

A Note on the Rationale of SAARC

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INTRODUCTION

Better way to develop and strengthen the Global interdependence and cooperation is to grow and widen the regional cooperation the world over. Regional cooperation is a dynamic process, it will grow, it will widen, and it will strengthen. The idea of regional cooperation in South Asia is not new. Prior to SARC and SAARC, there were other forums as the ESCAP, WHO Regional Centre in Delhi, the Non-Aligned Movement and Commonwealth etc. Countries of this region were closely involved for cooperation both bilaterally and regionally in a wide range of field under the umbrella of such forums. But these efforts could not fully exploit the vast potential of regional cooperation. The feasibility of such cooperation was informally discussed in various capitals at different times. In this regard, credit of initiation goes to the late President Ziaur Rehman of Bangladesh, who, in the course of his visits to Nepal, India, Pakistan and Sri Lanka during the period 1977-1980, proposed that the countries of the region should explore the possibility of establishing some institutional arrangements for regional cooperation and, to - this end, a meeting at the summit level be held. The responses from different South Asian Capitals were positive and proposal of the President was warmly welcomed.

Preliminary discussions were based on the spirit of mutual trust, understanding, the principles of sovereign equality, territorial integrity, non-interference in internal affairs of other nations and mutual benefit.

In pursuance of the proposal, the foreign secretaries, and senior officials of the region were involved in an effort to agree on a basic framework of regional cooperation. It started with the first meeting of the foreign secretaries held in Colombo in April 1981 and frequent meetings extended up to March 1983. This is the initial phase of SAARC. Three distinct phases have marked the evolution of what is today known as the South Asian Association for Regional Cooperation (SAARC). The second phase started in the meeting of the foreign ministers in New Delhi in August 1983. This meeting launched the Integrated Program of Action through the declaration of South Asian Regional Cooperation (SARC) and the resultant commencement of cooperation among the member states. In the third and final phase, the Heads of State or Government met in Dhaka in December 1985 and decided to establish the South Asian Association for Regional Cooperation (SAARC). It was a historic event and

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signified the optimum achievement of the process that began by His Excellency President Ziaur Rehman of Bangladesh to consider the possibilities of establishing regional cooperation among the countries of South Asia.

The objectives and principles of SAARC are as follows:

- To promote the welfare of the people of South Asia and to improve their quality of life.
- To accelerate economic growth social progress and cultural development in the region and to provide all individuals the opportunity to live in dignity and to realise their full potential.
- To promote and strengthen collective self-reliance among the countries of South Asia.
- To contribute to mutual trust, understanding and appreciation of one another's problems.
- To promote active collaboration and mutual assistance in the economic, social cultural, technical and scientific fields.
- To strengthen cooperation with other developing countries.
- To strengthen cooperation among themselves in international forums on matters of common interest and
- To cooperate with international and regional organizations with similar aims and purposes.

The principles of SAARC as endorsed include:

- Such cooperation shall be based on respect for the principles of sovereign equality, territorial integrity, political independence, non-interference in internal affairs of other states and mutual benefit.
- Such cooperation shall not be a substitute for bilateral and multilateral cooperation but shall complement them.
- Such cooperation shall not be inconsistent with bilateral and multilateral obligation.

Possible Areas of Cooperation and The Integrated Program of Action:

The areas selected should only be those in which cooperation will mutually benefit all the countries irrespective of existing economic disparities so as to make regional cooperation meaningful, strengthen the spirit of mutual trust and understanding and bridge the development gaps existing among the countries of the region.

Cooperation in the economic sphere could be the starting point which could be expanded to include social and cultural cooperation. However, the following areas of possible cooperation are identified:

- (a) Education and training.
- (b) Cultural exchanges.
- (c) Scientific and Technological cooperation including cooperation in the field of New and Renewable Sources of Energy.
- (d) Tourism.
- (e) Transport.
- (f) Shipping.
- (g) Monetary cooperation.
- (h) Cooperation in International Economic Negotiations and Negotiations with Multinational Corporations.
- (i) Information and Mass Communication.
- (j) Environment including Marine Pollution Control.
- (k) Postal services (as a part of telecommunications).
- (l) Coordination of policies on Manpower Export.
- (m) Promotion of cooperation amongst Regional Planner's Non-governmental Organisations, Academic, Research and other institutions.

INTEGRATED PROGRAM OF ACTION (IPA)

To make the regional cooperation beneficial, desirable and necessary an Integrated Program of Action was prepared in the agreed areas of co-operation. The overall objectives of SAARC is the promotion of the welfare of the peoples of South Asia and the improvement of the quality of life.

The cooperative activities identified could be broadly divided into two categories:

- (a) Activities amenable to short-term cooperation:
 - i. Exchange of data.
 - ii. Exchange of expert services.
 - iii. Training and research.

iv. Holding of seminars/workshops in the countries of the South Asian Region.

(b) Activities amenable to long-term cooperation:

- i. Establishment of regional institutions for training and research.
- ii. Creation/strengthening of linkage among existing national institution in the seven South Asian countries in the agreed areas of cooperation.
- iii. Strengthening of infrastructural support in such areas as postal services, telecommunication, railways, highways, shipping, meteorology etc., which would require capital investment by participating countries.

CONCLUSION

It is realised that regional cooperation in South Asia is beneficial, desirable and necessary and that it will help promote the welfare and improve the quality of life of the peoples of the region.

The countries of South Asia that constitute one fifth of humanity are facing with the formidable challenge posed by poverty, underdevelopment, low levels of production, unemployment and pressure of population compounded by exploitation of the past and other adverse legacies. These countries are by many common values rooted in their social, ethnic, cultural and historical traditions. Regional cooperation provided a logical response to these problems. With the effective regional cooperation, they could make optimum use of their potential as a huge market, their substantial human and natural resources and the complementarities of their economies for the benefit of their economic development and enhance their national and collective self-reliance.

The economic and social conditions are deteriorating and has caused seriously retarding development prospects in South Asia and other developing countries. The deterioration in the terms of trade, intensification of protectionist measures, spiralling debt burden and a decline in the flow of external resources, especially concessional assistance had caused a serious setback to the economic development of the developing countries.

It is also realised that the capacity of international financial and technical institutions to respond effectively to the needs of the disadvantaged and poorer countries is diminishing. The spirit of multi-lateral cooperation had begun to falter and weaken. This is particularly disturbing in the face of increased interdependence of developed and developing countries and the fact that economic revival of North was closely linked to economic progress in South.

Finally, it is important to note that countries can effectively pursue their individual and collective objectives and improve the quality of life of their peoples only in an atmosphere of peace and

security. Any type of cooperation among countries, is based on certain basic principles especially mutual trust, understanding, sovereign equality, territorial integrity, non-interference in internal affairs and sympathetic appreciation of political aspiration. If these basic principles are undermined cooperation and development is not possible.

Any proposal for economic cooperation must consequently be formulated with the greatest care in order to ensure that the weak are not exploited and that the strong do not dominate. Cooperative feeling is possible only in the climate of understanding. Recently some peices of dark clouds of disputes have seen in the sky of understanding among countries. Therefore, in such a season, there is again an urgent need for a strong, healthy and enthusiastic feeling of SAARC to uplift the economic, social and political morality and dignity of humanity in this region.

SELECTED REFERENCE

Awaqof, Arif (1986), South Asian Cooperation in Industry, Energy and Technology.

Secretariat of the SAARC (1988), From SARC to SAARC: Milestones in the Evolution of Regional Cooperation in South Asia (1980-1989).

BOOK REVIEW

James, William E., Naya, Seiji, Meir, Gerald M. (1987): Asian Development: Economic Success and Policy Lessons. (California: International Center for Economic Growth), pp. xx + 314, price \$ 12.95.

Economic development, has, as ever, been the goal of every nation. Aid especially, for the underdeveloped (UDCs) and the least developed (LDCs) countries, it has always been an arduous and uphill task. Despite rapid modernization and industrialization, increased food production, rural development, improved standard of living etc. poverty still exists in a massive scale and the income disparities is as great as ever. To day, we find different degrees of economic successes even among the UDCs and the LDCs. The reason being the right economic policies adopted by some of them, which witnessed an unprecedented economic success, as compared to some others, which have yet failed.

The present book under review, which is the work of the three very distinguished development economists, "appraises the unprecedented economic development record" of the Asian countries. The main focus of the study has been the relationship between the policy and growth and its impact upon human welfare. The authors divide the Asian countries into three categories viz. newly industrializing countries (NICs) (Hong Kong, Korea, Singapore and Taiwan), resource based ASEAN-4 countries (Indonesia, Malaysia, the Philippines and Thailand) and the low income countries of South Asia (Bangladesh, Burma, India, Nepal, Pakistan and Sri Lanka). And the groupings have been done on the basis of "certain characteristics shared by the countries viz. per capita income, structure of the economy, openness to trade and policy orientation." The prime interest of the authors has been to analyse "why the records of development performance have differed among these countries." And the answer has been the formulation and implementation of the appropriate and effective domestic policies tuned to the need of the country itself. Although the interdependence among the Asian LDCs themselves and with the more advanced economies is very much needed, "a country's course of development is determined not by its initial conditions but by its quality of national economic management" according to the authors.

The authors examine intensively the constraints, policies and performances of industry, agriculture, employment, savings mobilization, trade and investments, human resources, balance of payment adjustments and external debt in these Asian countries. Inter-regional as well as intra-regional comparisons, supported by the data, have been done very neatly. The book is organized into seven chapters.

The first chapter starts with an overview of the development strategies and the performances of the Asian countries. The authors come up with the view that though most of the developing countries, including Asia, have been negatively affected by the rapid changes in the world economy-oil shocks, prolonged recession, debt servicing burden, declining world trade etc. - Asian countries as a group continued to grow faster than other developing countries. "The key to the success of these Asian countries have been the adoption and implementation of domestic policies that promote efficient use of resources and encourage private sector initiative."

The second chapter discusses the policies that stimulate trade, industrial growth and employment. With regard to the import substitution and the export oriented industrial development strategies, the authors opine that the former strategy although resulted into short spurts of industrial growth, overall, it has not helped most of the countries to continue rapid economic development. The reason being that the import substitution strategies do not "refer to the natural process of import replacement that occurs as more financing, technical knowledge and skilled labour are made available with economic development." The authors argue that because of the limited size of the domestic markets, and the poor natural resource endowments, import substitution strategies, although might give some positive results in the beginning of the development process, becomes self-limiting in the long run development. The NICs spectacular economic performance, according to them, is basically the result of the shift to a more export-oriented strategies after the first stage of import substitution. The overall industrial strategy of these countries was the output mix that confirmed to the domestic factor endowments and the emphasis on the international competitiveness. Major reforms to improve efficiency of resource use and international competitiveness are required for successful growth performance and increase employment in the industrial sector. Emphasis must be on the labour intensive manufactures that absorbs the growing labour force. After having examined the strategies and performances of the ASEAN-4 and the South Asian countries the authors think that poor economic performances in these countries is the result of inappropriate policies rather than a consequence of low levels of economic development and there is potential everywhere for efficient use of domestic resources.

Trade policies that promote export growth vis-a-vis the industrial growth and employment expansion would have a very positive and significant effect on the economic development of the country. According to the authors, though the NICs also adopted the policy of protection, the main feature of this policy was that international competitiveness was greatly emphasized.

Domestic saving rate is so low in many of the developing countries that it is not even sufficient to maintain the existing stock of capital. It must permit enough investment to sustain economic growth at a higher rate so that the rapidly growing labour force could be employed and the living standard of the people raised. Though this savings constraint could be overcome with the inflow of foreign capital in the beginning, it must increase if the long term economic growth is to be achieved. How the saving rate could be raised and how the allocation of funds to the most productive investments could be done is discussed by the authors in the third chapter. The authors find that financial intermediation, which has the advantage over self-finance and primary lending, is the main channel for mobilization of domestic savings and financing of investments throughout Asia. Thus, they suggest for the development of the financial sector with the establishments of new financial institutions. "Positive interactions of growth with saving and investment can be promoted by appropriate policies, particularly those that encourage financial development", according to the authors. They feel that the efficiency with which savings from domestic and foreign sources are

allocated among alternative investments are limited by the efficiency of the capital market, in the Asian countries. Policies to promote financial development have helped to increase the saving rate and thus in raising investment rates in the Asian LDCs but much still remains to be done, according to the authors. "Financial intermediation will be important in supporting further rapid economic growth."

Foreign capital is needed to relax the savings as well as the foreign exchange constraints on development in the developing countries. However, the authors caution that foreign capital inflows should not cause a reduction in overall savings and investments. If they are used in productive investments, they may contribute to economic development and the problem of debt-servicing also could be avoided. The best use of external capital to overcome the foreign exchange constraint is discussed in chapter four. The authors opine that the contribution foreign capital inflows make to economic development and growth hinges upon the relationship they have with domestic saving and the quality of investment. Upon examination of the composition and trends of the external financial flows in the Asian developing countries, the authors found that "long-term capital (with more than one-year maturities) was the most important type of external finance for the LDCs." There were also differences in the composition of external finance in the sub-groups in the relative size of direct and portfolio investment and short-term borrowings. "Direct and portfolio investment tends to be much smaller in South Asia than in NICs and ASEAN-4 countries.

Coming to the issue of the rising external debt and the debt servicing problems, the authors note that if on one hand, macroeconomic and trade policies of creditor nations that permit indebted countries to increase exports are desirable, on the other hand, the Asian countries with the problem of debt servicing should try to achieve a sustainable balance-of payments position by reducing imports, improving the foreign exchange earnings paring off government budget deficits and controlling inflation. Though small in relation to total capital inflows, foreign investments in Asia, according to the authors, can be important in filling the gap between savings and foreign exchange.

The importance and the policies regarding the incentives to accelerate agricultural development is discussed in the fifth chapter. Highlighting the importance of agricultural and rural development in economic development, the authors viewed that those Asian countries which neglected the development of these sectors in the pursuit of industrialization through import substitution experienced an overall lower growth rate. The impressive growth of Asian agricultural production in the early 1970's is the result of the agricultural development strategies and associated policies of governments, argued the authors. "The extent to which poverty and inequality were lessened in rural Asia" depended greatly on this. However, the authors caution that increased government intervention in pricing, marketing, processing and trading would hamper agricultural growth. Farm household income should increase and so also the structural transformation from agricultural to manufacturing and services must also lead to the transfer of labour and other resources. And this

is what seemed to happen in the NICs as compared to ASEAN-4 and the South Asian countries. Mechanization of agriculture in countries with abundance rural labour, however, is undesirable if machines displace labourers.

The authors think that "the need to make technological progress in non-cereal crops, animal husbandry and other subsectors and the changing patterns of resource availability and trade have placed new challenges before the developing countries of Asia in their design of agricultural policies." There should be positive linkages between agriculture and other sectors of the economy. And, furthermore, macroeconomic policies must be supportive of agricultural development. Macro prices when freed from excessive distortions, "more efficient resource allocation is one result" say the authors. The authors argue that when bottlenecks do appear in agriculture and constrain the growth process, price and non-price policy interventions are necessary to overcome these. And this is what, according to the authors, the Asian governments did to overcome the constraints on agricultural development.

Chapter six deals with the human resource, its importance and the policies regarding it in the Asian countries. Human resource development would be a determining factor if the rural development is to be made a success, according to the authors. The social and economic development to a greater extent can be accomplished only if the skills and knowledge of the labour force could be developed and then utilize its energies and capacities to the fullest extent. Thus, enhanced educational opportunities for the poor are essential, in the Asian LDCs. But, more emphasis should be given to primary education as compared to higher education in these countries, according to the authors.

Improvement of the quality of human resources has been central to the success of the NICs and Japan, according to the authors. After having examined the strategies and policies regarding the human resource development, the authors suggest that the low income South Asian countries, if, on one hand, should reduce population growth through rapid decline in fertility, on the other hand, should make greater investments in learning, as education has "positive externalities on fertility, health and nutrition, entrepreneurial ability, the resilience of social institutions and the functioning of the markets."

Chapter seven, which is the last chapter, "brings together the key lessons of successful development strategies for Asian countries" and also looks into the future prospects. Regarding the development strategies adopted by the Asian countries, the authors state that export-oriented growth coupled with suitable macroeconomic policies have been the reinforcing aspects of economic success. Trade liberalization, according to them, cannot be effective in improving exports and economic growth when macroeconomic policies are inconsistent and destabilizing. The authors also caution that each government must consider within its institutional context, how to proceed while moving towards a more export-oriented outward looking strategy. The essential feature of the NICs in their long term growth was the integration of their industries into world and regional economies. "Greater freedom would allow foreign investors

and domestic entrepreneurs to establish links, adapt technologies and develop markets."

In relation to the future prospects in Asia, the authors are of the opinion that though 1980s witnessed slower growth and there were some doubt about the outmodeness of the outward-looking development strategies, it will be the more open and outward-looking countries that will continue to perform better than the inward-looking ones. "Multiple catching up process" also could be of help but it has not been an easy or smooth transition; there has been many failures as well as successes, according to the authors.

On the whole, the authors have stressed the domestic policies for development. If the problems of disruption to long term development due to the worsening of the external factors are to be minimized or overcome in the Asian countries, then appropriate domestic policies become even more important, according to them. They also do not deny the fact that the basis of Asian countries success in economic development has been the growth of international economic relations. This book is an important addition in the list of development economics, which would be stimulating for the students of economics, policy makers and the development scientists. The lucid exposition of different development strategies, policies and the suggestions made in the book by the authors should well be taken into account by the planners and the policy makers.

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