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HARSH MAHASETH AND ANIMESH GUPTA | New Delhi | February 11, 2022 1:57 am



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The South Asian Association for Regional Cooperation (SAARC) was established in 1985 with a view to integrating regional cooperation between South Asian countries. Seen as an organization with multi-faceted roles initially, Saarc's image has been constantly questioned.

Further, the impacts of the Covid-19 pandemic have added to the plight of member states. Here, we delve into the trade-related aspects of Saarc and propose areas where it could work to expand its role in international trade. South Asia has been among the least integrated regions of the world for years. The current intra-regional trade across countries in South Asia happens to be just one-third of its capacity.

The estimated gap is of about \$23 billion annually. While the region had shown growth year after year, the shockwaves of Covid-19 shattered this. With economic recovery being irregular, the region is expected to grow at just about 3.4 per cent over 2020-23, which is three percentage points lower than what it was four years before the pandemic.

The latest data of the World Bank (till 2020), represents an all-time low GDP growth of the South Asian region since 1961 with only Bangladesh (2.4) and Pakistan (0.5) having positive growth. The geographical proximity of countries in a bloc such as Saarc can potentially help them stride towards better economic growth and be shielded from fluctuations in the global economy. However, the World Bank, in a report in 2019, recognised the fact that South Asian economies, in general, were more cordial in trade with faraway economies than with their neighbors.

According to the Asian Economic Integration Report 2018, nearly 60 per cent of the trade of Saarc countries depends upon countries outside Asia. This is despite the South Asian Free Trade Area (SAFTA) Agreement being in force since 2006; this had aimed at attaining fully liberalised trade between Saarc member states by 2016. The relative failure of SAFTA can mainly be attributed to para-tariffs imposed by countries on each other in addition to the tariffs agreed upon in the agreement. South Asian countries such as India and Pakistan, owing to their bilateral contentions, always remain on the brink of imposing such additional tariffs on each other.

Saarc and the Association of Southeast Asian Nations (Asean) have often been placed in juxtaposition. According to the World Bank in 2016, the intra-regional trade of South Asia stood at less than 5 per cent while trade of East Asia was more than seven times that of South Asia's. The report recognized that exports of Bangladesh to India could potentially rise by 300 per cent. The principal reason for the drop in trade in South Asia was attributed to the disconnect between member countries which was further ascribed to four grounds: indirect routes to the market, inadequacy of trade agreements between member countries, clogged crossings at the borders and the paucity of infrastructure for transportation.

A conspicuous argument to point out the gap between the achievements of Asean and those of Saarc is the meetings of member countries. While Asean has always ensured regular meetings of member states with the heads of countries meeting at least once in a year, Saarc members had at one point not met for a continuous period of four years. The latest cancellation of the meeting of foreign ministers of SAARC countries was because of the contentious issue of Taliban-led Afghanistan's attendance.

The ideology behind the establishment of ASEAN was to have a conflict-prevention mechanism which would lead to better cooperation between countries by containing violent conflicts within the region and also promoting informal communication between them.

On the other hand, Saarc has devised no ways to resolve conflicts between countries and Article X(2) of its charter explicitly prevents intervention in bilateral disputes. While Asean has proven itself to be in a far better position than Saarc, the Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation ("BIMSTEC") has caught the eyes of the intelligentsia in order to develop a better comparison with Saarc.

Established in 1997 through the Bangkok Declaration, BIMSTEC and Saarc have five common members, Bangladesh, India, Bhutan, Nepal and Sri Lanka. Afghanistan has restricted most of its international trade after the takeover by Taliban. India and Pakistan have for long been at loggerheads in terms of trade agreements. India's trade with Nepal and Bhutan has enjoyed a healthy relationship, especially in the energy sector.

For these and other reason, BIMSTEC could be allowed to prevail over Saarc. However, with the energy requirements of developing (and developed) economies increasing precipitously, renewable energy emerges as the top contender for trade in energy. Given the abundance of renewable natural resources in the South Asian region, Saarc could also contemplate on cross-border energy trade agreements between its members.

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The potential of bilateral agreements has been evident through India's bilateral trade agreements with Sri Lanka and Nepal. Not only did these ease the trade between economies, they also helped remove other impediments as the countries focused on the larger interests of trade. Further, cross-border trade in renewable energy has already been exemplified by India, Nepal and Bhutan. An effort to replicate such bilateral agreements between other member nations of Saarc could potentially result in a paradigm shift in its performance. Moreover, the member states must take into account the imperatives of meeting regularly for the ultimate goals cannot be achieved without cooperation.

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