

SAARC Countries: Challenges and Opportunities

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Abstract

Collaboration and partnership can help to expose of doing business in international level. From that point of view we can easily understand, only business can build nation strong and create business environment that makes a sense of proper international business environment in SAARC (South Asian Association for Regional Cooperation). India occupies 70 per cent of SAARC, geographically and economically, and that the other SAARC nations have borders only with India and not with each other. As a responsible partner, India has to take more responsibility to do business with other counterpart of SAARC. Better business relationship can be established among the countries if government and non-government business development managers or officers visit other countries on regular basis. The local representatives and other related persons should come in contact with foreign representatives and come to know their habits and customs. The economic relations between two nations and industrial partnering can help each other to improve their political relations. Export and import policies and procedures play a very crucial role in economic development of SAARC countries. One thing is that export business contributes to the national economy, national exchequer, individual exporting firms and maintains international, economical, cultural and political relations among various countries. SAARC countries must have come closer on account of international business. As a big brother, India has always paved the way for all round development i.e. education to economy. Here, technological improvements also attract the business firm to enter into foreign markets. It introduces new products with latest technological improvements and faces the competition successfully in the international markets. When products are totally obsolete in home country, that time company must focus on survey for getting chance to enter into host countries. If we want to achieve highest possible growth (in terms of GDP), we have to provide employment opportunity and maintain a regional harmony that would only bring business, in terms of international business. This paper is going to highlight a brief description of SAARC countries and their challenges and opportunities as regard to overall development.

Key words: *International Business; Goal; Challenges; Opportunities*

Introduction

The organization of eight South Asian nations, namely Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka, with observer nations, Myanmar, China, Iran, the European Union (EU) and the United States, is known as the South Asian Association for Regional Cooperation (SAARC), established at the first Summit in Dhaka on December 7-8, 1985. Seven of SAARC countries have common border with India but not with each other. SAARC always maintain a diplomatic relation with United Nation. Basically all SAARC member countries produce more or less same product. The last summit the 20th SAARC summit was the 20th meeting of the heads of state or heads of government of the eight SAARC countries after their previous meeting in Pakistan was boycotted by all SAARC members. The Summit would take place in 2019. Worlds" one of the regional trade block is South Asian Association for Regional Cooperation, SAARC. It holds total GDP of USD 3.31trillion and gets a 5th position in the world. As per the area concerns, it holds 3% of the world and has a strong 21% population that can bring opportunity for international business.

Objectives of the Study

1. To study member countries to accord preferential terms of trade to each other and finally strive towards the gradual realization of the SAARC Economic and Monetary Union.
2. To study the exchange of commercial, technical, industrial management, scientific information, education and activities amongst its members.
3. To highlight intra-regional trade, service, industry, through creating strong business linkages amongst the entrepreneurs of the region of South Asia.
4. To maintain principles of SAARC including respect for sovereign equality, territorial integrity, political independence, non-interference in internal affairs of other states and mutual benefit.
5. To identify SAARC policies those promote welfare economics, collective self-reliance among the countries of South Asia, and to accelerate socio-cultural development in the region.
6. To recommend suggestions to safeguard the economic and business interests of the SAARC.

Methodology of the Study

The study is purely based on secondary data available at Journals, Articles and various Web Resources.

Review of Literature

There are a few researchers who have tried to explore the area in terms of working paper with brief discussion on the subject. Some of them have been pointed out below:

1. Neetu Ahmed (2018)

The article entitled, "Intraregional Trade within SAARC nation-A Review", expresses that SAARC is a fastest growing economy in the world and also mentions that regional countries are trying to overcome mistake and miscommunication.

2. Sumon Acharya (2018)

The article entitled, "Does Deeper Economic Integration of SAARC be Possible?", reveals that the different international financial institutions play crucial role for achieving deeper economic integration.

3. Ishtiaq Ahmad, Fatima Farooq, Ali azam Tusawar Iftikhar Ahmad (2018)

The article entitled, "Governance and Sustainable Development in South Asian Countries: A panel Data analysis", highlights sustainable development and multimodal approach can bring good governance.

4. K.Yhome, Tridivesh Singh Maini (2017)

The article entitled, "India's Evolving approach to Regionalism: SAARC and Beyond", explains that India's new leadership role in region can be able to bring more prospect and also mentions a strategic challenges in evolving an effective role in regional governance.

Profile of SAARC Countries

India is a land of opportunity. As per geographical estimation, India has acquired 70% of SAARC. It is the 7th largest country in terms of area, 2nd populous country with more than 1.3 billion people and most populous democracy in the world. India has common border with other members of SAARC. Sky rocketing sensex and booming share market, revolutionary changes of In-Direct tax structure, successfully implemented GST and robust economic growth, can help India to achieve 5th position in world in terms of GDP. In 2017, GDP of India was 2.6 lakh Cr. USD and the estimated GDP of 2018- 19 at current prices in Q1 is Rs. 44.33 lakh Cr.

Afghanistan is called a poor country though it has \$1 trillion mineral deposit. The GDP was 2,081.53 Cr.USD in 2017. Balance of payment largely depends on foreign aid. The countries economy based on agriculture especially on grapes, pomegranates, apricots, melons and several dry fruits that it exports to many countries. It is also known as the world's largest producer of opium.

Bangladesh is one of the emerging markets. Here Chinese investment increases day by day. Bangladesh financial sector is second as position in subcontinent. The country shares border with India and Myanmar. In 2017, GDP was 24,972.39 Cr. USD.

Bhutan is one of the smallest countries of SAARC. It belongs to the part of Eastern Himalayas. Thimphu is its capital and largest city while Phuntsholing is its financial centre. Bhutan largely depends on India and its value of currency is fixed by the Indian rupee. Though Bhutan's economy is one of the worlds smallest, as of 2017, Bhutan's GDP was 251.19 Cr.USD.

Nepal is a South Asian country and located mainly in the eastern part of Himalayas. Nepal's economic growth has been adversely affected by the political discordance. Nepal's gross domestic product (GDP) as per survey of 2017 was estimated at over 2,447.2 Cr.USD.

Maldives is an Asian country, located in the Indian Ocean. Here tourism is the main source of earning. Long sea beaches attract foreign visitors. In 2017, GDP was 459.71 Cr. USD.

Pakistan is the world's sixth-most populous country and the 33rd largest country. Pakistan is one of the largest producers of natural commodities, despite of having huge labour market, it is called poor country and the 106th most complex economy As of 2017, Pakistan's estimated nominal GDP is 30495.18 Cr.USD. „One Belt One Road“ project would help Pakistan to build economically & politically strong in coming days too.

Sri Lanka is historically enriched country. Many foreign player have opened there branches and invested thousand Cr. Country's GDP was approximately 8717.47 Cr. USD in 2017.

India and SAARC

It is a crucial period for SAARC to create a bridge between the South Asian countries and the rest of the world. All developed countries try to enter in SAARC through trade and commerce. In the journey of nearly three decade, SAARC has initiated some commendable steps to strengthen the architecture of regional co-operation like the setting up of a South Asian University (SAU), SAARC Development Fund, SAARC Food Bank, SAARC Disaster Management Centre. Here, India has to play the most important role. If India takes the initial effort very strongly from the agricultural field to heavy engineering, then others will definitely follow its footsteps sincerely.

Regional Economic Co-operation and India

Renewed energy and economic integration will be the top priority at the Kathmandu summit, which is positively themed on “Deeper Integration for Peace, Progress and Prosperity”. The agreement on South Asian Free Trade Area (SAFTA) has led to intra-regional exports and import. The Govt of India has taken many pro active steps

likewise: trade liberalisation, the development of cross-border trade infrastructure and the removal of non-tariff barriers, coastal manufacturing zone, which are helpful for free movement of goods and services in the region. With the NDA government looking to make India a manufacturing powerhouse, our Prime Minister 'Narandra Damodardas Modi' is expected to push for creating new cross-border production networks and joint manufacturing projects with SAARC countries. That can only be achieved by free movement of not just goods, but through the liberalisation of services and the free movement of professionals.

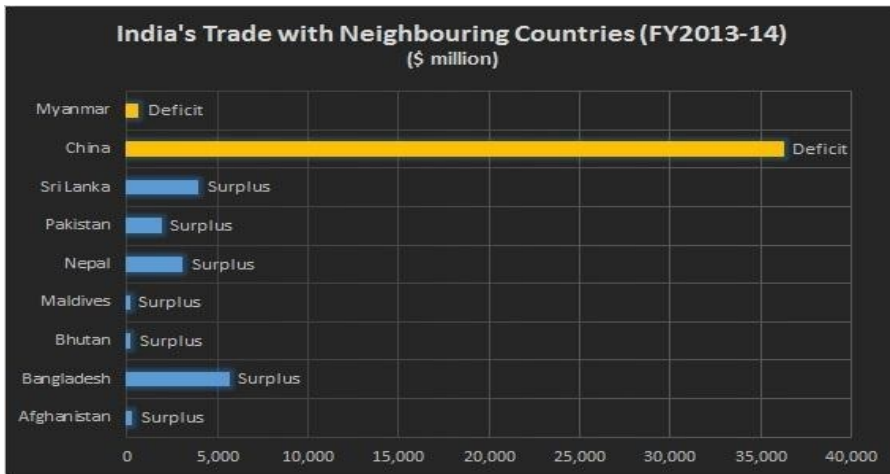


Table 1: (Source: www.google.com)

Table 1 depicts that India has deficit trade with China (Surprisingly increasing) and Myanmar though they are not the members of SAARC countries whereas it has a surplus trade with other members of SAARC countries.

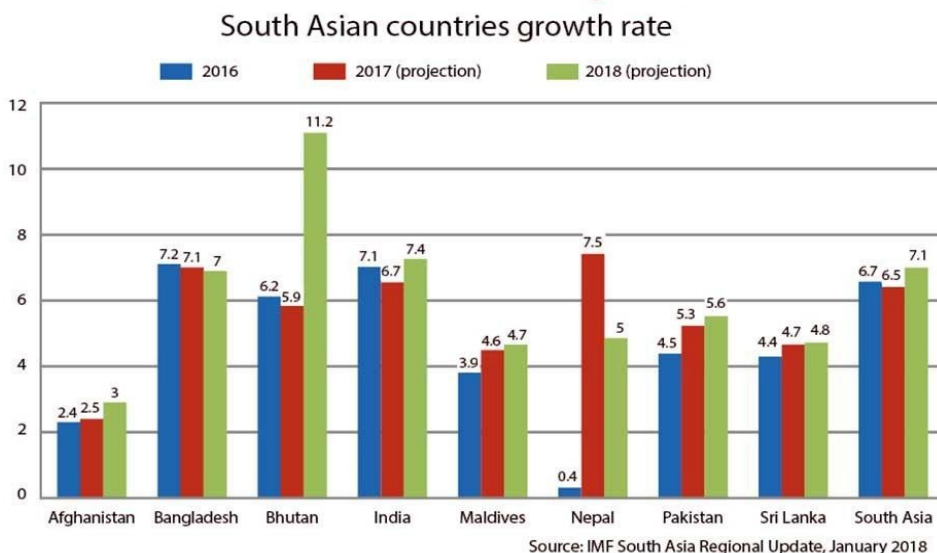


Table 2 reveals that the growth rate in 2016 of all the member countries except Bangladesh of SAARC and that of South Asia as a whole is projected to increase during 2018.

Challenges to SAARC Countries

The intraregional investment and trade among the South Asian countries is quite modest, and has remained stagnant over the years. Consequently, the interdependence among these countries is quite limited. SAARC countries confront more or less the following challenges:

1. All SAARC countries producing approx. same products and export them that creates competition.
2. High rate of tariff and non tariff barriers in country like Sri Lanka.
3. Lack of adequate transport and information links among the South Asian countries.
4. Political differences and lack of willingness to create business environment.
5. Fight against poverty and unemployment as well as in meeting the challenges of the environment, national security and globalization by South Asian nations at recent years.

Findings of the study

1. India is the largest country in the SAARC.
2. In terms of Export, India's Export to SAARC countries are increasing.
3. The growth rate of all SAARC countries except Bangladesh is expected to rise.
4. Govt. of India has successfully implemented look east policy but in-terms of SAARC, it goes bias.
5. One of the bird's eye views is that trading in South Asia means trading with India. As because it is the only country situated in the middle portion and holds 70 % area in SAARC.
6. Since 1985 only one university has been established namely South Asian University. Within three decade, millions of prospective candidates are unable to get right education at international level.
7. As a regional co-operation, we can easily pronounce that after 1974, a revised version of agreement was adopted by the two countries (India -Bangladesh) on July, 2015. It's Chit Mahal Agreement. (Source: PTI, July 31, 2015, 10:41 PM,IST economictimes.indiatimes.com)
8. What we observe India's EXIM Policy for SAARC countries is –„Export promotion & Import management“.

Suggestions

To overcome the current impasse in SAARC and to make it work, the following preconditions have to be obtained:

1. India has to go the extra mile to make SAARC work because India is 70 % of South Asia and has common borders with seven SAARC nations.
2. The enormous water resources of the Himalayas offer a great potential for the growth of regional interdependence. Since the Himalayan rivers flow through Bangladesh, Bhutan, India, Nepal and Pakistan, close cooperation is necessary among these countries to harness the Himalayan water resources for flood prevention and management of water flow, development of an inland navigation system, developing ecological watersheds, reforestation programs and controlling river pollution.
3. One question lies in that how to overcome SAARC's uncertain future and how to put it back on the rails again. As far as global economic condition, SAARC has to accept challenge despite of having political unrest. As a responsible partner, India has to take more responsibility to do business with other counterpart of SAARC.
4. South Asian countries have to work on the common values and share historical perceptions of the people of the region. Transparency in action in bilateral dealings is key to achieving these preconditions.

Hence, mindful of the uphill task of promoting South Asian regional integration, the following reforms are recommended:

- i. No SAARC nation should internationalize any bilateral issue beyond the SAARC forum.
- ii. SAARC should do all to facilitate South Asian Free Trade Area (SAFTA) so that it can successfully implement business policies by having the help of Sri Lanka's coast as the gateway to the Association of Southeast Asian Nations (ASEAN) by developing the strong infrastructure and freight movement facilitation.
- iii. SAARC should enhance investment activity between its member states and not merely trade. South Asian joint venture promotion schemes should also be promoted on a priority basis.
- iv. Electric power grid system, science and technology, educational infrastructure etc. in SAARC should come forward to help cross borders trade.
- v. For economic, cultural and tourism reasons, immigration procedures should be minimized to encourage free legal movement of people.
- vi. Joint Effective steps must be taken for cross-border, illegal migration, terror attacks and block the narcotics trade and drug trafficking.

Conclusion

Emerging market were performing well in the beginning of 2018 but after mid of the year, many problems arise due to trade war between Chinese president and USA President. As a result of it, any increase in tension between the world's two dominant economics would probably deal a blow to Asian business environment. People movement and especially youth going to another country can have strong impact, that India is the largest country in the region and it must play the role its need to play. There are many places where India has funded the process but a lot more can be done including on trade side, so that tariff can come down. Here, industries have to work towards convincing their government for taking the necessary steps. It is encouraging to note that in Bhutan, another country of enormous hydropower potential, through cooperation between India, Nepal, Pakistan and Bangladesh; it is possible to develop hydropower projects, which will provide a great relief to the energy crisis in this region. The recent economic reforms in India and Pakistan will doubtlessly provide these two countries an opportunity to diversify their exports and make manufacturing products more competitive. But the success of their economic liberalization will essentially depend upon their ability to find new markets both in the developed and developing countries. With the increase in economical, political, cultural and environmental co-operation among the members of SAARC, the overall development of these countries can only be possible.

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