

## **Political and Economic Challenge of SAARC**

**Dr. Ishwori prasad kandel**

*Associate professor Central Department of Political science, Tribhuvan University, Nepal*

*Corresponding Author: Dr. Ishwori prasad kandel*

---

### **ABSTRACT**

The level of cooperation among the member countries of SAARC has increased after its formation in 1985. SAARC was founded with the objective to improve living standards of the people, contribute to political, cultural and regional economic growth and to increase cooperation with other region of the world. Realizing the importance of regional cooperation and development, SAARC members have cooperated to establish and initiate various programs and forums for mutual benefit. Agreement on Judicial cooperation on Counter-Terrorism, establishment of Development Funds, Telemedicine Network, SAARC Writers and Literature Foundation, South Asia Women's Centre and South Asia Olympic Council. Other major achievements includes adoption of Social Charter in 2004, establishment of SAARC Arbitration Council in Islamabad in 2005, and establishment of SAARC Energy Center in Islamabad (2006), South Asian Regional Standards Organization (SARSO) was established in Dhaka (2014), SAARC Disaster Management Center was established in Gujarat in Nov 2016. Area of cooperation has been extended from five to eight. The economic ties and integration have not been very strong in SAARC countries.

**KEY WORDS:** contribute, mistrust, independence, collaboration, integration

---

Date of Submission: 13-01-2021

Date of Acceptance: 28-01-2021

---

### **I. INTRODUCTION**

SAARC constitutes one fourth of the world population and comprises three per cent of the world's area. It has huge market for the trade and the human resources to achieve the high economic development. The region is potential for the high level of economic activities for the intraregional trade. Proper implementation of the SAFTA would bring the dramatic change in the economic growth in the region. The political and social differences and the lack of interests towards security and economies ties, the fundamental objectives of SAARC are not being achieved yet. The mistrust between India and Pakistan has resulted the slow economic integration. The two countries are trying to tie up with other regional organization. The research paper emphasizes on the various issues of economic activities and economic integration and also depicts that there is no alternative of SAARC.

### **II. STATEMENT OF PROBLEM AND OBJECT**

It aimed to promote the welfare of the people of South Asia accelerating the economic growth, social progress and cultural development in the region. In order to develop the economy in the region, the SAPTA was signed in 1993 and later was promoted to SAFTA in 2006 to promote intra-regional trade but due to the lack of technical development in some of the member states and the disparity in the economic development level it could not attained a high level of economic integration. Despite its long history, SAARC is still considered as one of the least integrated and insignificant regional organizations. Initially, it was thought that taking advantage of SAARC platform, in due course of time the conflicting environment of South Asia would settle down and socially and economically prosperous region would emerge. Unfortunately, however, this has not happened till date. The general objective of this research is to analyze the provision of regional cooperation arrangement for political and economic development in SAARC.

### **III. RESEARCH METHODOLOGY**

This study will be based on secondary data collected through reviewed books, journals, articles available in internet and library as well as data published by the Government of Nepal. Different literatures related to the subject will be reviewed which will be available in the Central Library. This research will adopt descriptive analytical method based on secondary data.

#### **IV. RESULTS AND DISCUSSION**

##### **(a) Origin of SAARC**

After visualizing the achievement of EU and analyzing the theories of globalism and regionalism, the idea of regional cooperation was necessary. Then evolutionary process of regional cooperation in south Asia termed as SAARC came in action which observed four phases that includes; conception (1977-1980), the meeting of foreign Secretaries (1981-1983) the meeting of foreign ministers (1983-1985), and the summits (1985). The idea of regional cooperation was discussed earlier in different conferences: the Asian Relations conference in New Delhi in April 1947, the Baguio Conference in the Philippines in May 1950, and the Colombo Powers Conference in April 1954 (Baral, 2000, p. 54). Whereas, the first proposal for establishing a framework for regional cooperation in South Asia was made on 2 May 1980 by the then president of Bangladesh Ziaur Rahman. Visualizing the existing human security challenges like poverty, food, water, energy security and economic integration General Ziaur Rahman, then President of Bangladesh, put forth the necessity of the regional forum in South Asia in 1980<sup>1</sup>. SAARC appeared in the world stage in 1985 as an organization of seven South Asian nations: India, Pakistan, Nepal, Bangladesh, Sri Lanka, Maldives and Bhutan. Afghanistan formally became its member during the 14<sup>th</sup> SAARC summit in 2007, whereas Australia, China, the EU, Iran, Japan, Mauritius, Myanmar, South Korea, and the United States were included with Observer status of the organization, thereafter. Several factors seemed to have influenced President Ziaur Rahman's thinking for creating a regional organization in South Asia.

The Charter also emphasized that cooperation should be based on 'respect for the principles of sovereign equality, territorial integrity, political independence, non-interference in internal affairs of other States and mutual benefit (Williams, 2019, p. 87). The member countries are expected to avoid the bilateral and contentious issues and to come into conclusion through unanimous decisions. The institutional mechanism of SAARC has a four tier set up where the functions of various committees are well demarcated. At the top most level there is an annual summit meeting where the head of States come together and discuss the issues. At second, third and fourth tier are the council of ministers, standing committee and technical committee respectively which look after various objects of cooperation of members states. The political and economic ties and integration have not been very strong in SAARC countries. The disparity level of economic growth and the existence of the Tariff barrier is slowing down the economic integration in the region (Sabur, 2004, p.45). SAFTA came into existence in 1985 which was taken as a vital steps to foster the economic activities but economic integration in SAARC countries has not yield the abundant progress in economic activities. The misuse of Tariff can also be taken as the slowing agent in economic ties. The open policy of investment in the region should be welcomed by every member countries. SAARC is established to promote peace and cooperation among its equal partners. Amongst all the 8 member countries, India holds more than 70% of the region and populace. India is the only country which holds the common border with 7 of the countries which is not in case of others. So, as a result of this dominant position, there is a bigger scope that India can play a hegemonic role among the nations (Baral, 2010, p. 264). This insecurity has put a huge amount of negative impact in working of SAARC. Therefore, even after more than three decades of its establishment, it is seen as one of the least integrated regional organization. Due to distrust, member state with complex inter state relation with India and nationalistic political culture among member state the region is yet far away from being a community.

##### **(b) Achievements of SAARC**

Despite various serious challenges, SAARC has been successful in achieving many intangible successes. The level of cooperation among the member countries of SAARC has increased after its formation in 1985. Realizing the importance of regional cooperation and development, SAARC members have cooperated to establish and initiate various programs and forums for mutual benefit which includes South Asian University (New Delhi), SAARC International College (Bangladesh), Agreement on Judicial cooperation on Counter-Terrorism, establishment of Development Funds, Telemedicine Network, SAARC Writers and Literature Foundation, South Asia Women's Centre and South Asia Olympic Council (South Asian Games). Similarly, SAARC Agriculture Centre (SAC) was established in Dhaka in 1988, SAPTA (South Asian Preferential Trade Agreement) was signed in 1993 which was promoted to SAFTA (South Asian Free Trade Agreement) in 2006 to promote intra-regional trade. Other major achievements includes adoption of Social Charter in 2004, establishment of SAARC Arbitration Council in Islamabad in 2005, and establishment of SAARC Energy Center in Islamabad (2006), SARSO was established in Dhaka (2014), SAARC Disaster Management Center was established in Gujrat in Nov 2016. Area of cooperation has been extended from five to eight. Although,

implementation part is lagging, the institutional mechanism for regional cooperation has made progress (Paudel, 2015, p.54).

SAARC decided to work together against terrorism forming a Terrorist Offences Monitoring Desk in 1995 in Colombo to collect, assess, and disseminate information on terrorist activities. After the September 2001 attacks in the U.S. following the United Nations Security Council Resolution (UNSCR) 1373 in 2001, the 1987 convention was updated with an Additional Protocol. In 2008, SAARC signed a Convention on Mutual Legal Assistance in Criminal Matters for investigating and prosecuting crimes linked to terrorism. However, despite all this progress, cooperation on counter-terrorism among SAARC member countries remains largely symbolic.

### © Role of SAARC Countries

The think-tank in the world says that with its growing economy India could become the world's third largest economy in the future. This will definitely affect the economy in the SAARC region increasing import and export of the goods and services. India has successfully diversified its manufactured product base and enhanced its production capabilities. It is attracting foreign investments in key sectors like defense, real estate, railways, and insurance, and progressed towards energy efficiency. The well-formulated "Make In India" campaign has started supporting local manufacturers and attracted multinational corporations and even nations to set up manufacturing facilities in India across different industry and services sectors. Pakistan's economy is slowing down. The legacy of misaligned economic policies, including large fiscal deficits, loose monetary policy, and defense of an overvalued exchange rate, fueled consumption and short-term growth in recent years increased external and public debt (Mathur, 2008, p.32). Structural weaknesses remained largely unaddressed, including a chronically weak tax administration, a difficult business environment and low labor productivity amid a large informal economy. Although raking in the lowest growth rates in 2019, Pakistan trying to benefit from increased investments from China.

The financial sectors of Bangladesh are the second largest in the Indian Subcontinent. The top export of Bangladesh is Non-knit Men's suit, Knit sweaters, Nit T-shirts, Non-Knit Women's suits, Non-Knit men's shirts. In recent years, Bangladesh has emerged as a leading manufacturer of textile products and become a frontrunner in South Asia. In fact, in 2019, Bangladesh had a growth rate of 8%, compared to India's of 5.3%. As the trade deficit decreased, the growth in remittances grew strongly by 9.6% in 2019 to reach a record \$16.4 billion. It has potentiality in the transport service sector. The forecast of an increase in domestic demand, hike in public sector wages, and increased construction activity will bolster its economy in the near term, as well. Other member states of SAARC could think of investing on transport trade service and on textile products. On April 21 2019, multiple terrorist attacks hit churches and high-end hotels in Colombo. While market conditions stabilized quickly following the attacks, high frequency indicators point to a slowdown in economic activity, notably in the tourism sector. The authorities have acted decisively to tighten security measures and provide targeted relief to the tourism sector and the victims of the attacks. In Nepal, the industry continues to advance with increased electricity production, strong consumer demand, as well as efforts in Nepal to continue to recoup the losses from the devastating 2015 earthquake. Nepal faces the challenge of maintaining the recent growth momentum while creating conditions for sustained high and inclusive growth (Muni, 2011, p. 35). Structural reform plans to improve the business climate, strengthen governance and institutions, and enhance access to finance to the underserved population should be swiftly implemented. Measures to enhance the business climate include fostering competition, reducing the regulatory burden for investment and upgrading transportation infrastructure.

In Bhutan, the travel service trade has huge potential which encourages other member states to jump in for the investment. With the country now undergoing its middle-income transition, continuous reforms and prudent policies are needed to contain economic and financial vulnerabilities, diversify the economy and enhance its overall competitiveness to sustain growth, and further improve gross national. The main near-term policy challenge relates to the implementation of the good and services tax. This important initiative has the potential to counteract weaknesses in the domestic revenue base and provide necessary resources to support Bhutan's development. In 2018, real Political uncertainty, security, and regional risks limit the recovery and weigh on the outlook alongside the on-going U.S.-Taliban peace talks. The authorities continue to address fiscal and banking vulnerabilities by mobilizing revenue and strengthening financial sector supervision and enforcement. Substantial medium-term grant financing will be needed to finance development and security needs, facilitate the move toward fiscal sustainability, Structural reform priorities include promoting private sector activity by boosting anti-corruption efforts, accelerating financial sector reforms, and strengthening the business climate. Thus environment could help other member states to attract for huge investment. Maldives' external risk of debt distress continues to be rated as "high". Policy priorities should be to reduce fiscal and external deficits and public debt, build adequate foreign exchange reserves, develop the financial sector, and enhance longer-term growth potential through structural reforms. Thus the SAARC countries have various

trades potential. Because of COVID 19 crisis economic growth was slowed down but now some of the member states economy is recovering rapidly.

**(c) Future of SAARC**

South Asian region has been weighed down with numerous other frictions between the member- states which have resulted in fractious relationship between the member states. Both India and Pakistan remain divided on the issue concerning the precedence of economic integration and conflict resolution (Muni, 2011, p. 65). Pakistan holds the view that political disputes should take precedence over economic integration and has also voiced for the amendment. India on the other hand, favors the priority of economic integration over bilateral issues. The cancellation of the 19th SAARC summit in Pakistan marks a major turning point in the geopolitical situation in South Asia as both India and Pakistan have been looking for alternatives to SAARC to further their interests in South Asia and beyond. India views that though there cannot be any SAARC initiative without Pakistan, it is Pakistan which does not allow significant SAARC efforts initiated by India to proceed. India claims that Pakistan opposes any degree of regional integration under the title of SAARC, manifested by Pakistan's pulling out of SAARC satellite project and connectivity initiatives. It is for this reason to segregate Pakistan that India has BIMSTEC demonstrates its adamant stance in moving forward in pursuance of its neighborhood recently been focusing its attention in Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (Jinping, 2014, p.23). which includes India's northern, southern and eastern neighbors, who are also members of SAARC. Furthermore, India's keenness to strengthen neighborhood first policy outside the framework of SAARC is isolating Pakistan. Similarly, The South Asia Sub-regional Economic Cooperation program is likely to get an immense thrust from India as Pakistan, along with Afghanistan, is not a member. India's such inclination towards sub- regional initiatives like BBIN, BIMSTEC and SASEC is likely to further render SAARC irrelevant, negating its importance as a firm regional organization. Pakistan, on the other hand, has been advocating for the creation of greater South Asian economic alliance to include China, Iran and neighboring Central Asian Countries. It is obvious that Pakistan considers the CPEC as the key economic route linking to south and Central Asia. Pakistan is also optimistic regarding China's role in persuading Central Asian Republics and Iran to join the new arrangement ( Hughes, 2016, p.34). Most of the countries especially Nepal, Bangladesh and Pakistan seek China as a member of SAARC which may create conducive environment to address pending security issues among member states counter balancing India. But, India's reservation to admit China from its observer status to a full member has been a hurdle for opportunity to enhance SAARC. Unless and until pending security issues are addressed properly, SAARC seems to be lagging behind due to lack of trust among the member states. Therefore, India and Pakistan should come together to boost the regional integration putting aside their history long conflict, otherwise SAARC will continue to be in grave dilemma (Shah, 2018, p.76),

South Asia as a region has a shared destiny. But due to external influence and post-colonial legacy, prevalent mistrust and environment of suspicion in the region among member states, this region is still far from being integrated even after the formation of SAARC for more than three decades ago (Dash, 2008, p.65). SAARC was established with eight objectives as stated in the charter as follows: to promote the welfare of the people of South Asia and to improve their quality of life; to accelerate economic growth, social progress and cultural development in the region and to provide all individuals the opportunity to live in dignity and to realize their full potential; to promote and strengthen collective self-reliance among the countries of South Asia; to contribute to mutual trust, understanding and appreciation of one another's problems; to promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields; to strengthen cooperation with other developing countries; to strengthen cooperation among themselves in international forums on matters of common interests; and to cooperate with international and regional organizations with similar aims and purposes. Analyzing the objectives and duration of its existence (more than three decades of its establishment), SAARC has progressed minimal in almost all the areas of cooperation stated in objectives. Although, SAARC has been successful in establishing various regional institutions to carry out important regional programs like: creation of a regional food security reserve, cooperation in the area of meteorology, health, agriculture, poverty reduction, environment, forestry, transport, communications, biotechnology, these have remained more in theory than in practice (Acharya, 2019, p.54). Implementation part being poor, real integration is relatively very pitiable compared to other regional organizations like EU, ASEAN and SCO. Although, most of the programs and achievements are reflected in paper, still lots of efforts are needed to make it happen in practice. Convention on Suppression of Terrorism has not been effective as India and Pakistan have been unsuccessful to control the movements of terrorist across their borders. Similarly, SAARC food security reserve could not be materialized when Bangladesh was hit by natural disaster in 1991. These are few examples of ineffective implementation of agreements amongst the many that exists.

India being the regional power is not putting enough honest effort to resolve conflicting issues to build confidence and trust among member states. Although India wants to segregate Pakistan using various regional

or sub-regional platforms, the reality of Pakistan being SAARC member state will not change and Pakistan cannot be removed from the region. Therefore, alternative to SAARC is not feasible and practical (Bayle's, 2017, p.44). Instead a high level of understanding and mutual cooperation in the field of trade and commerce are required to be developed in order to see the economically prosperous and brightened SAARC. So in order to establish a high level of trade and economic cooperation the Tariff barrier which slowed the integration of economics should be removed. The disparity in the level of political and economic development of SAARC countries should be taken in consideration and effort to develop high level of growth rate in order of market creation for goods and services should be adopted.

## V. CONCLUSION AND RECOMMENDATIONS

Regionalism is equally vital for management of interdependence. In addition, for economic, security, social, and political interaction and cooperation, regional integration functions as an effective platform. It also plays significant role to deal with other regional powers in advantage of its own region. Strong regional integration can assure peace and security to member states and enhance regional negotiation capacity in the multilateral system achieving high level of economic growth in the region (Donnelly, 1999, p.65). Hence bilateral and contentious issues were excluded from its charter. Instead of establishing or giving priorities to extra-regional or sub-regional organizations to isolate Pakistan, India being regional power, should realize its responsibility and keep its effort to improve its conflicting relations with majority of member states of SAARC such as Pakistan, Nepal, Bangladesh, Sri Lanka and Maldives to bring all the countries of this region together to enjoy security and economic integration in reality. Similarly, Pakistan should accept India as regional power and move forward to work together to create secure and peaceful environment in South Asia. In addition, India in South Asia should play leading role as Germany and France have been doing in the EU. Other countries also need to compromise their interest for regional community and integration. There must be mutual trust and conducive environment for all countries to sacrifice their interest for economic integration. The realization of durable peace and the future of economic integration through SAARC depend upon the ability and interest of South Asian leaders especially of India and Pakistan. The only way to resolve long-standing differences is possible through peaceful negotiation which will help to make SAARC integrated and effective and will ultimately make South Asia stable, peaceful and prosperous. SAARC charter should be amended to address contentious political and bilateral issues. Similarly, provision of unanimous decision making process should be replaced by majority voting system in the charter for effective and practical decision making process. Security based integration should be given priority like in other successful regional organizations such as EU, ASEAN and SCO, which proved to be effective for regional integration

## REFERENCES:

- [1]. Acharya, Madhu Raman (2019), Nepal World View, Volume I: Foreign Policy. New Delhi : Adroit Publisher.
- [2]. Hughes, Lindsay (2016), India-Nepal Relations: From Dominance to Equality. Australia: Future Directions International.
- [3]. Jinping, Xi (2014), . The Governance of China. Beijing: Foreign Languages Press.
- [4]. Muni, S.D. (2011), The Emerging Dimensions of SAARC. New Delhi: Cambridge University.
- [5]. Mathur, Surabhi Sinha (2008), .A Brief History of South Asian Association for Regional Cooperation (SAARC). Mumbai: Vikas Adhyan Kendra.
- [6]. Bayle's, John, Smith (2017), The Globalization of world politics: An introduction to international relations. Brittan: Oxford University Press.
- [7]. Baral, Lok Raj (2000), The Regional Paradox. New Delhi: Adroit Publisher.
- [8]. Baral, Lok Raj. (2010), The Emerging Dimension of SAARC: Role of SAARC Observers. New Delhi: Cambridge University Press, p. 264.
- [9]. Dash, C. Kishore. (2008), Regionalism in South Asia: Negotiating cooperation, institutional structures. New York: Routeledge.
- [10]. Donnelly, Jack. (1999). Rights, Democracy, and Development; Human Rights Quarterly, New York: Routeledge.
- [11]. Paudel, Narrotam (2015), Role of SAARC for Countering Terrorism in South Asia. Kathmandu: Army Command and Staff College.
- [12]. Sabur, A.K (2004), Regional Cooperation in South Asia: Problems of Conflict Management, India : Adroit Publisher.
- [13]. Shah, Dipesh (2018), Future of SAARC. Kathmandu: Army War College.
- [14]. **Williams, Tiffany (2019)**, Human dignity and rights need to be front and centre in this effort, not an afterthought, France: Council of Europe.