



## SAARC: Forging Regional Cooperation

**E**ight nations, vibrant and emerging democracies, growing economies, home to 1.8 billion people and major religions of the world, South Asia has all the makings of a regional dynamo itching for its deserved place in the international pecking order. The idea of regional, political and economic cooperation in South Asia was first mooted in 1980 and the organisation was set up in 1985. As per the SAARC (South Asia Association for Regional Cooperation) Charter, the fundamental objective of the SAARC is to promote the welfare of the peoples in South Asia and to improve their quality of life.

The SAARC Charter stipulates that decisions at all SAARC fora are taken on the basis of unanimity. Bilateral and contentious issues are explicitly excluded from its deliberations and cooperation is based on sovereign equality, territorial integrity, political independence and non-interference in internal affairs. The SAARC aims to channelise the aspirations of the people of South Asia through its multi-faceted institutions, projects and processes in various areas including trade, finance, economic integration, security, environment, education, culture, agriculture, connectivity, science and technology and social development.

Today, the value of India's trade with all the other SAARC members is less than a third of its total trade with China. It is against this background that India plans to forge stronger economic cooperation and increase intra-South Asian trade by removing bottlenecks. India also intends to focus on improving and expanding connectivity, energy cooperation and setting up of a SAARC Bank in the region that would lead to better economic partnership.

This effort is expected go a long way in facilitating regional economic development through financing of infrastructure for trade in goods and services and increased investment in the region. However, a meaningful cooperation can materialise only when there is mutual trust and willingness among member countries to resolve and overcome bilateral differences for the greater good of their people. It would be an understatement to underscore the enormous stakes each country has in harnessing the immense potential of the region.

India, the largest economy and the most populous country in the region, is an idealist as well as a realist in its ongoing efforts to revitalise the SAARC as the preeminent forum of

regional cooperation and integration. As India's growth and development can't be delinked from the state of South Asia, its choices, its conflicts, its hopes and aspirations, India has a major stake in the SAARC's revival. It is notable that India is the only country which shares borders with all the SAARC countries, barring Maldives and Afghanistan.

The implication of this geographical reality is that India has to facilitate the establishment of strong economical linkages with its neighbours. More importantly, India should take initiatives to solve the difficulties, which the partner countries have been experiencing in matters relating to border trade and transit facilities. While preferential trading arrangements like SAPTA (started in 1995) would be mutually beneficial for all the partners, it should be realised that India can also derive a lot of benefits through strengthening bilateral relations.

Currently, India runs a huge \$15 billion trade surplus with other SAARC countries, with exports worth \$17.5 billion and imports of just \$2.5 billion. The idea is to correct this imbalance in a way so that Indian businesses can source more from other SAARC countries and build better value chains. For this, India has to invest more in the region by taking advantage of the arbitrage in wage and electricity rates. From Maldives in the south of India to Bhutan in the north, several SAARC countries are keenly seeking Indian investment and expertise.

India and Nepal have started a new era of cooperation in energy through the signing of multiple agreements in recent times which, when implemented, would generate a great deal of energy for trade between India and Nepal. Similarly with Bhutan, cooperation in hydroelectric power projects is already strong and growing increasingly. There is a Free Trade Agreement with Sri Lanka and a close economic and commercial relationship with the Maldives which India supplies with over 97% of its day-to-day requirements of essential commodities.

Even after 30 years of existence, SAARC members have failed to integrate properly and take advantage of existing opportunities. The main reason for the slow progress of SAARC integration is the huge trust deficit between India and Pakistan. The immediate concern for the success of the SAARC should be to remove the irritants between the two. Apart from tariff rates and market access, trade facilitation measures should be carried out across SAARC for improving trade ties. Also, South Asian countries should abolish non-tariff barriers (NTBs) so that free flow of trade happens unhindered. Cooperation in the area of customs procedures and other regulations would certainly help in expansion of regional trade, investment and supply chain development.

The South Asian Free Trade Area (SAFTA) Agreement signed in 2004, envisages eventual zero customs duty on virtually all products traded within South Asian region. SAFTA has led to a scaling up of intra-regional exports to about US\$ 25 billion in 2016 from US\$ 10 billion in 2006, but experts say this is just the tip of the iceberg. The best is yet to come, and India is expected to proactively join efforts with other countries for actualising the vision of a South Asian Economic Union.

The economic union envisages greater trade liberalisation, development of cross-border trade infrastructure and the removal of non-tariff barriers, which are hindering the free movement of goods and services in the region. Trade under SAFTA accounts for only around 10% of the total regional trade today, as bilateral FTAs offer greater concessions amongst the SAARC countries. India's trade with South Asia accounts for 5% of its global trade. The

SAARC Agreement on Trade in Services (SATIS), which came into force in December 2012, inter alia provides for expanding intra-regional investments and trade liberalisation in the services sector.

The SAARC may have miles to go to achieve the required traction, but in its nearly three-decade journey, it has taken some important steps to cement the architecture of regional cooperation like the setting up of a South Asian University in New Delhi, the SAARC Development Fund in Thimphu, the SAARC Arbitration Council (SARCO) in Islamabad, the SAARC Regional Standards Organisation (SARSO) in Dhaka, a SAARC Food Bank to supplement national efforts in crises and the SAARC Disaster Management Centre for cooperation during natural disasters. These are all laudable steps and only underline the need to conceive of more such initiatives. India's proactive, asymmetrical and non-reciprocal approach to stimulate and sustain these cooperative projects has been a transformative factor in enhancing the effectiveness of the SAARC.

India has called for jointly developing a SAARC satellite that could become a powerful symbol of regional solidarity and a realistic vehicle of providing the much-needed data for averting natural disasters and meteorological data to optimise agriculture potential of individual economies. Initiatives like these show that the SAARC grouping is ready to move into a different orbit, literally as well as metaphorically. It's time to raise the sights, dream big and prove that even the sky is not the limit for regional integration. Leaders should seize this opportunity to usher in a South Asian renaissance and unleash collective prosperity for the 1.8 billion people of the region.

India constituting 70 per cent or more of SAARC's area and population needs to redefine its role to be prepared to go the extra mile in meeting the expectations of all other SAARC members. India must invest in the SAARC as Germany did in the EU, through structural funding for infrastructure. India's internal politics has sometimes played a detrimental role to India's aspirations vis-à-vis the SAARC. Civil Society relations have to be made stronger to generate popular support for the SAARC. This can be done by encouraging freer legal movement of people for economic and cultural reasons and by simplifying immigration procedures.

While India needs to take responsibility for activating the SAARC, other SAARC nations should show their commitment for the same. They should not use the SAARC as anti-India platform, should not internationalise any bilateral issue beyond the SAARC forum and joint hands in promoting free trade. Finally, India must be ready to forge sub-regional groupings within the SAARC to give clear signals to every country that no country could hold veto over the functioning of the SAARC as it has already done.

The long-range goal of creating a seamless economic space in the region can only be achieved by free movement of not just goods, but through the liberalisation of services and the free movement of professionals. Connectivity can't be just physical. Eventually, it's forging connections of mind and heart that matters. India is, therefore, expected to unveil new initiatives and highlight the need for promoting and deepening people-to-people, educational and cultural linkages through suitable Track-II diplomacy.

Harnessing cultural and spiritual energies of the region will complement the larger project of regional integration. South Asia is the cradle of four important religions of the world including Hinduism, Buddhism, Sikhism and Jainism. Its multicultural mosaic includes nearly

half a billion Muslims who live across countries in the region. Some of Sikhism's holiest shrines are in Pakistan. Except for Lumbini in Nepal, the birthplace of Lord Buddha, Buddhism's most important shrines are located in India, and Buddhism links India, Sri Lanka, Nepal and Bhutan.

Besides religion, one can see a literary alchemy binding the region. Nobel-winning Rabindranath Tagore is equally popular in India and Bangladesh. Couplets penned by Urdu poets like Mirza Ghalib and Iqbal are recited with equal fervour across the region. With such a confluence of literary, cultural and religious affinities reinforced by a common impulse for regional economic development, it's more than advisable for the SAARC to come into its own through intensified regional cooperation among its members.

Notwithstanding the SAARC having great potential as a regional forum for multi-faceted cooperation, the same cannot be realised without strong multilateral linkages. Given the asymmetry inherent in the geographical, economic and strategic dimensions of the eight member countries, meaningful cooperation can materialise only when there is mutual trust and willingness among member countries to resolve and overcome bilateral differences and apprehensions for the greater good of their own people.

### Salient Points

- The fundamental objective of the SAARC is to promote the welfare of the peoples in South Asia and to improve their quality of life.
- India plans to forge stronger economic cooperation and increase intra-South Asian trade by removing bottlenecks.
- A meaningful cooperation can materialise only when there is mutual trust and willingness among member countries to resolve and overcome bilateral differences.
- India should take initiatives to solve the difficulties, which the partner countries have been experiencing in matters relating to border trade and transit facilities.
- India runs a huge \$15 billion trade surplus with other SAARC countries, with exports worth \$17.5 billion and imports of just \$2.5 billion.
- India is expected to proactively join efforts with other countries for actualising the vision of a South Asian Economic Union.

### Glossary

**Dynamo:** an energetic person or entity

**Traction:** grip

**Arbitrage:** a market activity in which a security, commodity, currency or other tradable items is bought in one market and sold simultaneously in another in order to profit from price differences between the markets

**Track-II diplomacy:** diplomacy through people-to-people contacts and interactions

**SAPTA:** South Asia Preferential Trade Agreement