

# Using Trade for Peace and Development in South Asia

**There is no exaggeration in the claim that an increased bilateral trade between India and Pakistan will set a stage for increased regional cooperation, peace and development in the region.**

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Trade as an exchange of goods and services has a significant potential in contributing to increase peoples' choices and well-being. While trade can be a source of cooperation among countries, it can also cause conflict, mostly by raising trade disputes. Many view that the effects of trade-related disputes are negative and they create political and economic crisis, examples of which are the violent conflicts in the shape of two world wars.

In order to reduce the scope of trade disputes and economic conflicts and strengthen cooperation among countries through liberalisation, several initiatives have also been taken. For instance, as a legitimate response to the devastating effects of the world wars and with the objectives of promoting economic cooperation, a rules-based international trading system was formed in 1947, i.e., the General Agreement on Tariffs and Trade (GATT). It served as the only multilateral trading system for trade in goods till 1994 and emerged as the World Trade Organization (WTO) in 1995.

The WTO not only deals with trade in goods but also covers trade in services and intellectual property rights (IPRs). The major objectives of the WTO is to provide its Members a multilateral forum for negotiations in a transparent manner and deal with trade rules to ensure predictability and stability in trade policy making. It also foresees to improve trade practices so as to create an environment for nurturing peace and avoiding violent conflicts amongst its Members.

If we look at the actual and potential economic benefits of increase in trade at the global level, we find that trade could be used as a powerful tool to reap economic benefits and promote economic cooperation. As per WTO estimates, the 1994 Uruguay Round trade deal contributed between US\$ 109 billion and US\$ 510 billion to world income. Similarly, there are estimates showing that cutting trade barriers in agriculture, manufacturing and services by one-third would boost the world economy by US\$ 613 billion — equivalent to adding an economy the size of Canada to the world economy. Specifically, regarding the liberalisation of movement of natural persons (Mode 4) under the WTO's General Agreement on Trade in Services (GATS), a discussion paper prepared by the United Nations Development Programme (UNDP) states that a large number of developing countries would greatly benefit from improved access to services markets for their workers.

If we compare the actual and potential economic benefits of increase in trade at the global level with that of the case of South Asia, the picture which appears necessitates serious deliberations.

A recent report published by the World Bank titled, 'South Asia: Growth and Regional Integration' states that "South Asia is the least integrated region in the world". The report further adds that many of South Asia's competitors have dramatically reduced customs and port clearance times. One manifestation

of being least integrated is that the intra-regional trade in South Asia is less than 2 percent of gross domestic product (GDP). Coming to trade in energy and volume of telephone calls one can see in the report that only India, Bhutan and Nepal currently trade electricity while only 7 percent of international telephone calls are regional. It is worth mentioning that in East Asia, more than 20 percent (of GDP) trade is regional, and more than 71 percent telephone calls originate from the same region. A more startling fact is that the cost of trading across borders in South Asia is one of the highest in the world as South Asia ranks the last among all world regions in terms of road density, rail lines, and mobile tele-density per capita.

However, the report also claims that the high growth, averaging close to 6 percent per year since the 1990s, is creating a new momentum for greater regional integration. The report recommends that enhanced regional cooperation can be an effective tool in addressing energy shortages, improving connectivity, increasing investment, and promoting peace and stability.

It is, however, discouraging that South Asia has not been able to maintain regional integration due to various reasons. Many experts put the burden of South Asia being least integrated on Pakistan and India. They further claim that these are the only two countries in the region, which can either make trade work for peace and development in the region or sabotage the potential of market in-

tegration and regional welfare.

India and Pakistan, indeed, have an erratic history of bilateral relations and perceptions. The relations and perceptions with and about one another keep changing from being at war, near-war, and then more often than not turn around towards efforts for confidence and peace building.

Experts also argue that in many instances, the perceptions of 'state' and 'civil society' differ from each other, particularly on the question of managing the relations between the two countries though the perceptions of 'state' emerge as a defining feature for the working of the foreign and interior offices of both governments. One of the direct consequences of such divergence in perceptions is that not only India and Pakistan but the whole sub-continent are yet to explore the dynamism of 'hidden markets'. Also, the real stakeholders of trade, i.e., producers and consumers of goods (e.g., civil society and businesspersons) have not been part of the mainstream trade related initiatives and evaluations. As a result, the 'push for reforms' to enhance trade between India and Pakistan as a likely precursor to deeper regional integration is perceived to be from the outside and not from within or the bottom. Therefore, it is important to develop a clear and comprehensive framework on the role of 'state' as well as 'civil society' and also constructively harmonise their perceptions.

The current state of affairs also demands that the 'state' and 'civil society' of the sub-continent to look at the 'Beijing Consensus' so that they could develop approaches and guidelines for resolving the bottlenecks in trade relations. Such initiatives would not only increase the potential of better regional integration but would also contribute in bringing welfare and peace dividends in the region.

Particularly, such initiatives should explore practical avenues, which help increase trade between India and Pakistan so that businesspersons as well as consumers could make use of the emerging opportunities of globalisation. This is

one of the preconditions to maintain regional harmony and bring peace dividends for the people of the two countries as well as the sub-continent. Thus, there is no exaggeration in the claim that an increased bilateral trade between India and Pakistan will set a stage for increased regional cooperation, peace and development in the region.

Therefore, the two countries need to focus on two important issues:

- Innovation in approaching the problems for solutions to make trade related reforms as frictionless as possible and most importantly, make the processes knowledge/research-based.
- Focus on human development and institutions while looking beyond economic indicators like changes in per capita GDP and trade to GDP ratio (i.e., focusing more on quality of life, which in terms of human development means SEEP, i.e., sustainability, equity, empowerment, and productivity).

In doing so, both the Pakistani and Indian governments need to involve the civil society organisations (CSOs) and the business community in conducting serious policy action research on institutional arrangements for trade and economic cooperation. During the research, institutional arrangements and mechanisms should be looked into in detail and policy action recommendations need to be prepared for quantitative and qualitative changes in their working, efficiency, and effectiveness. This aspect should cover the 'non-tariff barriers/measures' as well as targeting institutional changes for trade facilitation and related conflict resolution. Thus, the institutional effectiveness aspect must not

Unless India and Pakistan increase trade between them and strengthen trading partnership consumers as well as businesspersons will not be able to capitalise on the emerging opportunities of globalisation

be undermined while making efforts to enhance the cooperation between India and Pakistan and among SAARC nations.

In addition, in policy action research, economic and social cost of non-cooperation must be calculated. Efforts should be made to develop policy action recommendations so that a sense of coordination emerges. Special focus should be made to link the research output with 'peace dividends'.

The ultimate aim of the policy action research output for policy formation and institutional adjustment should be to come up with innovative and knowledge-based (as opposed to ideology based) ideas, solutions and policy actions for both the governments. It would oblige them to recognise the role of CSOs and take civil society perspectives into account while making decisions on trade related matters.

If both the countries start creating institutional harmony with utmost priority, not only they but all the countries of the South Asian region will benefit. It will also enable the region to concentrate wisely on SAFTA and its successful implementation, thus saving the region from putting more than required energy into other irrelevant bilateral and regional trade deals.

To conclude, SAFTA has the potential for achieving peace and development through trade but whether or not the governments of India and Pakistan want to use trade for peace and development is the question. ■

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