitive for the Twenty-First Century. Regional cooperation is a highly political issue because it alters the patterns of behaviours of cooperating states. In this sense, regional cooperation entails cooperative security embodying confidence-building and non-military defense. The 1990

military expenditure of the regional countries—India (17.0 percent), Pakistan (30.9 percent), Sri Lanka (7.4 percent), Bangladesh (10.1 percent), Nepal (6.0 percent), and the Maldives (1.2 percent)—is comparatively higher if the data are compared with their respective investments in human development.

Issues that are gaining importance in SAARC are welfare of children, disabled persons, girl child and youth. Two studies pertaining to the causes and the consequences of natural disasters, the protection of the environment, and the greenhouse effect and its impact in the region have made pertinent recommendations to the regional governments for immediate action (SAARC 1992a; SAARC 1992 b). The seventh SAARC summit marked the need for integrating population objectives into the formulation of development strategies of member countries. Given the under-utilised resource base of the region, including the water resources, the overutilization of forests (2 percent remains), and the abnormality that over one-fifth of the world's population occupies less than four percent of the land area, the development resources is of uppermost significance. The absence of SAARC's own institutions to implement policies for most of its activities, however, led these policies to muddle around rather than muddle-through-to come to a successful conclusion incrementally.

Some concrete steps have been taken for promoting cooperation in core economic areas identified both by the SAARC Group of Planners, composed of the planning commissions and planning ministries of the members states, as well as a high level Committee on Economic Cooperation (CEC). One critical area is the regional investment on agriculture development, important for lifting the poverty curtain by fulfilling the basic human needs. The other is the signing of the SAARC Preferential Trading Arrangement (SAPTA) in the seventh summit with the objectives of liberalizing trade by removing tariff, para-tariff, and non-tariff barriers that restricted trade among the regional states and increasing the trade of the member countries with developing countries in particular and the rest of the world in general (SAARC 1993; IGSAC 1993). This is a bold step for overcoming the increasing marginalization of South Asia from the world political economy as evidenced by its exclusion from the Asia-Pacific Economic Cooperation (APEC) in Seattle, small share of world trade (exports: 0.82; imports: 1.03 percent), low GDP growth rate (5.3 percent) despite huge population share (20 percent, and the discriminatory nature of the world trading regime defined by the General Agreement on Tariffs and Trade (GATT), which emphasised the need for liberalizing textile trade by dismantling the thirty-year old Multiflora Arrangement.⁴ SAPTA is partly a response to recent international developments such as the formation of the ASEAN Free Trade (AFTA), EC trade bloc and NAFTA. Unlike ASEAN, however, South Asia lacks a growth

triangle where infrastructure integration and the removal of barriers to capital and labor mobility would inspire foreign investments to constitute effective development strategy. Intra-regional trade in both also regions remains abysmally low. Reduction of tariff and non-tariff barriers and adjustment to imports from partners will increase both efficiency and productivity, tax harmonisation and product standarization, even spawn non-economic benefits (Ghei 1993).

South Asian states continue to have difficulties in opening intra-regional trade for a number of reasons. All the regional countries specialize in similar labor-intensive manufactures. They are at similar stages of economic development, and their competitive strength is directed outside the region, except perhaps Nepal, Sri Lanka, and Bangladesh, which are promoting trade within the region. In this context, SAPTA can provide a regional framework in which India and Pakistan, who are discriminating each other and using a tortuous route of transport, can have preferential trading arrangement. If the regional countries can open trade with the strong economies of Japan, Germany, Korea, ASEAN countries, the United States, Canada, and so forth, why can they not compete with each other? The fear that India will overwhelm smaller economies is simply unrealistic because goods are sold and bought in credit, where India is in a weak position to offer. Even if it does, there will be benefits: regional states will import cheaper goods, machinery, and so forth and spend less in foreign exchange, bear lower capital costs and likely to become more competitive (Haq 1993). If trade imbalances occur for smaller economies, India can offer incentives to limit, modify, and possibly reverse them.

Trade expansion, however, entails a regional monetary union to coordinate regional exchange rates to harmonize monetary issues and to promote export credit and transactions for trade and travel on local currencies. Free convertibility was preferred in the second summit. Yet politicians and bankers opted for only limited convertibility for tourism. The SAARC Visa Exemption Scheme as well as the scheme for Promoting Organized Tourism underlined by SAARC are laudatory steps for regional economic integration. There is also an imperative of creating a macro-economic milieu for making proper economic decisions, particularly in the areas of fiscal, monetary and exchange rates, avoiding excessive balance of payment deficits, and Achieving A modest level of saving at the regional level (Dahal 1994). Slow economic transformation of South Asia where agriculture is still defining the future of the region is marked by unstable economic growth, gap between saving and investments, heavy reliance on foreign aid, and less foreign investments. The existence of political instability, vested interest, inertia, and persistent

bilateralism in South Asia, however, created more aspiration than achievements of regional integration.

The underlying growth potential of South Asia remains undiminished, given the abundance of natural resources, modest level of manpower, and the scope for technological innovation and investment. But the future of SAARC is contingent on its steady economic as opposed to political evolution; for, the basic condition of human life (social, psychological, and political, etc) is being governed by the economic equilibrium of society. Poverty, inequality, and illiteracy are mostly the product of economic disequilibrium. This thinking puts greater premium on cooperation. Secluded independence, reinforced tariff barriers and other measures, and reversing the regional process of backward and forward linkages undermine the goal of economic development. Liberalization of trade and progressive integration of economies necessary for development entail the diversification of the source of supply, competitiveness of units, proper investment policies, sound management in fiscal policies, research and development, and entrepreneurial zeal. SAARC studies suggest the need for more interaction among the regional states than with extra-regional countries and achieving collective self-reliance of the region through people-to-people solidarity and cooperation so as to minimize power and market dependency created by the previous active role of the governments (Bhargane 1995). Participation of South Asia in international financial regimes requires the regional states' common policies, collective identity, and concerted action. In a framework of completely asymmetric interdependence revealing a low level of equilibrium in cooperation, only the constant dialogues between the industrialized North and agrarian South, between South and South, and between South Asia And other regional groupings, international institutions and forces are likely to unfold a situation more conducive for cooperative development in the region.

For smaller states, too, regional integration can offer an opportunity for overcoming the small size of the national domestic market, provide an outlet to the international market that, according to comparative advantage, promises welfare gains and forms the bedrock of their viability (Ashoff 1988). The willingness of foreign governments and international institutions to cooperate with SAARC And a better convergence in policies through adjustment are valuable to minimize the sources of conflicts— a vital precondition necessary for turning cooperation into a non-zero-sum game (Khatri 1991). This is true for multilateral joint investment also, which entail, inter alia, strong ties among regional states for they involve long-term capital, technology, and resource sharing and harmony in monetary, fiscal, industrial and commercial policies. Political will for regional cooperation is evident from the speeches at the various summits. Nepal offers to harness is

water resources; Bhutan emphasises on regional involvement in trade and joint economic ventures; the Maldives calls for formulating strategies and programs for utilizing cooperation as an effective vehicle for shared progress and prosperity; India stresses core economic issues – trade industry, money and finance; Sri Lanka focuses on intra-regional trade expansion and joint ventures; and Bangladesh appeals for SAARC's involvement in more concrete and result-oriented activities for strengthening the foundation of collective self-reliance.⁵

The social precondition for economic development is a must for the takeoff of regional cooperation. For example, South Asian countries' social indicators of human development are very low. Except Sri Lanka (86), which falls in medium human development ranking all the countries come in the low human development ranking; the Maldives (112), Pakistan (132), India (134), Bangladesh (147), Nepal (152) and Bhutan (159). Until adequate allocation is made on population, education, training, information, health care, water, nutrition, immunization and family planning services, and substantial portions are cut from defense expenditures, the goals of participatory development will remain tantalizing. All the regional countries fall into low income GNP per capita below \$500 whose failure to meet even these minimum preconditions represents a recipe for inefficiency of the regional governments fuelling the sources of underdevelopment.

Modernization of economies requires technical and professional manpower, institutional and policy reforms to adjust with the globalization process. Learning and absorption capacities are directly correlated to the modernization of agriculture, industry and technology. The market mechanism alone would be ineffective. Although the SAARC countries adopted an adjustment policy that took into account macro-economic growth, the importance of reducing poverty, raising income levels and distribution, employment, education and participation in the market and political process has been well reflected in a report "Meeting the Challenge" prepared by an Independent South Asian Commission on Poverty Alleviation. For realizing what the report calls *dāl-bhāt*, or basic needs, calls for a radical shift from its hitherto trickle-down model. The new perspective on development reflects a modest shift from the state-centric, centralized and urban-industrialization that are biased to a pro-people, participatory, decentralized and sustainable development model. The changing relationship between the state and private sectors is cyclical rather than linear because policy flexibility in South Asia has yet to introduce major changes in the basic structures of society. The shift has become imperative because South Asia has the largest concentration of the world's poor, accounting for more than 46 percent of the total number of poor in the developing world. The leitmotif of development here means development of

the people. There are individual success stories of South Asia whose lessons include (Bhattarai et al. 1992):

- Building organizations of the poor for saving and investment is essential for poverty alleviation
- Empowerment of the poor is the means to poverty eradication
- Poor women can effectively overcome their double burden through the same process
- The need for sensitive support mechanisms to catalyse the process of social mobilization
- Participatory monitoring and evaluation have to be built into the process so that self corrective action can take place as the process evolves.

SAARC's transition from state-centric to a people-to-people cooperation demonstrates a move toward the creation of civil society where people have a right to participate in every decision that affects them. People's participation, however, presupposes the activation of passive and marginalized sections of South Asian people toward the goals of accelerated development, even to democratic processes that define the *ends and means of development*. A high sense of civic competence is important to inspire the voluntary participation of citizenry whose roots lie in mutual learning and experience, in protecting and promoting their personal and collective interests in sustained manner. Participation prevents alienation and rebellion of the people and enforces their accountability to the representative institutions and values. Democracy survives within nation states, and as nations lose control over economic matters to the globalization process, democracy's writ is seriously undermined (Dionne 1993:6).

Democratic development posits: first, development is for the people rather than people for development. It is a bottom-up process where people cope with and benefit from the processes of economic, social, political and other activities. Participation makes them responsible to the development processes. If development alienates some and inspires others it will have a polarizing effect. All polarizing development is unprogressive for those satisfied try to maintain it while the deprived ones try to overthrow it thus making the whole development process unsustainable. Second, the philosophy of development springs from the self-cognition of the people about their existence, their needs and wants, the causes of their misery, and the ethics. Third, the basic concern of development centres around how people organize themselves in society and promote their productive life. Fourth, development is a means to realize people's self-worth and self-fulfilment, not in isolation but in the totality of human society. And finally, development

implies a change toward greater perfection taking into account the needs and aspirations of majority.

Conclusion

The development of the cooperative mechanism in South Asia through SAARC enables the regional states to efficiently utilize the scarce regional resources for their long-term benefit. This is because such development is based on rational cost-benefit calculation where the cost of non-cooperation is greater than cooperation. This will also minimize the political consideration of allocation—thus establishing the role of government as a *facilitator* in infrastructure-creation and maintenance, rather than controller of the development process. It is only in self-governing institutions people offer labor, resources and other services, and maintain and nurture them. This means legislative power of the regional people is important to *evolve institutional rules, monitor compliance, and enforce sanctions* thus making the whole development processes sustainable (Ostrin et al. 1993). Only through sustainable development people can control regional markets, not just by regulating price but also addressing the growing quality, innovation, management and a variety of goods and services. Such measures give space for civil society to organize and work for cooperative development. These are also the areas where the primary interests of South Asian people are converging.

The growing interdependence within South Asian states and the rest of the world is a matter of stark necessity rather than a choice. SAARC embodies a common framework of development goals with members and common implementation of policies for poverty alleviation, equality and social justice. The increasing realization of common commitment to non-offensive defense and conflict-resolution at the national and regional levels is expected to generate an energy for addressing the common challenges of poverty, disempowerment, and disenfranchisement. Clearly, cooperative development cannot move in the absence of participatory regional processes where regional governments at the apex and people at the bottom marshal their resources and maintain their confidence in the SAARC's Charter. Fellowship can be derived from intimacy in cooperative behaviour, rather obsolete hegemonism, in the sharing of common wealth of the region for collective self-reliance, necessary to sustain the new development perspective.

Notes

1. I.H. Zaki, "An Overview of the Recent Developments in SAARC" Keynote Address made at a regional seminar on "South Asia: the Roads Ahead" organized by CGSSAP in co-operation with Friedrich Ebert Stiftung on November 16, 1993.

2. The idea of regional cooperation in South Asia was first made by president Ziaur Rahman of Bangladesh in May 1980. Then the "Proposal for Regional Cooperation in South Asia" was circulated by his country in November. The modus operandi for this was streamlined in 1981 by the foreign ministers of regional countries. In August 1983 the IPA was launched through the adoption of the declaration on south Asian Regional Cooperation (SAARC). The first summit in Dhaka in December 1985 declared the establishment of the South Asian Association for Regional Cooperation (SAARC). Following this other summits were held in India (1986), Nepal (1987), Pakistan (1988), the Maldives (1990), Sri Lanka (1991), Bangladesh (1993) and India (1995).
3. Anuwar Ali, "Economic Transformation and its Implications for Interdependence and Competitiveness: Southeast Asian Perspectives". Paper presented at "Economic Transformation in Asia and the Pacific: Social, Political, and Ecological Perspectives, APIDA Tenth General Meeting 5-8 October 1993; Colombo, Sri Lanka. and S. S. Colombage, Payments And Monetary Cooperation (Colombo: FES-CGSSAP, 1994).
4. Data for this article are mainly taken from the *Human Development Report* (Oxford: Oxford University Press, 1993), and *Meeting the Challenge*.
5. An in-depth analysis made of the participatory process at the micro terrain such as Women's Development Program (WDP) in India, the Aga Khan Rural Support Program (AKRSP) in Pakistan, the Small Farmers' Development Program (SFDP) in Nepal the Mongar Primary Health Care Program (MPHP) in Bhutan, the Bangladesh Rural Advancement Committee (BRAC) in Bangladesh, and the Janashatki Banku sangam (JBS) in Sri Lanka, as well as other cases such as the Working Women's Forum (WWF) and Self-Employed Women's Association (SEWA), in India, the Production Credit for Rural Women (PCRW) in Nepal, the Orangi Pilot Project (OPP) in Pakistan, and the Grameen Bank in Bangladesh reflect the kind of social mobilization taking place where the poor have contributed to growth and human development simultaneously, under varying sociopolitical circumstances.

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