

Saarc: impacts on pakistan



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BUSTER**

The establishment of South Asian Association for Regional Cooperation (SAARC): The concept of establishing a regional cooperation in South Asia dates back to 1980 when The President of Bangladesh proposed a regional cooperation for the economic prosperity of South Asian region. In furtherance of this objective on 8 December 1985 in the first summit of SAARC “ The South Asian Association for Regional Cooperation” (SAARC) came into being after the approval of its Charter by seven countries i. e. Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. Subsequently in 2007 Afghanistan became the 8th member of the bloc. Since 1985 SAARC has conducted fifteen Summits. The first summit took place at Dhaka on December 7-8 in 1985. The following summits were organized in Bangalore, Kathmandu, Islamabad, Male, Colombo, Dhaka, New Delhi, Male, Colombo, Kathmandu, Islamabad and Dhaka. The 16th summit will be hosted by Bhutan on 28-29, April 2010.

SAARC Objectives:

The main objectives of SAARC includes; promoting the welfare and improving life quality of the people of South Asia; accelerating economic growth, social progress, and cultural development in the region; promoting and strengthening collective self-reliance among the countries in the region; contributing towards mutual trust, understanding and appreciating each other’s problems; promoting active collaboration and mutual assistance in the economic, social, cultural, technical, and scientific fields; strengthening cooperation with other developing countries; strengthening cooperation in international forum on matters relating to common interests; and to

cooperating with other international and regional organizations that are having similar aims and objectives.

Major activities of SAARC: evolution and development:

Creation of the SAARC Integrated Programme of Action (SIPA):

SIPA includes Agriculture and Rural Development; Communications and Transport; Social Development; Environment, Meteorology, and Forestry; Science and Technology; Human Resources Development; and Energy.

SAARC agreements and conventions:

SAARC agreements and conventions among its member states include; Agreement on Establishing the SAARC Food Security Reserve; Regional Convention on Suppression of Terrorism; Regional Convention on Narcotic Drugs and Psychotropic Substances; SAARC Convention on Preventing and Combating Trafficking in Women and Children for Prostitution; SAARC Convention on Regional Arrangements for the Promotion of Child Welfare in South Asia; Coordination of Positions on Multilateral Legal Issues; Agreement for Establishment of South Asian University. SAARC Programs and Activities

Initiation of SAARC programs:

SAARC has initiated different programmes for the purpose of prosperity and economic welfare in the region. These programmes include poverty eradication; agreement on SAARC Preferential Trading Arrangement (SAPTA) and Transition from SAPTA to South Asian Free Trade Agreement (SAFTA); social charter; SAARC Development Fund (SDF); and regional connectivity program.

Establishment of SAARC regional centres:

SAARC has also established different regional centres in order to carry out its functions in the region. These centres include Agricultural Information Centre (Dhaka); Tuberculosis Centre (Kathmandu); Documentation Centre (New Delhi); Meteorological Research Centre (Dhaka); Human Resources Development Centre (Islamabad); Energy Centre (Islamabad); Disaster Management Centre (New Delhi).

Organization of People to People contact programs:

SAARC Organization of P2P contact programmes include SAARC Audio-Visual Exchange (SAVE) Programme; SAARC Documentation Centre (SDC); SAARC Scheme for Promotion of Organized Tourism; SAARC Chairs, Fellowships, and Scholarships Scheme; SAARC Youth Volunteers Programme (SYVOP); SAARC Visa Exemption Scheme; South Asian Festivals; SAARC Consortium of Open and Distance Learning (SACODIL) and SAARC Awards.

SAARC and economic development in the region:

To look at the agenda of SAARC the organization is dealing with a wide range of activities which are mentioned above, but the current study has mainly focussed on the economic development of SAARC in the South Asian region. The following are the main economic achievements of SAARC.

Study on Trade, Manufactures and Services (TMS):

Accelerating economic growth in the region is the Core objective of SAARC Charter. In this regard in order to strengthen cooperation in the core economic area among the members as a result of the study on Trade,

Manufactures, and Services (TMS) in June 1991, and it was recognized that economic cooperation is crucial for the development of South Asia.

Establishment of the Committee on Economic Cooperation (CEC):

In July 1991, regional economic cooperation was institutionalised as a fundamental factor of the SAARC process when the Committee on Economic Cooperation (CEC) was established by the Council of Ministers, comprising of commerce/trade secretaries of member states, in order to pursue the recommendations of TMS. CEC formulates and implement specific measures, policies and programmes to strengthen economic cooperation and trade among south Asian countries. The committee's main objective is to promote trade and economic cooperation in the region.

SAARC Preferential Trade Agreement (SAPTA):

The Agreement on SAFTA was signed by the Council of Ministers SAARC on 11 April 1993 and entered into force on 7 December 1995. The main objective of this agreement was to increase trade and remove trade barriers among member countries.

Four rounds of trade discussions have been conducted so far, covering over 5500 commodities. Each round contributed to an incremental development in the product coverage and the deepening of tariff concessions over the preceding rounds.

The foundation of SAPTA is based on four main principles, such as; overall reciprocity and mutuality of advantages among the members; negotiation of tariff reform on gradual approach, improved and extended in successive

stages through periodic review; recognition of the special needs of the Least Developed Contracting States and agreement on concrete preferential measures in their favour; and inclusion of all products, manufactures and commodities in their raw, semi-processed and processed forms.

South Asian Free Trade Area (SAFTA):

It was decided in the tenth SAARC Summit to set up a Committee of Experts (COE) in order to draft a comprehensive treaty framework on SAFTA, in furtherance of this decision the Agreement on SAFTA was signed in the twelfth SAARC Summit in Islamabad Pakistan in January 2004 and entered into force in January 2006. Under SAFTA negotiations are currently pursued on matters i. e. Sensitive Lists, Rules of Origin, Revenue Loss Compensation Mechanism and Technical Assistance to LDC member states. Trade Liberalization Programme under SAFTA anticipates progressive reduction of custom duties on products from the region, which will be in place by 2016. The Least Developed Member States of SAARC will be extended special and differential treatment under this programme. Article 7 of the SAFTA Agreement provides for a phased tariff liberalization programme (TLP) under which, in two years, NLDCS would bring down tariffs to 20%, while LDCS will bring them down to 30%. Non-LDCS will then bring down tariffs from 20% to 0-5% in 5 years (Sri Lanka 6 years), while LDCS will do so in 8 years. NLDCs will reduce their tariffs for L. D. C. products to 0-5% in 3 years. This TLP covers all tariff lines except those kept in the sensitive list (negative list) by the member states.

Vision of South Asian Economic Union:

The eleventh SAARC Summit in January 2002 provided an enhanced momentum to regional economic cooperation with a view to giving effect to the shared aspirations for a more prosperous region. SAARC leaders agreed to speed up collaboration in the core areas i. e. trade, finance and investment to realise the goal of an integrated South Asian economy in gradual manners. Member states also agreed upon the vision of a phased and planned process, eventually leading to a South Asian Economic Union.

The impacts of SAARC on Pakistan:

SAARC was established for the purpose of promoting economic veracity and collaboration and to ensure social and economic development in South Asia. Attempts have also been made to enhance trade relations with the members of other trading blocs i. e. ASEAN and EU. Over the years, there has been momentous development in the trade relations among SAARC members. The focus has been shifted to get access to the markets of the other members. Methods have also been devised to attract FDI to strengthen economic infrastructures of the SAARC nations. All these initiatives point towards an improvement in the economic relationship among its members. But there are a number of obstacles that have prevented SAARC members from exploiting economic advantages that are provided by SAARC. In spite of living in the neighbourhood, trading activities are limited among its members. The clashes between Pakistan and India are the main obstacle in slowing down the progress in economic development in the region which has prompted South Asian countries for bilateral trade arrangements instead of involving in multilateral agreements. Pakistan has stipulated any progress toward better

trade relations between the two countries with the resolution of Kashmir dispute. Though India has given MFN status to Pakistan in 1995, yet Pakistan has not reciprocated this gesture, and continues to restrict import from India to 1075 items, despite the fact that both countries are the signatories to World Trade Organization (WTO).

In the beginning Pakistan was tentative to join SAARC due to fear of SAARC succumbing to Indian domination. Indeed, if India does take a prominent role in SAARC, it could further fears that India will use SAARC for hegemonic purposes. While the smaller states in South Asia recognize that they will need India's help to facilitate faster economic growth, they are reluctant to work with India, fearing that such cooperation will admit Indian dominance in SAARC.

To look at the impacts of SAARC as a whole on the economic system of Pakistan after its establishment the average of trade of Pakistan with Sri Lanka and Bangladesh has generally been positive. Pakistan's main trade items include textile fabrics and yarn, rice, organic chemicals, leather goods and tea. Similarly, the balance of trade with India has been favourable especially from 1997-99, but on the other hand, Pakistan ran a trade deficit with India after 1999. For example, during the period 1997-99, Pakistan's vegetables and fruit items were significantly in demand from India, because during that phase Pakistan was capable of producing high quality vegetables as compared to other countries such as Bangladesh. However, Pakistan's trade with India was further enhanced post-1999 in the field of textile yarn & fabrics, to the \$10.37 million. At that time Pakistan's textile sector was blooming at with enormous speed. The main trade items between Pakistan

and India are textile fabrics and yarn, rice, organic chemicals and leather goods. In case of Nepal, Pakistan has always had higher imports than exports.

A study conducted by F. M. Shaikh, in which he has used computable general Equilibrium (CGE) in order to analyse the impacts of trade liberalization of SAFTA on Pakistan indicates that Pakistan would experience the highest welfare gain under the collective policy reform of the SAFTA cum 15 percent harmonized external tariffs while the SAFTA on its own gives the second highest welfare gains. It is further stated that SAFTA allows the participating countries to reach larger economies of scale in production, achieve specialization, boost competitiveness and diversify their export basket, consequently assisting domestic economic reform. Therefore, harmonious economic policies among neighbouring countries must receive higher priority in the policy making process.

Keeping all these factors in mind it would be right to say that SAAC has contributed positively in developing Pakistan's economy and has played active role in reducing the existing gap and eliminating other barriers between India and Pakistan and the rest of the members, but for progressing towards complete economic integration it is very important to remove all the existing discrepancies among its members.

Conclusion: