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## **EXPANSION OF SAARC: IMPLICATIONS FOR SOUTH ASIA**

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### **Abstract**

The inclusion of a new member (Afghanistan) and six observers (China, Japan, Republic of Korea, Iran, the USA and the EU) into SAARC has provided the regional organisation new impetus and dynamism. It has been argued in the paper that this expansion is likely to open up new avenues for cooperation for SAARC nations beyond the geographical boundaries of South Asia. The paper attempts to find out the factors that motivated the countries to be associated with SAARC. It also examines the options and challenges following the expansion of SAARC and its implications for South Asia. In the process of analysis, this paper has adopted the framework of neo-regionalism in order to explain the expansion of this regional association.

**Keywords:** SAARC, SAFTA, Neo-Regionalism, Observer, Regional Trade Agreements.

### **Introduction**

The expansion of South Asian Association for Regional Cooperation (SAARC) is considered as a landmark event in the history of this organisation. The inclusion of Afghanistan as a member and China, Japan, Republic of Korea, Iran, the USA, and the European Union (EU), as observers has certainly added new strength and dynamism to SAARC itself. Consequently, the event has

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ushered in an era of hope for around 1.5 billion people of South Asia. Also regarded as a crucial episode, the expansion, it is hoped, would open up a new door of cooperation beyond the geographical boundaries of the region. However, there are some experts who opined that this expansion might bring more challenges rather than cooperation due to the uneasy relations among some members (e.g. Pakistan-Afghanistan).<sup>1</sup> It is in this context, the paper makes an attempt to answer some pertinent questions: Why has SAARC expanded itself after long 22 years? Why has SAARC included Afghanistan in spite of the latter being an impoverished and war-ravaged country? What are the reasons behind this sudden rush of the powerful countries and organisation for obtaining observer status? Will the new member and observers open windows of opportunities or bring further challenges for the region? The paper argues that though the expansion would pose some challenges, it would be ultimately beneficial for knitting this regional organisation as a cohesive unit. The paper has been organised as follows: Section I of the paper tries to explain the expansion of SAARC under the framework of neo-regionalism. The motivating factors that encouraged the new member and observers to work in a common platform are presented in Section II. Section III analyses the implications of expansion of SAARC in the region. The challenges and options to overcome the problems for expanding the regional organisation are identified in Section IV and Section V respectively. Concluding remarks will be made in the last section of the paper.

### **I. Expansion of SAARC under the Framework of Neo-Regionalism**

SAARC embraced Afghanistan as its 8<sup>th</sup> member during the 13<sup>th</sup> Summit which was held in Dhaka on 12 and 13 November of 2005. China and Japan obtained observer status. Subsequently, in the 14<sup>th</sup> SAARC Summit, Afghanistan was formally inducted in all the existing SAARC agreements, declarations, and legal documents by a Joint Declaration. In this Summit, South Korea, the USA, and the European Union were included as observers. In addition, Iran which has been actively showing its keen interest to be engaged with

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<sup>1</sup>C. Raja Mohan, "Coming Full Circle at SAARC", available at <http://www.indian express.com/story/27391.html>sted, accessed 9 June 2007.

SAARC, submitted a formal application to the SAARC Secretariat on March 2007.

However, regarding their joining, there might have been clarifications that since the observers are included for the first time, what are the exact roles they will play? In this regard, the SAARC Charter gives the observers some defined and precise roles within SAARC. For instance, if the observers are present at a ministerial level meeting, they can make brief statements with the prior approval of the Chair.<sup>2</sup> Additionally, SAARC will invite them to open plenary and closed meetings. The observers will be allowed to make proposals on cooperation and joint venture projects with the approval of the concerned SAARC committees. But, they cannot play any role in the decision making process.

**Table 1: New Member and Observers of SAARC**

Country	Status	Date and Place of Joining
Afghanistan	Member	12-13 November 2005, 13 <sup>th</sup> SAARC Summit, Dhaka
China	Observer	12-13 November 2005, 13 <sup>th</sup> SAARC Summit, Dhaka
Japan	Observer	12-13 November, 2005, 13 <sup>th</sup> SAARC Summit, Dhaka
South Korea	Observer	10-11 April 2006, Standing Committee Meeting, Dhaka
The USA	Observer	10-11 April 2006 Standing Committee Meeting, Dhaka
The EU	Observer	3-4 April 2007, 14 <sup>th</sup> SAARC Summit, New Delhi
Iran	Observer	3-4 April 2007, 14 <sup>th</sup> SAARC Summit, New Delhi

Source: Compiled by the author from multiple sources

### *Neo-regionalism and Expansion of SAARC*

Regionalism and neo-regionalism are two important phenomena of any regional integration process. Regionalism is a territoriality based autarkies, which was formed in a bipolar cold war context during the first 20-30 years after World War II. It has become a strong collective policy and a powerful tool of development in many parts of the world. There are glaring examples where regional

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<sup>2</sup> “Briefing by Official Spokesperson on the Fourteenth SAARC Summit”, 21 March 2007, available at <http://meaindia.nic.in/pressbriefing/2007/03/21pb05.htm>, accessed 28 May 2007.

groupings have dealt their bilateral issues effectively to be more open, dynamic, and to achieve a win-win situation.<sup>3</sup>

However, the concept of regionalism, generally termed as old regionalism, promotes greater integration and transaction by reducing high level of tension and conflicts.<sup>4</sup> This advanced form of cooperation also leads to more economic union through a sense of competition where goods and services can move freely without any constraint within the region. It believes in the specification and the separation of economic oriented issues from security issues.

In contrast, neo-regionalism took place in a multi-polar world during the 1990s. Since then onwards, it is a process of transformation from 'shallow integration' to 'deep integration'.<sup>5</sup> It is a more competitive, spontaneous, and open process than regionalism promoting the concept of globalisation. It is a comprehensive multi-dimensional initiative, which includes the traditional and non-traditional issues such as economic integration, environment, social policy, security, and democracy at local, national, and global level. Like old regionalism, it is not concerned about the state to state relations and its intervention. Rather, the concept of neo-regionalism indicates that market, multi-national companies (MNC), elites, and other non-state actors are active and manifest themselves at several level of global system. It emphasizes not only economic but also social and cultural networks that develop more quickly than the formal political cooperation at regional level.<sup>6</sup> Besides, one of its important dimensions is that it includes civil societies consisting

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<sup>3</sup> Mahendra P. Lama, "SAARC: Dynamics of Emerging Neo-Regionalism", Paper Presented at a Conference on *Regional Conference on Expansion of SAARC: Challenges and Opportunities*, Institute of Foreign Affairs (IFA) and Freidrich Ebert Stiftung (FES), Kathmandu, 29-30 June 2006 .

<sup>4</sup> Michal P. Sullivan, *International Relations: Theories and Evidence*, Prentice-Hall, Inc., New Jersey, 1976, p.210.

<sup>5</sup> Mary E. Burfisher, Sherman Robinson, and Karen Thierfelder, "International Regionalism: Old and New, Theory and Practice". Paper Presented at *The International Agricultural Trade Research Consortium (IATRC) Conference*, Capri, Italy, 23-26 June 2003, p. 2.

<sup>6</sup> Bjorn Hettne, "The New Regionalism: Implications for Development of Peace" in Bjorn and Hettne and Andras Inotai (eds.), *Comparing Regionalism: Implications for Global Development and International Security*, A UNU/WIDER Study, Helsinki, 1994.

socio-cultural, political, and economic linkages that makes it different certain geographical areas from the rest of the global community.

Further to this, linking developing and developed countries through Regional Trade Agreements (RTA) is an important feature of neo-regionalism.<sup>7</sup> The agreement is a general term, which refers to a whole range of economic integration. The most common type of RTA is a free trade area in which members liberalise internal trade but retain their external tariffs. A regional organisation such as the EU has used RTAs as a key part of its strategy for economic development assistance. In this case, among 50 regional trade agreements, 35 took place with the developing countries.<sup>8</sup>

The basic philosophy of regionalism is the old trade theory, which mainly focuses on commodity trade and prices. Instead, new trade theory analyses neo-regionalism and addresses a variety of other effects of trade and device other than more proficient sectoral allocation of production. In addition, it ascribes trade productivity links and dynamic changes such as new growth theory, imperfect competition, and rent seeking behaviour.

In other words, the concept of regionalism and neo-regionalism are not opposing rather the latter broadens the scope of the former by adding different aspects of globalisation. The concept of neo-regionalism includes the following dimensions:<sup>9</sup>

- Easing the financial and Foreign Direct Investment (FDI) flows by creating investment protocols and protections;
- Liberalising labour movement within the RTA;
- Setting up institutions to assist and facilitate integration through regional funds, setting standards and, dispute resolution mechanisms;

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<sup>7</sup> Mary E. Burfisher et al, *op.cit.*, p.6.

<sup>8</sup> "Regional Trade Agreements", World Trade Organization (WTO), available at [http://www.wto.org/english/tratop\\_e/region\\_e/region\\_e.htm](http://www.wto.org/english/tratop_e/region_e/region_e.htm), accessed 17 June 2007.

<sup>9</sup> Mary E. Burfisher et al, *op.cit.*, p.6.

- Improvement of communications and transportation infrastructure to facilitate increased trade and factor mobility;
- Monetary union through establishing common currency integrated monetary and exchange rate policy.

Therefore, from the above discussion, it can be inferred that, under the framework of regionalism, the modernist believes that state is the single unit of analysis that promotes national interest.<sup>10</sup> Coming out of the over statist paradigm, post modernists take the stand that state is not the key actor rather extra-regional cooperation is the engineer to expand trade beyond the geographical boundaries of a state.<sup>11</sup> They also assume that state has already become irrelevant in the form of regulation due to the new wave of globalisation. However, neo-regionalism promotes certain conditions of globalisation such as free market economy, privatisation, and strong role of non-state actors. Perhaps, South Asian countries in order to cope with this paradigm change since 1990's, pursued trade liberalisation through South Asian Preferential Trading Agreements (SAPTA) and South Asian Free Trade Area (SAFTA) for enhancing economic growth like the EU and the NAFTA.

Equally important aspect is that, as Cold War is over and globalisation is the fact of life, the concept works as an intervening variable to the South Asian leaders to spawn SAARC expansion. As such, keeping the whole concept of neo-regionalism in mind, Pranab Mukherjee, the External Affairs Minister of India, said that the entry of Afghanistan is vital because it would accord fresh impetus to regional connectivity linking South Asia to Central Asia and facilitating transit and expansion of trade.<sup>12</sup> Similarly, the rationale of the SAARC members to call for increased cooperation with major powers of North East Asia, Europe, and North America is due to the

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<sup>10</sup> Robert Keohane, "Realism, New-realism and the Study of World Politics", in Robert Keohane (ed.), *Neorealism and Its Critics*, Columbia University Press, New York 1986, p.11.

<sup>11</sup> Robert Keohane, and Joseph S. Nye. Jr., *Power and Interdependence*, Little, Brown and Company, Boston, 1977, pp. 24-26.

<sup>12</sup> "SAARC: India Hails Afghanistan's Entry" available at <http://www.ndtv.com/convergence/ndtv/story.aspx?id=NEWEN20070007441>, accessed 7 June 2007.

pace of globalisation, high growth rate, and regional development advances. Also, these big powers might further enlarge the geographical scope of SAARC and become bigger than ASEAN in the coming years. On the other hand, the new member and new observers assume that SAARC can be a ground to expand trade, investment, and people to people contact. As neo-regionalism and globalisation are interlinked, all the members and observers consider SAARC as a unified sunshade which would explore avenues of opportunities. Likewise, the state leaders have realised that they should tap the opportunities as SAARC wants to promote regional integration. Hence, it can be said that the combination of the forces of neo-regionalism encouraged SAARC to take the strategic step of enlargement in accepting Afghanistan as a full member and giving China, Japan, South Korea, Iran, the US, and the EU observer status.

## **II. Factors behind Associating with SAARC**

There is a general perception that SAARC is a white elephant since the organisation has failed to work in a concerted way. If this is true, then the rational argument is-why is there a growing interest to become a new member or observer of SAARC? The answer perhaps lies in the various underlying forces that have driven the countries towards greater cooperation in the region. Following are some of the causes for members and observers to have joined SAARC.

### **a. Member**

Currently, Afghanistan is not only a least developed country but also one of the poorest in the world. Its economy suffered a lot since the conflicts of 1979-80 Soviet invasion coupled with political and military unrest during the Taliban regime. During those periods, the country was isolated from the outside world for a long time. Since the collapse of the Taliban administration, it has been a great challenge for the present Afghan government to strengthen relations with rest of the world. In this situation, what seems the rational thing to do for revitalising its economy is to come out of protectionist policies and to improve relationship with its neighbours and international communities. In this connection, the country showed an overwhelming interest to join SAARC to express political and economic solidarity with the rest of the world. Besides, economic benefits are a strong driving force for the country to be included in

this organisation. After joining SAARC, Afghan President Hamid Karzai showed interest about transit rights which would give a boost to the country's war torn economy.<sup>13</sup> He also believes that implementing and replicating the micro finance project of Bangladesh would immensely help to alleviate poverty in Afghanistan. Similarly, Afghanistan is likely to grow at 2.7 percent since India and Pakistan are its major trading partners.<sup>14</sup> Even more, if Afghanistan gets SAFTA membership on February 2008, it would be able to gain as much as \$606 million out of \$2 billion trade gains from custom revenues, taxes, and other commercial ties.<sup>15</sup> Thus, Afghanistan's entry into SAARC is important for the country as it would be the best means to spur its war-ravaged economy to peace economy, boost trade, and fight effectively against upsurge in violence through peace initiatives.

#### **b. Observers**

China had a long term desire to be an observer of SAARC. Since the late 1980's, it has been emphasising on liberal economic policies to expand its socialist market economy. For this very reason, the country needs to get access to raw materials, commodities, and South Asian market for Chinese goods. Moreover, since 1990's onwards, China has been focusing on multilateral cooperative mechanism supporting political and economic aspects of globalisation to achieve great power status and expand its global role. At the same time, its strong economic and strategic ties with major South Asian nations paved the way for its entry into SAARC as an observer. During the 14th SAARC Summit, Li Zhaoxing, the Chinese Foreign Minister expressed that it is China's good political atmosphere, geographical proximity, and historical close rapport with South Asian countries,

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<sup>13</sup> *Ibid.*

<sup>14</sup> Satyajit Mohanty, "Afghanistan in SAFTA: Issues and Implications", *South Asia*, Institute of Peace and Conflict Studies (IPCS), 28 August 2006, available at [http://www.ipcs.org/South\\_Asia\\_articles2.jsp?action=showView&country](http://www.ipcs.org/South_Asia_articles2.jsp?action=showView&country), accessed 14 June 2007.

<sup>15</sup> G. Srinivasan, "Afghan entry to SAARC will lead to \$2-B gain for sub-continent", available at <http://www.thehindubusinessline.com/2007/03/29/stories/2007032906381000.htm>, accessed 11 June 2007.

which can play a bigger role to boost China-SAARC cooperation.<sup>16</sup> In this regard, the country has already taken a number of initiatives to spur its economy with the South Asian states. For example, it has recently built a naval port at the Arabian Sea Coast at Gwadar in Pakistan to connect land locked Central Asia including Afghanistan with the outside world.<sup>17</sup> Similarly, China signed a comprehensive agreement with Sri Lanka in 2005 for getting access to its valued sea ports as well as the Indian Ocean.<sup>18</sup> Thereby, China's economic, political, and strategic interests have certainly propelled the country to cooperate with the region.

Japan, on the other hand, has become an observer of SAARC despite its geographical distance from South Asia. Its main argument for being an observer is its significant contribution to the development fund in the region. Japanese Foreign Minister Taro Aso dubbed South Asia as the 'central pillar' of the Asian arc of prosperity.<sup>19</sup> Therefore, to derive mutual benefits, he offered Japan's support to work with SAARC for improving regional connectivity and increasing trade with his country.

The economic ties with South Asian countries perhaps encouraged Korea to join SAARC. Foreign Minister of South Korea, Song Min-Soon, said that since its trade with SAARC nations has been growing significantly, the country is ready to share its experience in ICT, government innovation, human resources development, and other concrete programmes with the South Asian members.<sup>20</sup> Also, the security issues might prompt Korea to be associated with SAARC. Its Foreign Minister said that North Korean

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<sup>16</sup> "SAARC has a bright future through cooperation says Li", cited in <http://www.hindu.com/2007/04/04/stories/2007040408811200.htm>, accessed 3 June 2007.

<sup>17</sup> Tarique Niazi, "Asia between China and India" *Japan Focus*, available at <http://japanfocus.org/products/topdf/1756>, accessed 26 June 2007

<sup>18</sup> Tarique Niazi, "Sino-Indian Rivalry for Pan Asian Leadership." *China Brief*, Vol. 6 (14), 15 February 2006, available at [http://jamestown.org/china\\_brief/article.php?articleid=2373170](http://jamestown.org/china_brief/article.php?articleid=2373170), accessed 22 June 2007.

<sup>19</sup> "Afghanistan inducted as 8th member: 14th SAARC Summit begins" available at <http://www.dawn.com/2007/04/04/top13.htm>, accessed 12 June 2007.

<sup>20</sup> *The Daily Star*, 4 April 2007.

nuclear issue can be resolved with the continued support of the international community including the SAARC members.

Robert B. Zoellick, Special Trade Representative of the USA (now President, World Bank), analysed his country's pursuit of 'regionalism' as strategy to acquire short term economic goals and achieve long term strategic objectives that can be fostered by trade liberalisation.<sup>21</sup> Accordingly, Richard Boucher, the US Assistant Secretary of State for South and Central Asia stated that South Asian free trade is an opportunity for all the countries of the region to establish links with Central Asian organisations which perhaps inspired the USA to join SAARC.<sup>22</sup> Furthermore, the signing of SAFTA has raised hope that SAARC might take off as a trading bloc. As a leading super power, the USA always wants to play a vital role in world affairs. Therefore, such regional grouping like SAARC is an important ground to increase political and economic interactions. However, the USA wants to join a group which includes emerging economic power like India and another Asian giant such as China. Apart from these, it is the calculations of security issues which drive the country to be involved with the region. For instance, since the 9/11 terrorist attack, the USA has given more attention to the war against terror. Therefore, SAARC can be a ground for combating the extremists and terrorists who are detrimental to its national security.

As a successful regional organisation, the EU values mutual aid through regional integration process as a means of encouraging investment and competition, including preferential trading agreements between the countries, which are not geographically contiguous or even nearby. Thereafter, Benita Ferrero-Waldner, the European Commissioner for External Relations takes the view that the EU can assist to consolidate the existing integration process with South Asian countries through reinforcing regional cooperation, people-to-people contacts and trade liberalisation in the region.<sup>23</sup> In

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<sup>21</sup> Mary E. Burfisher et al, *op.cit.*, p.1.

<sup>22</sup> Anand Kumar, "Making a Beeline for SAARC", available at <http://www.saag.org/%5Cpapers18%5Cpaper1770.html>, accessed 27 May 2007.

<sup>23</sup> *The Daily Star*, *op.cit.*

addition, its own historical experience of trade cooperation, diversified transactions, and its interest in crisis prevention for world peace has consistently encouraged involving with another regional organisation.

In the recent 14<sup>th</sup> SAARC Summit, Iran showed its keen interest to be engaged with SAARC to promote its 'Look East Policy' perspective. The Iranian envoy, Rasool Islami, noted that Iran's inclusion in this organisation would be beneficial for both Iran and SAARC because of the country's geographic and economic strength.<sup>24</sup> On the one hand, its geographical position is important as it is a neighbour of two other SAARC members, namely Pakistan and Afghanistan, while on the other, the country has economic strength mainly based on its energy resources. Besides, Iran's link with this region is long-standing and deep-seated in terms of its history and culture. Thus, all these factors likely to have motivated Iran to build a closer relation with the South Asian countries.

### **III. Implications for South Asia**

Needless to say, the entry of a new member and observers can bring new dynamism and a chain of opportunities for South Asian countries. Moreover, the regional association can gain a lot by expanding its horizons and forging cooperation for regional prosperity. In addition, it might bring far reaching political, social, and economic implications in South Asia as a whole. In this section, an attempt has been made to highlight how South Asian members could gain immensely if the region integrates in a framework for intra and extra-regional cooperation in the probable areas such as energy, infrastructure connectivity, tourism, trade as well as security issues.

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<sup>24</sup> "Iran Requests for Observer Status in SAARC" available at [http://english.people.com.cn/200703/05/eng20070305\\_354236.html](http://english.people.com.cn/200703/05/eng20070305_354236.html), accessed 29 May 2007.

### **a. *Trans-regional Trading Arrangement and Investment***

The participation of Afghanistan as an active member is likely to provide a much larger scope in terms of economic gains for South Asian countries. In this connection, it is estimated that if the country participates in SAFTA, the region will gain \$2 billion through trade.<sup>25</sup> In case of China, it has substantial economic and financial investments in India, Pakistan, Bangladesh, Sri Lanka and Nepal. Due to the troubled relations with India, China's positive investment strategy will further help the small South Asian states to open up its trade and services. Similarly, Japan's assistance through Overseas Development Assistance (ODA) in different projects in South Asia might add new strength and open up new avenues of cooperation. Regarding South Korea, its trade with SAARC nations has been increasing at 23 percent yearly and is likely to grow more in future as it has already showed interest to invest in the region.<sup>26</sup> As an important initiative, the country signed a Memorandum of Understanding (MoU) with Bangladesh on 4 June 2007 to take manpower under Employment Permit System (EPS).<sup>27</sup> Similarly, being one of the largest exporters, the EU expressed its desire to share its expertise, experience, and market access in all areas of interest with the region. As the EU has agreements with all SAARC members except Maldives and Nepal, the organisation sees itself as a natural partner in all its efforts aimed at reinforcing regional cooperation, people-to-people contact, and trade liberalization in South Asia.

### **b. *Energy Cooperation***

Energy is one of the priority areas among the SAARC member countries. To meet the energy demand of the growing population of the region, trans-border energy cooperation is an important option. Observing the future energy crisis, Manmohan Singh, the Prime Minister of India, proposed in the 14<sup>th</sup> SAARC Summit to launch a South Asian energy community and back up of appropriate local technologies for harnessing renewable energy (hydropower, bio-fuel, solar and wind power) as areas of consideration for further

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<sup>25</sup> G. Srinivasan, *op.cit.*

<sup>26</sup> *The Hindu*, Vol. 22, No. 25, 3-16 December 2005.

<sup>27</sup> *The Financial Express*, 5 June 2005.

cooperation.<sup>28</sup> The Indian Premier further proposed to share energy markets through harmonising systems and grid structures to meet the crisis. In this regard, the inclusion of Afghanistan probably will help to fuel the economies of other countries. At present, Afghanistan has significant amount of natural gas, oil, and coal which can resolve the regional energy crisis.<sup>29</sup> Moreover, with proper coordination, South Asia can be connected by land with Central Asia to increase energy trade and investment. Besides, Afghan President Hamid Karzai's proposal to open corridors through Turkmenistan-Afghanistan-Pakistan-India is a good sign for further energy cooperation in this area.<sup>30</sup> Previously, a study on the gas pipeline was prepared but it was not implemented due to the unwillingness of Pakistan to involve Afghanistan in the project. As Afghanistan is now a member of SAARC, India and Pakistan can consider the venture with a concerted effort. In addition, Iran can cooperate through exporting energy products especially gas and oil which can facilitate the member countries to create a secured energy market.

### ***c. Geographical Connectivity***

Physical connectivity, most importantly, transport and communications is the basis of economic cooperation and integration efforts through the movement of goods, services, capital, people, and information across the countries. Therefore, transit and transport facilities under the regional multi-modal transportation system are the key priority for South Asian members. Over the last five years, India has been demanding transit facilities through Pakistan to allow its goods and services to reach Afghanistan and Central Asia. Therefore, Afghanistan's accession to SAARC has given a new multilateral dimension to India's quest for an overland transit facility through Pakistan for trade and investment with Afghanistan and Central Asia. Meanwhile, in the 14<sup>th</sup> SAARC Summit, a Regional

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<sup>28</sup> Nazrul Islam, "Call to Turn SAARC into an Economic Powerhouse" available at <http://www.bangladesh-web.com/view.php?hidDate=2007-0405&hidType=TOP & hid Record =0000000000000000156231>, accessed 23 May 2007.

<sup>29</sup> Presently, Afghanistan has 1.6 Trillion Cubic Feet (CFT) of natural gas, 95 million barrels of oil and 400 million tonnes (MT) of coal; See for details, Satyajit Mohanty, *op.cit.*

<sup>30</sup> *The Daily Star, op.cit.*

Multimodal Transport Study (RMTS)<sup>31</sup> was proposed outlining Dhaka-Kabul corridor which might enhance transport connectivity among SAARC countries. Furthermore, Iran's inclusion to SAARC can promote the East-West connectivity. Few years back, the country proposed to create a West Asian Cooperation Bloc including India and Pakistan.<sup>32</sup> As it is very difficult for India to set up a direct road access to Afghanistan and Central Asia, Iran can be helpful to reduce these problems allowing Indian goods and services to Afghanistan and Central Asian countries. Recently, Bangladesh, India, China, Iran, Nepal, South Korea, and Sri Lanka's participation in Trans-Asian railway with other 13 countries<sup>33</sup> of Central, Europe, and South Asia might enhance the regional connectivity process in this regard.

#### **d. Poverty Alleviation**

It is fairly evident that South Asian members have a common problem of poverty and lower per capita income. In the 14th SAARC Summit, both Nepal and Bangladesh stressed the need for effective and equitable utilisation of human potential to free the chain of poverty. In addition to this, China's willingness to discuss cooperative mechanism and carry out a comparative study on poverty reduction model might give a strong flip to alleviate poverty. On the other hand, Japan's desire to assist Afghanistan for rebuilding the country will immensely help the nation to come out from the chronic poverty. Seemingly, India's proposal to activate SAARC Development Fund (SDF)<sup>34</sup> and a possible "soft wing" might be an

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<sup>31</sup> RMTS has been identified with road, rail, and air links to the region that would be extended to Afghanistan.

<sup>32</sup> V. Sundaram, "Iran in SAARC: In India's interest but what about Pakistan?", available at <http://www.boloji.com/analysis2/0200.htm>, accessed 19 June 2007.

<sup>33</sup> Armenia, Azerbaijan, Cambodia, Indonesia, Kazakhstan, Laos, Mongolia, Russia, Tajikistan, Thailand, Turkey, Uzbekistan and Vietnam.

<sup>34</sup> SDF is a project of \$100 million on poverty alleviation. It will cover mainly three windows- social, economic, and infrastructure. The poverty alleviation issue would come under social window; See for details, "Briefing by Official Spokesperson on the Fourteenth SAARC Summit", *op.cit.*

important and visionary step for poverty mitigation. Also, the decision of SAARC leaders to set up a food bank in the 14<sup>th</sup> SAARC Summit can help to provide emergency food requirements as most of the countries are the regular victim of food shortage due to the periodic natural disasters like floods, droughts, earthquake, tsunami etc.

#### **e. Counter Terrorism Measures**

As a security issue, terrorism is one of the prime concerns of South Asian countries. Due to the massive terrorist attacks at New York, Karachi, Qandahar, and Mumbai, SAARC members and observers are now united to provide a common support against terrorism. Recently, all the SAARC leaders decided to work out the modalities to implement the provisions of the existing SAARC Conventions to combat terrorism, narcotics, psychotropic substances, trafficking in women and children and trans-national crime. In this regard, in October 2007, Sri Lanka's proposal to host a Legal Expert meeting in India on "Mutual Legal Assistance on Criminal Matters" would intensify cooperation on crimes with multiple sources.<sup>35</sup> Besides, all the SAARC members expressed their will to work together by taking possible steps to prevent the linkages between trade in narcotics and terrorism. As most of the countries have this common problem, SAARC can be a platform to combat terrorism with the external powers such as the USA, Iran, and China.

#### **f. Change in Power Politics?**

In South Asia, India and China are the two major players. The presence of the latter, however, is a problem for the former. Although Pakistan accepted China readily, India was the only country who opposed China's presence strongly to join the regional grouping. India believes that, China's presence in this organisation might reduce its own importance to the small neighbouring countries.<sup>36</sup> Another concern is that as an emerging global power, it

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<sup>35</sup> Ashfaq Wares Khan, "SAARC Summits starts today with high hopes on trade", *The Daily Star*, 3 April 2007.

<sup>36</sup> Qudssia Akhlaque, "Afghanistan Inducted as 8<sup>th</sup> Member: 14<sup>th</sup> SAARC Summit Begins" available at <http://www.dawn.com/2007/04/04/top13.htm>, accessed 17 June 2007.

might harm India's monopoly business. Therefore, to meet its existing asymmetry in power, the country strongly supports the USA and Japan to contain China in the region.<sup>37</sup> Though in the power competition game, China is visibly far ahead of India in terms of its economic and military capabilities. At present, the country deftly is increasing its strategic ties with Pakistan, Bangladesh, and Sri Lanka under defence and strategic cooperation agreements. In addition, bilateral trade between China and SAARC rose yearly to \$20 billion.<sup>38</sup> Therefore, China might act as a regional power and dominate SAARC to counterbalance India's design.

#### ***g. Social, Cultural, and Technical Advancements***

The intensification of globalisation can bring more crossbreeding of cultural exchanges.<sup>39</sup> In South Asia, cooperation in this sector might enhance intra-SAARC flow of tourists. With a view to highlighting the importance of this sector, India's announcement to relax the visa regime and Bangladesh's call for uniform fee at the heritage site in the 14<sup>th</sup> SAARC Summit would obviously encourage tourism within the region. In terms of social and technological development, the new member and observers can support significantly for overall development of the region. Already, Pakistan has initiated a program of establishing engineering, science, and technology universities based on probable Japan's technical assistance.<sup>40</sup> Besides investing in Pakistan, the latter contributed additional \$7 million to the SAARC-Japan special fund for strengthening social and cultural exchanges for the entire region.<sup>41</sup> As recently as in the 14<sup>th</sup> SAARC Summit, one of the major decisions was taken to set up a South Asia University with main campus in India and other campuses in member states. This step

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<sup>37</sup> Tarique Niazi, "Sino-Indian Rivalry for Pan Asian Leadership", *op.cit.*

<sup>38</sup> *Ibid.*

<sup>39</sup> Zaki Laidi, "Neo-Regionalism-A Response to Globalization?" Paper presented at Seventh ASEF University in Barcelona, Spain, *Regionalism in Asia and Europe and implications for Asia-Europe Relations*, 10-24 November 2002.

<sup>40</sup> Shaukat Aziz, "Japan as Observer to Add Strength to SAARC", *The News*, cited in

<http://www.thenews.com.pk/print.asp?id=20424>, accessed 14 June 2007.

<sup>41</sup> Qudssia Akhlaque, *op.cit.*

would noticeably facilitate sharing of knowledge and ideas of experts, academics, and policy makers of new member and observers in the region. Besides, the proposals of Bangladesh government to host a SAARC youth camp in 2007, and more elaboration of SAARC scholarship programme in the ICT and Bio-science can thereby bring significant gains in the region.

#### **IV. Challenges**

There is also a well-built supporting argument that the inclusion of new member and observers would empower SAARC by jointly projecting them on multilateral forums. However, like other organisations, SAARC also faces different challenges. The region, unfortunately, has many unresolved conflicts and outstanding issues which are major threats against greater cooperation. Therefore, it is necessary to indicate those factors that may be regarded as general impediments to cooperation.

##### **a. *Intra-SAARC Relationship***

Major countries like India and Pakistan are the real threats to greater integration in the entire region. Owing to their deep rooted rivalry attitudes, South Asia has already become one of the poorest areas and most dangerous places in the world.<sup>42</sup> As a result, intra-regional trade in South Asia is very low compared to other regions.<sup>43</sup> In addition, South Asian Free Trade Area (SAFTA) which is the main driving force of new regionalism concept in the region has slowed down because of the reluctance of India and Pakistan to open up trade. As intra-SAARC trade will determine the degree of regional cooperation and ultimate promotion of extra-regional trade, the question arises whether these two member countries can put their political differences aside or not.

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<sup>42</sup> Mahmud Ali Durrani, *The Cost of Conflicts and Benefits of Peace*, Oxford University Press, 2002, p. 72.

<sup>43</sup> At present, intra-regional trade amongst the SAARC members accounts for less than 5 percent of global and intra regional trade while it is 38 percent share by ASEAN, 65 percent by the EU and 37 percent by NAFTA. See, *The Financial Express*, 4 March 2007.

### ***b. Uneven Comparative Advantages in the Market***

Market, one of the significant components of neo-regionalism, has a significant role to determine the level of cooperation. A market, among other things, is considered to be not politically neutral as economics is everywhere in politics.<sup>44</sup> The existence of markets leads to economic power, which a country uses against another one and *vice versa*. Thus, politics cannot be isolated from economics and this is very much true in South Asia. Regarding the question of equal benefit, the liberal argues that even if cooperation occurs despite differences on the point of distributive gains, markets can bring mutual gain.<sup>45</sup> But in this region, India has more comparative advantages than the small countries of SAARC in term of expanding its market with new member and observers for the presence of its strong economic structure. To some extent, small countries are offered certain privileges (zero duty access, non tariff barrier, reduction of sensitive list etc.) though benefits may not be necessarily equal. As India dominates the economic sector (77 percent) in regional market, the limited market potential of the small countries and similarity of the exportable commodities (such as export of readymade garments of Pakistan, India, China, and Bangladesh, tea market by India and Sri Lanka) have become the main contending issues to compete with one another. Due to these certain conditions, is it really possible for the small countries to be a part of economic regionalism? Will the economic benefits be trickle down to the lower strata of the region?

### ***c. Emerging Conflicts in Energy Sector***

Energy, on the other hand, is an important area of economic cooperation. Also it cannot be isolated from security issues. If a gas pipeline is installed along Afghanistan-Pakistan-India, it will have spill over impacts on the security affairs of these countries. If India includes only Afghanistan deducting Pakistan in the gas pipeline project, it might only trigger further uprising of conflicts rather than cohesion in the region. Furthermore, if the gas pipeline takes place

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<sup>44</sup> Robert Gilpin, *"The Political Economy of International Relations"*, Princeton University Press, Princeton, New Jersey, 1987, Chapter Two, pp.41-51.

<sup>45</sup> *Ibid.*

bilaterally<sup>46</sup> (e.g. between India and Afghanistan), will it be called regional cooperation? Does this type of bilateral cooperation necessarily enhance regional process? Will it be beneficial for all the members of the region?

#### **d. *Spread of Narcotics Trade and Terrorism***

Another issue pertaining to security is the spread of narcotics and terrorism in the region due to the inclusion of Afghanistan. Cultivation of morphine (about 90 percent) is one of the main earning sources of the Talibans.<sup>47</sup> Besides, the recent attacks of NATO on the Talibans especially at Qandahar and Helmand-the two main drug producing provinces, have made the country unstable. At the same time, the re-emergence of Taliban coupled with their terrorist activities including sanctuary, training, and financial support in part of Afghanistan and Pakistan border (i.e. South Waziristan) has escalated further volatility in the region. Under these circumstances, to what extent a new India-Pakistan-Afghanistan cooperation is possible for the regional prosperity?

#### **e. *Insufficient Infrastructural Development***

Regional connectivity is very important to foster economic integration in South Asia. Generally, successful integration takes place in a 'core area' which usually has administrative skills, military power, economic resources, and techniques.<sup>48</sup> But, limited success owing to the absence of infrastructure and very limited level of industrialization in turn limit the scope of regional connectivity. In this connection, is it really possible to accelerate trade beyond the region with the new member and observers?

### **V. The Prospects**

The more optimistic prognosis, however, holds that the enlargement of SAARC will widen the areas of cooperation, while

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<sup>46</sup> As such leaders of India term their South Asia policy as one of "beneficial bilateralism"; See for details, S. D. Muni, "SARC: Building Regionalism from below", *Asian Survey*, Vol. 25, No. 4. April 1985, p.393.

<sup>47</sup> Reported in *The Manob Jomin*, (a Bengali Daily), 6 May 2007.

<sup>48</sup> Ernst B. Hass, "The Challenge of Regionalism" *International Organization*, Vol. 12, No.4, Autumn 1958, p.443.

the pessimists tend to ignore the possibilities of opening up in the emerging cooperative regional framework due to the conflicts and original problems of the members and observers. Generally, in South Asia, it may be more realistic to analyse that conflict resolution has a positive impact on economic cooperation such as expansion of trade.<sup>49</sup> However, using the factor analysis as a tool and correlating the behaviour of 82 nation states, no relationship (positive or negative) between trade and conflict variables has been found.<sup>50</sup> Thus, it cannot be said that commercial expansion eventually gives rise to conflicting behaviour between nation-states as asserted by traditionalist school of International Relations. Probably, this is not the ideal time to analyse that this expansion would bring full fruit to the region as a whole ignoring the problems of the member states. The paper might not be able to answer or to solve all the problems but, certain initiatives of the members as well as observers might strengthen further cooperation among the members and observer countries.

#### **a. *Positive Role of India***

Resolution of problems is an urgent need for the entire region. Though India is a major power in South Asia, unfortunately, it is involved in almost all the problems. Thus, it is India who can resolve the problems on bilateral basis building the alchemy of trust for the success of the regional cooperation. Besides, SAARC can make no headway through the policy of non interference to lower down the major conflicts such as the Tamil's assault in Sri Lanka, Maoist movement in Nepal, and Kashmir issue between India and Pakistan like ASEAN members. Similarly, strengthening Track II diplomacy and involving the observers for solving these intractable conflicts can bring the prospects of peace in the region.

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<sup>49</sup> Imtiaz H. Bokhari, "South Asian Regional Cooperation: Progress, Problems, Potential, and Prospects", *Asian Survey*, Vol.25, No.4, April 1985, pp. 389-390

<sup>50</sup> "The Dimensionality of Nations Project" in *Comparing Nations*, Richard L Merritt and Stein Rokkan (eds.), Yale University Press, New Haven, 1966, pp. 109-129.

**b. *Greater Cooperation on Security Issues***

Unmistakably, it is terrorism that poses big threat to South Asia's peace and security and thereby creates obstacle to regional integration. Currently, Nepal's blaming of India for harbouring Maoist guerrillas and Taliban insurgency along the Pakistan-Afghanistan border are great threats to greater South Asian integration. Through SAARC, India can play a vital role by initiating a new India-Pakistan-Afghanistan-Nepal conversation to combat trans-border terrorist groups and to work jointly on counter terrorism. In addition, necessary initiatives should be taken by the members for implementing the provisions of SAARC Convention on Terrorism along with its additional protocol and a regional extradition treaty.

**c. *Rapid Implementation of SAFTA***

Besides trade liberalisation programme, implementation of SAFTA by giving a specific timeline is necessary to achieve the overall benefits. For getting full payback, Afghanistan should develop its fiscal and tariff structure since Pakistan opposed the inclusion of the former due to this structural problem. On the contrary, regarding transit rights, Pakistan is very sensitive to allow Indian goods imported to Afghanistan under SAFTA. Thus, progress on these issues can only be possible if India takes a measure of trust between India and Pakistan on the one hand, and Pakistan and Afghanistan on the other. Besides, decisions in the 14th SAARC Summit about signing of regional investment treaty and introducing a single currency, like the one introduced by the EU, as proposed by the Sri Lankan President, Mahinda Rajapakse to enhance productivity in the region should be seriously taken into consideration.

**d. *Trade Harmonisation and Exchange of Cooperation***

There is no doubt that South Asia has huge potentials for trade expansion because of its geographical, cultural, and historical proximity. Table 2 shows the possibilities of trade harmonisation and exchange of cooperation with SAARC members and observers in certain areas to derive mutual benefits. For instance, Bangladesh can

cooperate with Afghanistan in energy sector while the latter can import manpower from the former to enhance its economy.

**Table 2: South Asian Members' Possible Cooperation with the New Member and Observers**

Members	Commodities/Areas	Observers	Commodities/Areas
Afghanistan	Raw materials such as fruits, nuts, carpets, wool, cotton, hides, pelts & precious gems, and energy sector such as gas, petroleum, coal, copper, iron ore & precious stones	China	Infrastructure, textile, energy, poverty alleviation, mitigation of disaster relief, & human resource development
Bangladesh	Textile, jute, cotton, shrimp, leather and leather manufactures & manpower	Japan	Technology, foreign aid & investment
Bhutan	Water resource, tourism, wood products, gypsum, & calcium carbide	Iran	Nuts, carpet, ceramics & energy
India	Raw materials, iron ore, steel, chemicals, dyes, agricultural products like wheat, tea & spices	South Korea	ICT, government innovation, footwear, electronics & steel products
Maldives	Coconut & fish	The EU	Infrastructure & textile service facilities
Nepal	Water resource, tourism, woollen carpet, & ready made garments	The USA	Technology, soft ware & clothing
Pakistan	Energy, cotton, yarn, textile, fabrics, leather products, & electronics	-	-
Sri Lanka	Coconut, tea, wooden items, stones and gems, ceramics, rubber, & tourism	-	-

Source: Compiled by the author

It is fair to mention that to overcome the limited export supply capability of most of the SAARC members, the trade-investment linkages through infrastructural development, customs clearance, and other facilitation measures including multi-modal transport operations must be reinforced. Besides, members and observers can

work through joint ventures to produce specific goods at the most reasonable price, considering the region as a single market. In this regard, the bigger countries of South Asia might give their smaller neighbours some concessions and trade facilities.

### **Conclusion**

Undoubtedly, the inclusion of new member and observers is a decisive breakthrough for SAARC. Needless to say, it has now become a wider platform in a complete sense. The SAARC members welcomed the expansion, as they have opted for greater cooperation beyond the region. The new member and observers have shown their keen interest to enhance cooperative initiatives in the region. Their presence can bring positive impact on various sectors such as poverty alleviation, diffusion of political conflicts, people's connectivity, energy security, and other security issues in the region. Also, the presence of the big powers (China, the USA, Japan, and South Korea) in SAARC might have positive effect in terms of improving relations among the member countries. There is optimism that the expansion of SAARC could enhance intra-regional trade among South Asian nations and it would further expand cheaper imports as well as provide a greater market for regional exports. However, at the same time, there is a concern too about how much it would be beneficial for the entire region. As SAARC has huge potentials, the countries should look beyond their bilateral disputes, overcome the limitations in various sectors and work together for making the organisation more dynamic and vibrant. Otherwise, the expansion of SAARC for greater cooperation beyond the region might be a futile initiative.