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REVIEW: A divided South Asia

Reviewed by Ashfak Bokhari

South Asian countries started liberalising their economies unilaterally, or on the dictates of the IMF and World Bank, in the concluding decades of the 20th century. Sri Lanka was the first to go liberal in 1977. Pakistan embarked on the process in 1982, Bangladesh in the mid-1980s and India in a sporadic manner in the 1980s but in a full-fledged manner by the second half of 1991.

Foreign trade was an important feature of this programme. As a result, average tariffs began declining in all these countries. During the last 15 years most of the economies of South Asia have become more open.

All the countries in the subcontinent, except Bhutan, are members of the World Trade Organisation (WTO) which was formed in 1984 as a successor to the General Agreement on Trade and Tariff (GATT) at the culmination of the Uruguay Round consultative process. Bhutan has only recently begun its accession to the WTO and will become a member in due time. As this multilateral trading body began functioning it tilted more in favour of the developed countries at the expense of the interests of the developing and poor countries, although its functioning is perceived or claimed to be democratic and its dispute resolution mechanism quite fair.

As a result, the WTO has, over the years, become a battleground of conflicting interests among various continents, regions and groups. The principal reason is WTO's failure to implement the Doha Development Agenda adopted in 2001 at a ministerial conference in Doha in which the rich countries made several commitments to help the poor and

developing countries and remove distortions in the existing trade system which are detrimental to sustenance to their economies.

These commitments remain unfulfilled even after a lapse of six years and the developed countries' arrogance and callousness has been responsible for the failure of the later biennial conferences of the WTO. And so the organisation continues to suffer from an impasse on various issues and has utterly failed to make headway in key sectors.

Under the circumstances, it is the regional groupings, not individual member states, which have assumed primary importance and are playing a significant role in determining the prospects and direction of the WTO. And some of the groupings have joined hands to fight for a fair trading system and resist the western countries' exploitation of their economies, resources and trade potential.

South Asia lacks a regional grouping and hence is unable to protect its common interests, which is also the theme of this book. Each chapter discusses a country's economic strength and its position in the WTO. There are separate chapters on India, Pakistan, Sri Lanka, Bangladesh, the Maldives and Bhutan. In the concluding chapter a possible collective South Asian position is discussed that could be employed in future WTO negotiations. In fact, these chapters are papers that were read out at an international conference held in Colombo between May 18 and 19, 2006 under the auspices of the Institute of Policy Studies, Sri Lanka. The book will be of interest to academics, policy-makers and students of development economics.

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It is interesting to note that the countries in South Asia were able to negotiate and form the South Asian Association for Regional Cooperation (Saarc) in 1985 but unable to collaborate during the Uruguay Round (1986 to 1993) talks for the formation of the WTO. For a number of years, the task of forming a common position in the WTO was not considered at all, nor given any importance. The Saarc meetings also ignored this matter.

Muchkund Dubey's essay on this aspect is quite thought-provoking. According to him, a major obstacle in forging a common stand for South Asia on WTO issues is the continuing political tension and mistrust between countries of the region, particularly India and Pakistan. And it is for this reason too, that one finds Saarc a victim of slow

progress and that trade within its member countries is not accelerating. Political differences between the traditional foes have persisted for long and have often led to a breakdown in negotiations when an agreement looked imminent.

Another obstacle is the pressure exerted by the developed countries, the US in particular, on certain South Asian countries with a view to prevent them from acting together against their vital interests in the WTO. They have, of late, adopted the tactics of both offering 'preferential' free trade agreements to such countries with a promise of easy access to their markets, as well as holding out threats of withdrawing concessions not bound under the WTO. Both the US and EU have systematically been resorting to such tactics.

Then, many Indian policy-makers are of the view that since India is on the verge of graduating to the status of a developed country, it has no interest in, nor does it need, a common position with other countries of South Asia. What it needs is the formation of issue-based coalitions with countries like China, Brazil, Malaysia and South Africa. This is seen as the over-ambitious attitude of a section of Indian bureaucracy.

The fact remains that if judged in terms of basic indicators of socio-economic development, India is hardly better off than other South Asian countries. Sri Lanka and the Maldives have a much higher per capita GDP than India. And till recently, Pakistan's per capita GDP has also been higher than that of India. Sri Lanka is much ahead in terms of important social indicators and Bangladesh's performance in literacy, population control and health has been better than India's.

At no ministerial conference of the WTO has South Asia been able to forge a common position. At Cancun, venue of the fifth moot, they decided to break apart and be part of other coalitions. India and Pakistan joined what came to be known as G-20; Bangladesh, Bhutan, Nepal and the Maldives joined the LDCs (least developing countries). Sri Lanka decided to do it alone and began supporting the US in the WTO.

South Asia in the WTO

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