



## SAARC

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# 1 Historical Background

The idea of co-operation in South Asia was discussed in at least three conferences: the Asian Relations Conference held in New Delhi on April 1947, the Baguio Conference in the Philippines on May 1950 and the Colombo Powers Conference held in Sri Lanka in April 1954.

Then in 1983, **the international conference held by Indian Minister of External Affairs P.V. Narasimha Rao in New Delhi**, the foreign ministers of the **inner seven countries adopted the Declaration on South Asian Association Regional Cooperation (SAARC)** and formally launched the Integrated Programme of Action (IPA) initially **in five agreed areas of cooperation** namely-

- Agriculture,
- Rural Development,
- Telecommunications,
- Meteorology,
- Health and Population Activities.

Officially, the union was **established in Dhaka with Kathmandu being union's secretariat-general**. **The first SAARC summit was held in Dhaka on 7–8 December 1985** and hosted by the President of Bangladesh Hussain Ershad. The declaration signed by King of Bhutan Jigme Singye, President of Pakistan Zia-ul-Haq, Prime Minister of India Rajiv Gandhi, King of Nepal Birendra Shah, President of Sri Lanka JR Jayewardene, and President of Maldives Maumoon Gayoom.

## Member Countries:



## Observer Countries:

States with observer status include **Australia, China, the European Union, Iran, Japan, Mauritius, Myanmar, South Korea and the United States**.

# 2 Objectives

The objectives of the association as defined in the SAARC Charter are:

- To promote and strengthen collective self-reliance among the countries of South Asia,
- To contribute to develop mutual trust, understanding and appreciation of one another's problem,

- 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 interest,
- To cooperate with international and regional organizations with similar aims and purposes.

### 3 Significance

**The South Asian Association for Regional Cooperation (SAARC) is an economic and geopolitical organisation of eight countries that are primarily located in South Asia or the Indian subcontinent. The combined economy of SAARC is the 3rd largest in the world in the terms of GDP(PPP) after the United States and China and 5th largest in the terms of nominal GDP. SAARC nations comprise 3% of the world's area and contain 21% (around 1.7 billion) of the world's total population and around 9.12% of Global economy as of 2015.**

The SAARC policies aim to promote welfare economics, collective self-reliance among the countries of South Asia, and to accelerate socio-cultural development in the region. The SAARC has developed external relations by establishing permanent diplomatic relations with the EU, the UN (as an observer), and other multilateral entities. The official meetings of the leaders of each nation are held annually whilst the foreign ministers meet twice annually. **The 18th SAARC Summit was held in Kathmandu from 26–27 November 2014.**

#### India's standing:

India being the world's 3rd & 7th largest Economy of world in GPP(PPP) & GDP(Nominal) terms respectively as well as world's fastest growing major Economy, plays an important role in functioning of SAARC. **India makes up over 70% of the area and population among these eight nations.**

### 4 Journey so far

- **SAARC Visa Exemption Scheme-** the SAARC Visa Exemption Scheme was launched in 1992. The leaders at the Fourth Summit (Islamabad, 29-31 December 1988), while realizing the importance of having people to people contacts, among the peoples of SARC countries, decided that certain categories of dignitaries should be entitled to a Special Travel document, which would exempt them from visas within the region. As directed by the Summit, the Council of Ministers regularly kept under review the list of entitled categories. Currently, **the list included 24 categories** of entitled persons, which include Dignitaries, Judges of higher courts, Parliamentarians, Senior Officials, Businessmen, Journalists, and Sportsmen etc.
- **SAARC Disaster Management Centre-** SAARC Disaster Management Centre (SDMC) was set up in October 2006 at the premises of National Institute of Disaster Management in New Delhi. **The Centre has the mandate to serve eight Member Countries of South Asia Association of Regional Cooperation (SAARC) - Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka - by providing policy advice and facilitating capacity building services including strategic learning, research, training, system development and exchange of information for effective disaster risk reduction and management in South Asia.**

The Centre is a sleek body of professionals working on various dimensions of disaster risk reduction and management in South Asia. The Centre is networking through the National Focal Points of the Member Countries with the various Ministries, Departments and Scientific, Technical, Research and Academic institutions within and outside the Government working on various aspects of disaster risk reduction and management.

- **SAARC Chamber of Commerce & Industry-** Established in 1985, SAARC had hitherto avoided including core economic issues in its programme, but in the wake of the desire for a SAARC Chamber of Commerce and Industry, the SAARC Secretariat commissioned a study on Trade, Manufactures and Services in 1988. The study was completed in 1991 and strongly supported to establish a SAARC Chamber of Commerce and

Industry to bring about improvement in the business environment disseminate information about potential tradable goods and identify joint ventures in the SAARC region. The objectives of the "SAARC Chamber" includes **to encourage Trade, Service, Industry, Small & Medium Enterprise, Agriculture, Intra-Regional through creating strong business linkages amongst the entrepreneurs of the region of South Asia.**

- **South Asian Free Trade Area-** The Tenth SAARC Summit (Colombo, July 1998) decided **to set up a Committee of Experts (COE) to draft a comprehensive treaty framework** for creating a free trade area within the region, **taking into consideration the asymmetries in development within the region and bearing in mind the need to fix realistic and achievable targets.** The SAFTA Agreement was signed on 6 January 2004 during Twelfth SAARC Summit held in Islamabad, Pakistan. **The Agreement entered into force on 1 January 2006,** and the Trade Liberalisation Programme commenced from 1 July 2006. Under this agreement, **SAARC members will bring their duties down to 20 per cent by 2009.** In 2012, the SAARC exports increased substantially to **US\$354.6 billion from US\$206.7 billion in 2009.** Imports too increased from **US\$330 billion to US\$602 billion over the same period.** But the intra-SAARC trade amounts to just a little over 1% of SAARC's GDP.

## 5 Recent Developments

- **SAARC Satellite-** SAARC Satellite is a proposed communication-cum-meteorology satellite by Indian Space Research Organisation (ISRO) for the SAARC region. Prime Minister of India Mr. Narendra Modi mooted the idea of a satellite serving the needs of SAARC member nations. In his visit to Nepal in August 2014, Narendra Modi announced developing a satellite to assist India's neighbors.
- **Framework agreement on cooperation in power sector-** During 18<sup>th</sup> SAARC summit, foreign ministers of all the eight countries signed the framework agreement on cooperation in power sector which will ensure electricity trading through grid connectivity.

## 6 Outcome Analysis and Challenges

- Overall, there have been **no major breakthroughs at the summit and no significant move on fighting terrorism** which was presented as a main concern by most of the SAARC leaders, particularly India, Afghanistan, and Nepal.
- Also, there were **no important decisions on flow of investments and financial arrangements to push the economies towards "deeper regional integration",** which was projected as the main theme of the recently held 18<sup>th</sup> summit in Kathmandu.
- However, the summit did set the target of forming a regional economic community in the coming 15 years, but for now, this plan sounds more rhetorical than concrete, just like all the talk about removing poverty, fighting terrorism and speeding connectivity.
- **The Kathmandu Declaration,** which the summit produced, lists a lot of other lofty goals like **developing a "blue economy" (ocean-based economy) for the region,** monitoring cyber-crimes, good governance, reinforcing cultural heritage, universal health coverage, food security, etc. It remains to be seen how effective the actions and implementation on these promises will be.
- **Lack of progress-** The SAARC's activities has been sluggish and irritatingly slow. **In its 30 years of existence, it failed to hold 11 annual summits for political reasons, both at the bilateral and internal levels.**
- **India's Stand-** India has described the 18th summit as a success, at least for its umbrella agreement on **power sharing.** However any hard-headed assessment of the summit may not give much satisfaction to Indian policy makers, particularly for the failure to clinch the key connectivity proposals. India's Prime Minister Narendra Modi has made **"neighbours first" as the cornerstone of his foreign policy.** He invited all the SAARC neighbours to witness his oath taking in New Delhi on May 26. At the Kathmandu summit, PM Modi pitched for **"reinvigorating' and "revitalizing" SAARC.** In his address at the summit, **he encouraged neighbours to join India's economic opportunities and growth. On the issues of trade, transit, visas,**

investments, education, health, communication and space technologies, he promised to help its South Asian neighbors. India also avoided raising any controversial and sensitive issues that may irritate others.

- **Pakistan's Response-** Its reluctance to come on board on the connectivity agreements appears to be a response to India breaking promised bilateral talks. It also signaled its **persisting resistance to India expanding its economic engagement with Afghanistan**. While transportation of goods and passenger by road between India and Afghanistan through Pakistan is opposed by the associations of truck and bus operators in Pakistan for the fear of losing business, the real difficulty arises from strategic calculations of blocking India from emerging as a competitor to Pakistan in Afghanistan.
- **China and SAARC-** Pakistan has been pleading for China's greater role in South Asia. Most of the other smaller South Asian countries are also supportive of elevating China's status from that of an observer, to either a full member or a dialogue partner.

The Kathmandu Declaration accepted that observer countries of SAARC may be engaged in **"demand driven priority areas"**. Almost all of India's neighbours are attracted to China, both for the lure of greater economic resources, as well as strategic potential of keeping India in "balance". China **has also been keen to play a greater role in South Asia**. Its South Asia policy is driven **by a sense of vulnerability in Tibet and Xinjiang, by the growing potential of a 1.6 billion-strong South Asian market, and by its trade and maritime interests in the Indian Ocean**.

Ever since it was admitted in SAARC as an observer in 2006, **China has vastly improved its economic and political engagement with the SAARC countries. At the Kathmandu summit, Chinese Vice Foreign Minister Liu Zhenmin promised a Chinese investment of \$30bn for infrastructure development in South Asia and 10,000 scholarships for young South Asians, as a mark of China commitment to the region.**

- **India's apprehensions:**
  - India is prepared for an intensive economic engagement with China at the bilateral level but is not ready or willing to open its strategic space in the region for Chinese presence and influence.
  - It is not too happy to admit China as a SAARC member or even elevate its observer status in the regional organisation. India is resisting pressure from its SAARC neighbours on China under the argument that SAARC has still to achieve internal cohesion and consolidation.
  - India's unexpressed fears are on two counts. **As a full member, China will get a veto in SAARC affairs as SAARC decisions are taken unanimously. China may therefore block projects that may offer strategic and economic advantage to India.** After all, China did restrain both the Asian Development Bank and lately even Japan, from supporting projects in India's north-eastern state of Arunachal Pradesh. China is also opposing Indian oil exploration projects in what it considers disputed waters off Vietnam in the South China Sea.
  - India is also concerned that even as a dialogue partner, China **could breach SAARC solidarity** if it conflicts with its perceived economic and strategic interests, as it did with ASEAN in 2012. India seems to be gearing to integrate its neighbours even in the face of the Chinese challenge and the Pakistani resistance.

## 7 Way Forward

As South Asians we should focus on developing our South Asian identity: believe in ourselves as a region. Rather than follow the herd mindset of criticizing SAARC for what it has not done, we must value its successes and appreciate the context in which they have been achieved. We need to remember that South Asia is a diverse group of countries and SAARC has to take everyone onboard. The Association has made significant gains. We need to recognize, support and build on them. The best assistance to SAARC would be to remove the gap between professions of collective intent and actual cooperative action.

We need to prioritize regional objectives and streamline them with national priorities. In this context, the Functional Ministries need to be sensitized to the importance of regional cooperation in domain-specific areas.

We need to develop policy approaches that take into account the political and economic complexities of SAARC, in particular the needs and developmental priorities of the less developed countries. The physical and soft connectivity among the SAARC countries needs to be developed and strengthened. Trade integration needs to be expedited through faster implementation of SAFTA.

The success of SAARC institutional arrangements will **rest on identification and pursuit of the core projects which could yield tangible results.** These projects can be easily identified in the area of trade facilitation, removal of barriers, improvement of regional transport, removal of transit restrictions, opening up of port facilities and promotion of trade in energy in a comprehensive way, comprising regional grids for electricity, hydropower, and gas pipelines. Cross-border transactions must be depoliticized and pursued purely on economic terms.

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