

REGIONAL COOPERATION IN SOUTH ASIA

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“Free Enterprise was born with man
and shall survive as long as man
survives.”

—A. D. Shroff

1899-1965

Founder-President
Forum of Free Enterprise

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By

H. T. PAREKH

Mr. A. D. Shroff was my Guru. To get the chance to put flowers at the feet of the Guru is for me an act of obeisance. A. D. Shroff was a financial expert, an economist, a business leader and above all a forceful and unusually courageous public man, a characteristic which academicians and businessmen ordinarily do not possess. The policies he advocated of greater economic freedom and fewer economic controls and less regimentation stand vindicated and have greater relevance today.

In 30 years since Independence and partition, India has made tremendous progress in many fields. At the same time, the problems before the country today are more formidable than ever before. These three decades have seen the unfolding of both our strength and our weakness, our victories and our failures as a people, as a nation.

This text is based on the A. D. Shroff Memorial Lecture delivered by Mr. H. T. Parekh in Bombay on 23rd October 1981. The author is a former Chairman of Industrial Credit and Investment Corporation of India Ltd., and has made a special study of South Asian Regional Cooperation.

As a people, as a nation, where do we go from here?

In the perspective of history where does India stand today, after all the developments of the past thirty years? Leaving aside the big powers, India ranks high in the comity of nations. As an industrial nation, India stands among the first ten, even though in terms of *per capita* income she is among the lowest. India is considered the fourth largest military establishment in the world. On the world political map, India's standing and stature are fairly high. Among the third world countries India has acquired a special position, as a result of the developments and happenings of the recent past. The internal political stability which India has enjoyed is almost unique among the developing nations. Political leadership which India has had since independence has been distinct, even outstanding.

For so vast a population as ours, it is no mean achievement to have been able to establish on a firm basis a well functioning democracy which has stood the test of time. In our daily frustrations and moments of despair, we are apt to lose sight of these basic achievements or to under-estimate their value and impact.

While India's standing in the international sphere may be high, ironically, she has not risen in stature in the eyes of her immediate neighbours. Unfortunately, the climate of good neighbourliness and friendliness has failed to grow between the neighbour-

ing countries of Pakistan, Bangladesh, Sri Lanka and Nepal in spite of their geographical contiguity, historical ties, cultural and linguistic affinities, and their common struggle against poverty. These neighbouring countries remain strangers to one another, aloof, estranged, suspicious, fearful—all that neighbours should not be.

It is my firm conviction that regional co-operation in South Asia is a matter of compulsion for India, as also for her neighbours. This matter deserves our highest priority. It offers an effective alternative policy to competitive military build up in this region and the catastrophe towards which this will inevitably lead. Our nearest neighbours, who should be our supporters and friends, should not be allowed to be our adversaries. While a good deal of responsibility for our strained relations may rest on our neighbours, that should not deter us from pursuing an imaginative and constructive policy towards them with a view to winning them over in the long term interests of the entire region. We should even be willing and ready to give more than to receive from our neighbours to prove our *bona fides* towards them. The countries of the region should act in unison on the basis of strict equality and on the basis of unanimity of decision. If India would move on this basis, other countries would see the wisdom of joining us sooner or later. Only by this means can mutual confidence be established, even if this may result in slower pace of progress.

The region of South Asia, comprising of the five countries I have mentioned is a compact area, whose people are bound together for ages ethnically, socially, linguistically, religiously, culturally and politically. Their sovereign status today cannot snap their historical ties nor hide the fact that by means of closer economic understanding all would benefit. There is a certain physical naturalness to this region which in our present shortsightedness, we are failing to appreciate and failing to exploit to our best advantage. The British rule separated us but the English language has helped us in our common thinking and a common political heritage.

Indo-Pakistan history is only thirty years old. While the earlier period was one of strife, tension and armed confrontation, the last ten years since the separation of Bangladesh from Pakistan have been years of relative peaceful co-existence and a slow return to normalcy in the fields of communications, cultural relations and in trade and industry with both our neighbours. With the other two neighbours of Sri Lanka and Nepal, India's relations have continued to be correct but cool, distant and aloof, not warranted by geographical contiguity, long historical association and the nature of their economy.

In the matter of relative armed preparedness the issue has become live with Pakistan only recently; with the other three countries, fortunately, the relationship has been free from it. Even with Pakistan, since the Simla Agreement, there can be no justification for armed postures.

The Simla Agreement of 1972 with Pakistan and Indo-Bangladesh Treaty of 1972 with Bangladesh are in the nature of treaties which commit all the three countries to respect each other's independent existence, to settle their differences by peaceful means and to total co-operation in the spirit of neighbourliness in all fields of communication, science, technology, arts, culture, trade and industry in the common interests of the well-being of their people.

Nearly a decade has passed since these pacts were signed during which these countries have by and large lived in peaceful co-existence and a return to normalcy is taking place though rather slowly. Mr. Morarji Desai, as the Prime Minister under the Janata Government, did try to hasten the pace, with some success to his credit. A major sports event such as the revival of the cricket match between the two countries, with the facility of live telecast, proved in a remarkable manner, the existence of a mutually friendly spirit among the people of the two countries. The visits of musicians, artists, writers and scientists are continuing steadily and helping create much goodwill.

Above all, the official visit of Mr. P. V. Narasimha Rao, India's very able Minister for External Affairs, a few months ago followed by a joint announcement that each country has the right to determine its defence requirements and that Pakistan and India consult each other regularly on their individual military strength. This development should mark a

new chapter in Indo-Pak relations, though the importance of this development has not received proper publicity and public appreciation. Unfortunately it was over-shadowed by the subsequent news of the arms deal between Pakistan and USA.

In 1980, Bangladesh and India entered into two-year cultural agreement and a three-year trade accord. Even a working formula for the establishment of a rail link and railway transit was arrived at. Under the regime of President Zia-ur Rehman in Bangladesh, he even stressed the need for greater economic co-operation among countries of South Asia, and a joint meeting of officials had also taken place. We may hope that that policy will progress under the new government in Bangladesh.

The formal relationship between Nepal and India is by means of a Treaty of Friendship and Trade. The movement of people between the two countries is free and unrestricted. No passport and visa are necessary. Nepal being land-locked, imports from India of goods and services and exports from Nepal into India are free. In that sense, there is Customs Union between the two countries. Imports into Nepal from foreign countries are governed by the treaty of friendship. The export of capital from India is not subject to exchange control. Some regulations are in force in respect of exports from Nepal to prevent malpractices or infringement of export-import rules in force in India. This treaty provides a model which can well be the starting point or basis for

common arrangement among all the neighbouring countries of South Asia.

With Sri Lanka our relations have become normal since 1964 when a settlement was arrived at in regard to stateless emigrant Indian population and their repatriation. However, though our relationship with Sri Lanka has been friendly, it continues to be rather cool and lacking in any effort to establish closer economic ties and any active policy to encourage large-scale trade and tourism which can be mutually beneficial.

It is true that Burma can also legitimately form a part of this region but the Burmese policy has remained one of aloofness and political isolation and therefore she is unapproachable for the time being, though she can well be a member of South Asia Community when she chooses to do so.

Malaysia and Singapore have traditionally formed part of South-East Asia and, therefore, may be regarded as such for our present purposes, though in the long run they too can well be members of the South Asia region if they wish to.

How to accelerate this slow progress of normalisation among the three large countries in particular and among the five countries of South Asia in general? I would like to discuss this subject under the headings of (1) Communication and Tourism, (2) Social and Cultural Exchanges, (3) Trade, Industry and Finance.

Rail, sea and air communication are the links by which movement of goods and people has increased tremendously all over the world, but no commensurate progress in that direction has taken place in South Asia. We have as yet not utilised the mass media of radio, television, cinema, and the satellite to accelerate the progress of normalisation. Newspapers, journals and books add greatly to the points of contact and understanding among the people but here again we have made little progress. The use of these means is far too limited although their wide use has the potential of breaking down the walls which divide us. Languages like Urdu, Hindi, Bengali and Tamil fortunately provide us common links through which much progress is possible.

Socially, families have been separated between Pakistan and India and between Bangladesh and India. Easy travel facilities by free issue of visas for social, business and pleasure travels can transform the relationship between peoples of this region. Tourism, with the help of transport authorities and travel agencies, both governmental and non-governmental, can play a very useful part in bringing people together.

If countries of Europe can work arrangements which enable people to move from one country to another with ease, we in South Asia can do the same to our common advantage. All the countries of South Asia are seeking to promote tourism by attracting people from outside this region, not caring to developing intra-regional tourism which has great

potential. All over the world, a good deal of tourism takes place between contiguous countries as in Europe and elsewhere. India has not been able to attract tourists from the neighbouring countries. The neighbouring countries can benefit much if tourists from India can visit them in large numbers. By providing incentives in travel and hotel charges, with the subsidy being borne initially by Government, India would be able to give a lead which hopefully others would follow. People have a sentimental attachment to the place from where they originally came and would like to bring their families to visit their place of birth. This also applies to people now living in India who originally came from the Punjab, Sind and East Bengal. With the initiatives by India and with the co-operation of all agencies concerned, the first moves to create a proper climate for easy movement of people within the region can be made. Already issuance of visas in 1980 more than doubled compared to 1979 and air and road links earlier closed have been opened. Such facts need to be highlighted and people encouraged to travel bothways in South Asia.

In the field of literature, music, painting, dance, etc., South Asia can claim a common ethos and culture, whether derived originally on Islamic or Hindu influence. The blending of different religions have left a rich tradition which have bound the people together with a common legacy. The people of this region can evolve their own culture on already existing firm foundation. Artists in different fields

need to take initiatives in promoting a two-way traffic without waiting for moves from Government. Sports offers another avenue where common programmes in South Asia can create a great deal of awareness and interest among the people of this region. Education, particularly higher scientific and technical education and the offer to provide training facilities to students from neighbouring countries by means of scholarships on a liberal basis would be very much appreciated by them. Likewise, a large number of training institutions specialising in finance, management technology, science would do well to attract students from these countries on concessional terms. Today many students from the African countries come to Indian Universities but so far our available training facilities are not much used by our neighbours.

Trade, Industry, and Banking offer areas in which institutions in these countries can get to know each other better by meeting regularly to be able to evolve a common understanding for mutual help. Regular annual meetings of professionals engaged in banking, insurance, shipping, and of doctors, accountants, of trade and industry through their representative associations can be organised with locations changing from country to country. Here again, much can be gained if India were to make the first moves and invite representatives from these countries to such meetings.

The economies of the countries of South Asia are in many ways complementary, though in some direc-

tions also competitive. However, by and large, they support each other for the region as a whole. India has coal which all the other countries need and India can meet their requirements. India has become a large producer of capital goods, traditional as well as modern sophisticated equipment, in a wide range of industries. She also has built up skilled personnel to produce and operate high technology equipment, including in the fields of atomic and space research. The neighbouring countries can benefit from this situation as otherwise they will need to import equipment and skills from developed countries far more expensively. India can offer to train people from the neighbouring countries in whatever skills she has acquired.

Undoubtedly, there would be areas where business interests may clash but such problems are capable of solution if there is the will to do it. While industrialisation must proceed in all these countries, there can be areas where India can supply semi-processed goods from which the other countries can manufacture finished goods having regard to the size of their market. In the field of agriculture there is immense scope of co-operation to improve productivity.

All this however would need intensive joint studies among government and non-government agencies of different countries.

Over a period, out of such joint endeavours, a long-term policy can be evolved. Countries of South

Asia can well consider the possibilities of various measures such as of preferential tariffs, customs union, common clearing, monetary co-operation. Tariff preference among the Commonwealth countries is something already tried in the past. Free capital flows for the development of the region should be encouraged to bring about economic prosperity in the interest of the common people; in this India can give a lead. We talk of joint ventures with foreign firms but we should explore this idea even more with our neighbours.

There are indications to suggest that in Pakistan and Bangladesh also fresh thinking is going on in regard to relations with the neighbouring countries. For example, writing in *Pakistan Economist* Mr. N. B. Naqui has pleaded for reconsideration of Pakistan's basic approach towards India.

Today there is lack of any sense of regionalism. What is most needed is to foster the spirit of regionalism among people on a voluntary basis. A people's movement must gather and grow and Governments can then help accelerate the process.

The people of this sub-continent are a community, politically made up of different sovereign states, and yet socially and culturally knit together as one or aspiring to be one. Today this may look a distant dream, perhaps a hopeless one. Nonetheless this region as a whole has a destiny of its own to fulfil.

We should, therefore, examine closely the potentiality of this objective of South Asia as a region. What is first needed is to strive to come together, to know one another better, to break the barriers which divide us, to befriend our neighbours, to help one another, to cease to be strangers. That will make this region politically strong, socially united and economically prosperous. This matter should be considered from the human and moral plane.

The climate of trust and confidence can only be built on the bed-rock of equality of status as between the member countries, disregarding size and numbers. If India can take the first steps this dream is realisable. The other countries would require a great deal of evidence on the part of India to prove her *bona fides*. In any event, this can only be a long-term goal, needing patient and sustained effort. It will also require a country to country approach because success with one will help the effort with the other. A vision such as this thrills me but unless it thrills many all over on this sub-continent, it cannot be realised. People, more than Governments, can turn such dream into a reality, as we know from the European Success Story — enshrined in the Treaty of Rome of 1957 — the dream and life work of that great visionary, Jean Monnet.

The formation of an independent, voluntary, non-political organisation or council of like minded people to promote the goal of South Asia as a region and a community in all the countries of this region would be a step in the right direction.

APPENDIX

Excerpt from

INDO-PAK AGREEMENT (SIMLA) — JULY 1972

I. The Government of India and the Government of Pakistan are resolved that the two countries put an end to the conflict and confrontation that have hitherto marred their relations and work for the promotion of a friendly and harmonious relationship and the establishment of durable peace in the sub-continent, so that both countries may henceforth devote their resources and energies to the pressing task of advancing the welfare of their peoples.

* * *

III. In order progressively to restore and normalise relations between the two countries step by step, it was agreed that:

- (i) Steps shall be taken to resume communications, postal, telegraphic, sea, land including border posts, and air links including over-flights;
- (ii) Appropriate steps shall be taken to promote travel facilities for the nationals of the other country;
- (iii) Trade and co-operation in economic and other agreed fields will be resumed as far as possible;

- (iv) Exchange in the fields of science and culture will be promoted.

In this connection delegations from the two countries will meet from time to time to work out the necessary details.

* * *

Excerpt from
INDO-BANGLADESH TREATY OF CO-OPERATION,
FRIENDSHIP AND PEACE — MARCH 1972

Convinced that in the present-day world international problems can be solved only through co-operation and not through conflict or confrontation;

Reaffirming their determination to follow the aims and principles of the United Nations Charter;

* * *

Article 1

The high contracting parties, inspired by the ideals for which their respective peoples struggled and made sacrifices together, solemnly declare that there shall be lasting peace and friendship between their two countries and their peoples. Each side shall respect the independence, sovereignty and territorial integrity of the other and refrain from interfering in the internal affairs of the other side.

The high contracting parties shall further develop and strengthen the relations of friendship, good neigh-

bourliness and all-round co-operation existing between them, on the basis of the above mentioned principles as well as the principles of equality and mutual benefit.

Article 5

The high contracting parties shall continue to strengthen and widen their mutually advantageous and all-round co-operation in the economic, scientific and technical fields. The two countries shall develop mutual co-operation in the fields of trade, transport and communications between them on the basis of the principles of equality, mutual benefit and the most favoured nation principle.

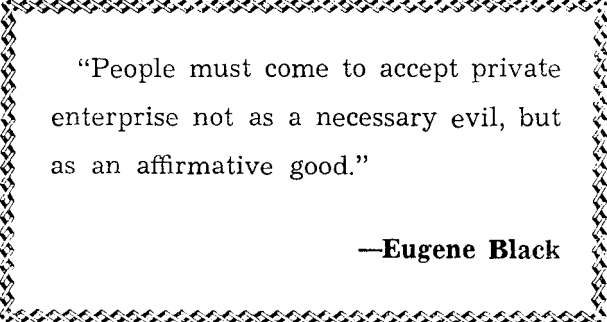
Article 6

The high contracting parties further agree to make joint studies and take joint action in the fields of flood control, river basin development and development of hydro-electric power and irrigation.

Article 7

The high contracting parties shall promote relations in the field of art, literature, education, culture, sports and health.

The views expressed in this booklet are not necessarily the views of the Forum of Free Enterprise.



“People must come to accept private enterprise not as a necessary evil, but as an affirmative good.”

—**Eugene Black**

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The Forum of Free Enterprise is a non-political and non-partisan organisation, started in 1956, to educate public opinion in India on free enterprise and its close relationship with the democratic way of life. The Forum seeks to stimulate public thinking on vital economic problems of the day through booklets and leaflets, meetings, essay competitions, and other means as befit a democratic society.

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