

India-SAARC Relations

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Facts:

- India's financial assistance to SAARC neighbours declined considerably in the past five years.
- The one exception was the Maldives, to which Indian assistance has been consistently increasing year on year since 2013, despite the dip in bilateral ties.



Reason for decline in financial assistance:

- In Afghanistan, India has shifted to work on small development projects (SDPs) rather than the ambitious highways, dams and big building projects that were started in 2008-09.
- In Bangladesh, the main grant for land acquisition for the Akhaura-Agartala rail "last link" project has now been completed.
- In Bhutan, which has always received the largest share of Indian assistance, the assistance required for major hydroelectric power plants like Punatsangchu 1 and 2 and Mangdechhu has been disbursed 75-90% while Indian assistance to Bhutan's 11th five-year plan (2013-2017) has been handed over nearly fully.

- In Sri Lanka, the decline was explained by delays in land acquisition for 15,000 homes to be built by India in the plantation areas, though the work on 45,000 homes in the north and east of the island has been completed.
- India is still completing three main projects in Maldives: a police academy, a coastal radar project, and the refit of MNDF ship Huravee.
- An offer to build a new Defence Ministry building is pending, which explains why the Maldives alone is the outlier to an otherwise declining trend in neighbourhood aid.

Important development:

- India will not take part in SAARC summit in Islamabad due to continuous cross border terrorism
- Afghanistan, Bangladesh and Bhutan also declared their reluctance to attend the meeting
- Nepal blockage (Due to new constitution; By Madhesis) is not in the spirit of regional cooperation

Comparison of SAARC vis-a-vis NAFTA

- Level of development in both the regional groupings are very different.
 - In 1990 – Per capita GDP of US was 10 times that of Mexico
 - In South Asia difference is not that much
- NAFTA was created by Mexico looking to use USA as an anchor economy, India is not seen as that anchor
- In NAFTA, Mexico got certainty of access to the US markets in return of liberalising economy considerably. Situation in south Asia is different
- There was no competition for USA in NAFTA to act as anchor. In South Asia China is seen as an alternative

Two Problems in South Asian economic Integration:

1. External Politics
2. Domestic political ramifications of opening markets to neighbours

SAARC without Pakistan

- Ever since it was launched in Dhaka with its first meeting in 1985, the platform has been hijacked by the India-Pakistan rivalry.
- It was a multilateral platform with a bilateral agenda.
- Given Pakistan's opposition of any Indian initiative, the grouping never really achieved more than rhetoric
- Examples:
 - Prime Minister Narendra Modi offered to build a SAARC Satellite, a gift from India which would serve all the countries of the group. Pakistan was the only country that declined. Eventually, India decided to go ahead with the project and declared it as a South Asia satellite instead.
 - Attempts were made to sign a treaty which would ease train and road transshipment among member nations in 2014. Pakistan opposed it and BBIN was signed instead.
- **Positives of SAARC – Pakistan**
 - Pakistan anyways didn't cooperated in SAARC. It only created obstacles.
 - Discussions can now become more multilateral rather than being focused on Indo-Pak rivalry
- **Negatives of SAARC – Pakistan**
 - Victim card will be played by Pakistan. It will say that India is using its economic power and size to isolate Pakistan in the region
 - Afghanistan will be at a loss as all routes go through Pakistan
 - SAARC may become defunct altogether as BIMSTEC will become more relevant. Work done for decades in SAARC will become futile.

Analyse with suitable examples why maintaining friendly relationship with its South Asian neighbors will be good for Indian economy. (200 Words)

“One can choose friends but not neighbors”

India with its long history had problems with many of its South Asian neighbors. For any country to continue their journey towards growth contentious relations and hatred from neighbors will be a thorn in their progress and India is no exception.

1. Maintaining peaceful relation with Pakistan is utmost important in-order to focus on development, otherwise India cannot fulfil its aspirations to be one of largest economies. Untapped economy of Pakistan can be a resource for trade and commerce.
2. Shared porous border with Bhutan and Nepal are important for cultural ties, better economic integration, exchange of benefits like power, growing together peacefully.
3. The ethnic ties is a parallel string of connection along with Palk strait with Sri Lanka, economic development of Tamil fishermen contribution to country, exchange of Buddhist cultural values will promote peace in India especially Southern State of Tamil Nadu which is important for country's holistic development.
4. Development of Afghanistan is in the interest of India for peace in the region from problems of terrorism and Afghanistan economy can be a better bet for Indian businesses to spread their presence.
5. The island nation of Maldives with Indian diaspora is a contribution in itself and growing ties will encourage the trade, tourism of both.

South Asian neighbors are a valuable resource for economic integration of India and they can benefit immensely with their growing population and needs. The problems of terrorism, border disputes, tax issues if solved then these nations will add to Indian economy growth

Critically discuss the efforts made by SAARC countries to forge a strong social and economic integration between their people and the challenges they are facing in this pursuit. (200 Words)

SAARC(est 1985) is a regional grouping of 8 South Asian countries. They have inherent positives like similar historical context, topographical and demo-graphical features, natural resource endowments and social cultural ethos. SAARC has taken many initiatives for the economic and social integration of the region such as –

1. SAFTA, SAPTA and SATIS – These initiatives are aimed at regional economic integration in terms of goods and services trade.

2. SAARC Motor Vehicle Pact – It will help enable seamless transit for the passenger and cargo vehicles among BBIN member countries(as Pakistan has opposed it)
3. Concept of SAARC satellite and SAARC university for social and economic integration
4. Hydro power generation and power trade agreement between member nations like Bhutan, Nepal and India. Proposal for a regional electricity grid.
5. Setting up SAARC development goals on line of MDGs to alleviate poverty
6. SAARC development fund, SAARC food bank
7. SAARC youth festivals and most important of all SAARC people's meet.
8. Declaration of 2016 year as SAARC year of cultural heritage and decade 2010-2020 as year of intraregional connectivity.
9. Besides, SAARC countries are engaged in various bilateral and sub-regional agreements to make-up for lack of progress, if any, at the regional level.
10. Bangladesh, Bhutan, India and Nepal (BBIN) formed a **South Asian Growth Quadrangle** aimed at boosting co-operation in energy and power, environment, trade and investment etc. This was later joined by Maldives and Sri Lanka.

Having said that, this region has several issues like-

1. In built contradictions – They are w.r.t population size, military strength, GNP, area etc. of member countries
2. Varied security/threat perception- Smaller countries look towards extra regional powers to offset it
3. Unscientific and illogical partition by colonial power- This has left the region suffering from many boundary ,both land and maritime, issues
4. Diverse political culture- Different countries have varied political systems like democracy, military dictatorship, presidential and monarchy form of govt., creating hurdles in aligning the ideology.
5. Indo -Pak conflict – Two of the biggest powers have fought 3 wars since 1947 and harbour utter distrust for each-other and even led to nuclearization of the region.
6. Increased Chinese influence in the region
7. Widespread socio-economic problems- hunger, terrorism, ethnic rivalries, political turmoil, leadership crisis.
8. Negative List on Import items de incentives trade and its growth.

SAARC countries would do well to build on their natural strengths and resolving issues mutually to help the region prosper for the betterment of their people.

Examine how the South Asian Free Trade Area (SAFTA) Agreement has impacted India. (200 Words)

India is poised to become an economic powerhouse. This can't be done in isolation from other economies. FTA is an avenue where India can achieve economic and trade integration with her partners.

India currently has FTAs with ASEAN, Korea, Japan, Malaysia, Singapore, Sri Lanka and Thailand. FTAs can be formulated to mutually benefit partner countries by abolishing tariffs on movement of goods and services.

Specific goods and services can be open for FTA and others might be kept out of its purview. SAFTA is an FTA between all the South Asian countries.

Though it's a FTA it keeps essential commodities like agricultural produce, automobiles etc. out of its scope. Thus SAFTA is a weak FTA and hasn't achieved economic integration at all. This is mostly due to India's geographical and economic size which might be intimidating to non-exporting countries.

A large negative list is maintained by countries like Pakistan to protect their domestic markets.

As a result south Asia is one of the weakest economically integrated regions of the world. Over 40% of EU trade happens within EU while it is less than 5% for South Asia. SAFTA thus hasn't affected India's economy the way it could.

But, it has enhanced the status of India of non-reciprocity in behaviour among neighbouring countries and has paved the way for better regional integration among SAARC nation. Further it has also provided boost to its Act East policy, since it paves way for increasing economic growth of North-east region.

Related Questions:

1. Increasing cross-border terrorist attacks in India and growing interference in the internal affairs of member-states by Pakistan are not conducive for the future of SAARC (South Asian Association for Regional Cooperation).” Explain with suitable examples. (UPSC Mains 2016)
2. Recent SAARC Summit has been considered as a ‘non-starter’ by some political observers while for others it has marked a watershed. Explain the two viewpoints (About 250 words). (UPSC Mains 1995)
3. Discuss the significance of the 4th SAARC Summit. (UPSC Mains 1989)

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