



www.epratrust.com

October 2014 Vol - 2 Issue- 10



INDIA AS TRAILBLAZERS IN SAARC

Mohd. Sajid¹ & Dr Harish Handa²

¹Assistant Professor, Department of Commerce, Shaheed Bhagat Singh College, (University of Delhi),
Sheikh Sarai Phase II, New Delhi, India

²Associate Professor, Department of Commerce, Shaheed Bhagat Singh College, (University of Delhi),
Sheikh Sarai Phase II, New Delhi, India

ABSTRACT

Preferential trade liberalization is more likely to bring about trade diversion than trade creation leading to more gains for large countries and more losses for small countries. South Asia is a large regional block having about 25% of the world population, so it is a huge market for international trade and commerce. But the achievement in this region of India is large as compare to other nations, no doubts that India is doing the role of a leader in commerce, trade and industries in SAARC. There are many MNC's (multinational companies) are coming into India, so the international trade of India is going to prosper. The population is also going towards self-depend due to good role of Small scale enterprises. They have the more contribution as compare to medium and large enterprises in the field of export. The paper is an attempt to describe the role India can play as a trailblazer in SAARC.

KEY WORDS: Liberalization, large population countries, regional block, international trade, trade and industries, small scale enterprises.

INTRODUCTION

In 25 years of its presence the main conceivable accomplishment attributable to the SAARC is the progression with which it has been holding these summits since the very beginning. No clash or debate among the part countries could ever disturb this movement.

What it neglected to accomplish is the ability to transform the fantasies of its authors into reality and make this association suitable enough for a change and change that this locale needs. The normal recognition about the SAARC as a stage just with the end goal of

having gatherings and talks couldn't be changed over the period and the statements marked year in year out demonstrating no quantifiable comes about further fortified this thought. Destitution lightening, territorial participation in the fields of training, ecological debasement, and the SAARC improvement stores were a percentage of the primary themes of the affirmation issued in the not so distant future. These focuses could be found in the statements issued prior with little change in their substance. One of the things of the assertion issued in the not so distant future concedes: "The Leaders concurred that the degree and substance of collaboration had stretched to differing fields, giving a firm premise to honest to goodness organization. Nonetheless, various these had not interpreted into significant and unmistakable profits to the individuals." What brought about this disappointment? What keeps a district with the most elevated rate of neediness and innovative backwardness without inspiration for tending to the issues that are hurting its advancement, peace, and improvement? Examining into a percentage of the key goals of the SAARC brings to light a picture that is not as acceptable as the pioneers of the SAARC claim.

(a) Economics history of India:-

The known monetary history of India starts with the Indus valley progress. The Indus progress' economy seems to have depended essentially on exchange which was encouraged by advances in transport around 600bc. The Mahajanapadas stamped punch-checked silver coins. The period was checked by serious exchange movement and urban improvement up to 300 BC. The Maurya Empire united a large portion of the Indian subcontinent. The political solidarity and military security took into consideration a typical financial framework and upgraded exchange and business with

expanded agribusiness benefit. As indicated by financial antiquarian, Angus Maddison in his book "The world economy: A millennial point of view", India was the wealthiest nation on the planet and had the world's biggest economy until seventeenth century AD. After the 1991 monetary emergency, Indian government propelled financial liberalization. India has turned towards a more entrepreneur framework and has developed as one of the quickest developing expansive economies of the world.

(b) Economic development in India:-

India's per capita income increased at only around 1% annualized rate in the first three decades after its independence. India has progressed towards a free market economy. India is the third largest economy in the world by purchasing power parity adjusted exchange rates.

(c) SAARC Group:-

The South Asian Association for Regional Cooperation (SAARC) is a monetary and geopolitical participation among eight part countries, i.e., Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. These are basically placed in south Asia landmass. Its secretariat is headquartered at Kathmandu in Nepal. The Idea of local political and financial collaboration in south Asia was initially instituted in 1980 and the first summit was held in Dhaka on 8 December, 1985 prompting its official station by the Governments of Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka, Afghanistan was the first to have been incorporated in the physical broadening of the SAARC in 2007.

The SAARC strategies mean to push welfare money making concerns, aggregate self- dependence among the nations of south Asia and to quicken socio- social improvement in the district. The SAARC has additionally

created a part in outside relations around the world meetings of heads of state are generally planned yearly and gatherings of remote secretaries are held twice in a year. The 18th saarc summit will be held at Kathmandu, Nepal in Nov 2014.

(d) SAARC Economies: An Overview:-

South Asia with more than 1.6 billion people is one of the most densely populated regions in the world. SAARC is one of the largest economic regions in the world. All eight countries are developing countries in this block housing around 67 percent of low income

people in world. India is by far the largest country in South Asia region while Pakistan, Afghanistan and Bangladesh are the second, third and fourth largest countries respectively. India ranked 141st by nominal GDP and 130th by GDP (PPP) in 2012. According to the IMF, India is 19th largest exporter and the 10th largest importer in the world. The economy of Pakistan is the 20th largest in the world in terms of purchasing power parity (PPP) and is second largest in terms of nominal GDP among SAARC countries. Other SAARC nations rank low on world scale in terms of their GDP size.

Figure 1



Figure 2 Rank in easy in doing business in SAARC and Non SAARC Countries

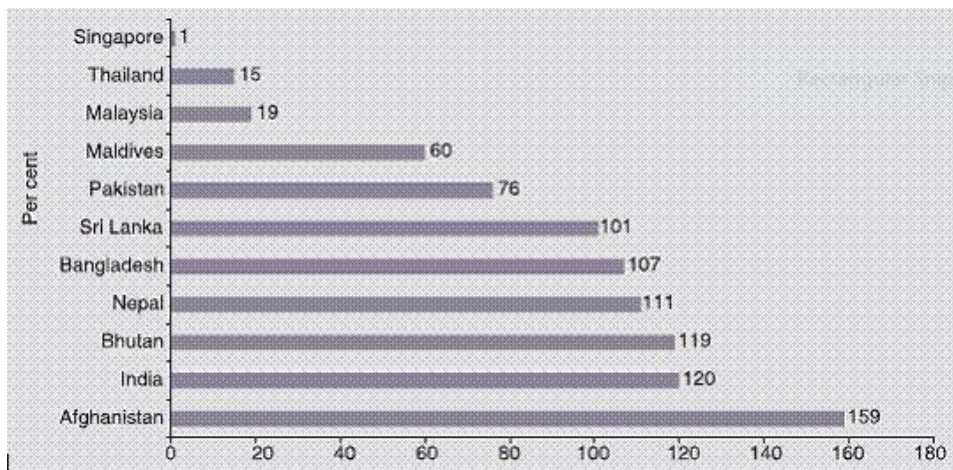
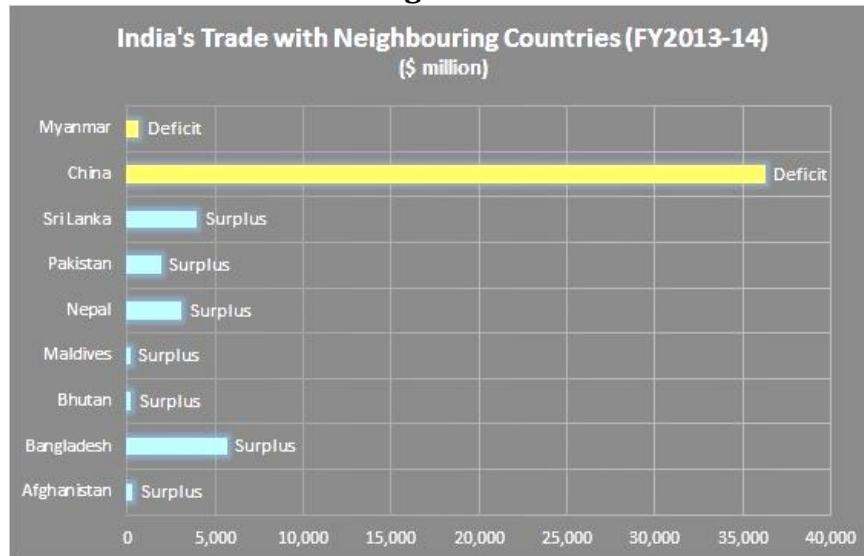


Figure 3

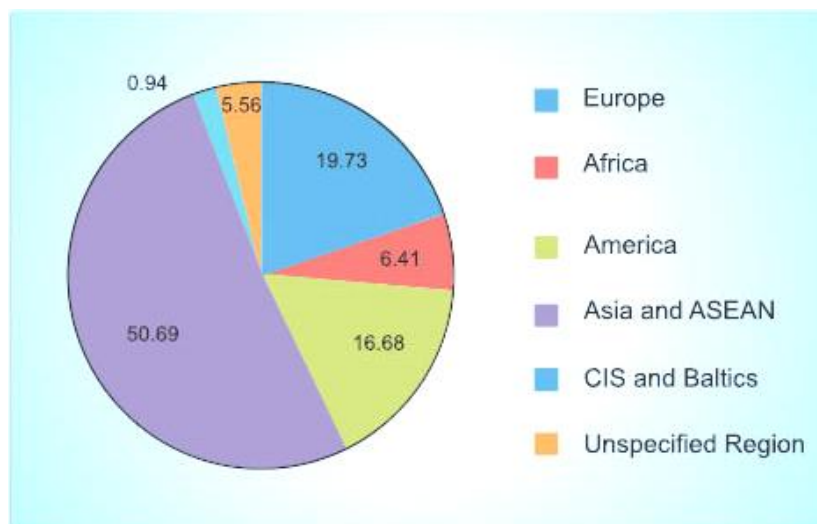


OBJECTIVES OF SAARC

The objectives and aims of association as defined in its charter are:

- (1) To promote the welfare of the people of south Asia and to improve their quality of life.
- (2) To accelerate economic growth, social progress and cultural development in the region and to provide all individuals the opportunity to live in dignity and to realize their full potential.
- (3) To promote and strengthen selective self-reliance among the countries of south Asia.
- (4) To contribute to mutual trust, understanding and appreciation of one another's problems.
- (5) To promote active collaboration and mutual assistance in the economic, social and political spheres.
- (6) To strengthen cooperation with other developing countries.
- (7) To strengthen cooperation among themselves in international forums on matters of common interest.
- (8) To cooperate with international and regional organizations with similar aims and purposes.
- (9) To maintain peace in the region.

Figure 4 Region - wise share of India's Export (April - October, 2011-12)



INDIA'S ROLE AS A LEADER IN TRADE, COMMERCE AND INDUSTRIES IN SAARC

India was the chair of SAARC in 2007-2008 (since the 14th SAARC summit held in New Delhi from 3-4-2007 up to the 15th summit held in Colombo from 2-3 august 2008).

The period was the most productive that SAARC has ever known with SAARC transforming from declaratory phase to implementation.

(A) The landmark achievements of India in SAARC are as follows:-

- (1) At the 13th SAARC summit held in Dhaka, in November 2005, Indian Prime minister proposed the establishment of a SAARC museum of textiles and handicraft. The museum would be an intergovernmental body on the lines of other SAARC regional centers and will be based in Delhi Haat.
- (2) India is also implementing the projects, in the areas of telemedicine (Bhutan and Afghanistan), Shuttle breeding of pulses (Bhutan), Rainwater harvesting (Bhutan and Sri Lanka) and rural solar energy electrification project (Sri Lanka) with India as the hub.

(3) There is progress in full implementation of South Asian Free Trade Agreement (SAFTA) in letter and spirit as member states have appreciated India's gesture to give zero duty access to Least Developed Countries (LDCs) from January 1, 2008, one year ahead of target date and unilateral reduction of its negative list with respect to LDCs from 744 to 480. India continues to revise its sensitive list and, as of now, have 744 items outside its ambit for the LDCs, and 868 for the non-LDCs. A draft agreement on trade in services is in final stages of negotiation expected to be ready by the end of this year.

- (4) India continued to provide assistance to Cambodia, Laos, Vietnam and Philippines in the form of grants, soft loans and credit lines and training course, under ITFC scheme.
- (5) India has the highest share in the export of agricultural products. They are the highest net importer of fuel and mining products and energy for industrial development.

Table 1 India's trade with SAARC countries.

(Value in US \$ billion)

	2006-07	2007-08	2008-09	2009-10	2009-10 (April- Sept)	2010-11 (April- Sept)	2011-12 (April- Dec)	2012-13	2013-14
Exports									
India's total	126.41	163.13	185.30	178.75	80.95	105.35	217.66	300.6	312.35
% share of SAARC countries	5.12	5.91	4.62	4.69	4.58	4.55	5.17	5.38	6.5
Imports									
India's total	185.74	251.65	303.70	288.37	128.13	161.45	350.94	491.48	450.94
% share of SAARC countries	.81	.84	.60	.57	.58	.56	.83	.95	.86

(B) Future role of India as a leader in SAARC:-

The upcoming summit of SAARC nations will be held against the backdrop of important global and regional developments. On one hand, it is increasingly clear that the advanced western economies are unlikely to see off the economic downturn in the short-run. This will have a knock down effects on economies of South Asian countries in form of weakening demand for their products. India and Pakistan also struggle to come to terms not only with the political consequences of partition but also with its economic implications evident in form of increased hostilities due to recent border cease-fire violations. India's free trade agreements with Sri Lanka and Bhutan and the trade and transit agreement with Nepal have highlighted the potential benefits of regional economic integration. It is not surprising that Bangladesh wants to greatly enhance trade and connectivity with India and that Pakistan has at last agreed to confer the MFN (Most Favored Nation) status on India.

In the context of the continuing economic downturn in the west, India could become even more important to its neighbors. However, role of India in SAARC is still a largely debated and contentious issue. There is common fear shared by India's neighbors that the benefits of intra-regional trade expansion would be distributed more in favor of India. This would result in, India having a trade surplus with every country of the region. The Indo-Bangladesh trade since the early 80s continues to increase over the period of time. Export of India is much higher than its import from Bangladesh resulting in India having trade surplus. There is similar trend in India's trade with Nepal. Import of Nepal from India is much higher than its export to India and the resulting in a trade surplus for India. Some Recent

developments which shed light on possible future scenario in context of India's role as leader among SAARC nations are:

- (1) India and Pakistan move to liberalize trade ties: India's minister for commerce and industry, Nirmala Sitaraman will discuss a new road map for trade liberalization with Pakistan federal minister for commerce, Khuram Dastgir Khan next month. Easing visa restrictions, eliminating non-tariff barrier to trade, promoting mobile connectivity and opening additional banking channels between the two countries are expected to be among several key issues the two ministers discuss on the sidelines of the south Asian association for regional cooperation (SAARC) ministerial council meet in Bhutan on July 24, 2014.
- (2) Afghanistan seeks more cooperation with India: Afghanistan is keen to expand and widen the business, political and socio-cultural relations with India. The country ambassador Shaida Mohammad Abdali said that India and Afghanistan are working on a trilateral agreement with Iran to facilitate trade through Iran's Chabahar port. This trilateral trade arrangement would help both India and Afghanistan, he added. Abdali said Afghanistan would host trade fair in Mumbai's world trade center in September in collaboration with an Indian industries association as business leaders from India were positive about conducting business with his country.

- (3) India-Bangladesh trade may almost double to \$10 billion by 2018: Bilateral trade between India and Bangladesh could almost double to USD 10 billion by 2018 provided trading irritants like non-tariff barriers and infrastructure related-issues are resolved, according to industry body CII.
- (4) Nepal's trade reliance on India continues: Nepal is relying more and more on India for both import as well as export of various merchandises, making the economy vulnerable to developments that take place in India. The country imported 66.8 per cent of total merchandise from India and exported 68.9 per cent of total goods to the southern neighbor in the first 10 months of the current fiscal year, shows the latest macroeconomic report of Nepal Rastra bank.
- (5) Modi's sweet and spicy Sri Lanka strategy: Strategy for India's number one foreign policy priority was implemented through Modi's engineering of the invitations extended to SAARC heads of state to attend his swearing-in ceremony. In fact the idea may well have germinated at the think tank he founded, the Vivekananda international foundation.
- (6) The bilateral relations between the Himalayan kingdom of Bhutan and the republic of India: The two nations traditionally share close relationship. As of 2012-2013 fiscal, India's budgetary support to the kingdom country stands at USD 600 million. India operates 3 hydel power projects of 1,416 megawatts in Bhutan and 3 more of 2,129 megawatts are under construction.

There shall, as heretofore, be free trade and commerce between the territories of the government of Bhutan and the government of India. Both the governments shall provide full cooperation and assistance to each other in the matter of trade and commerce.

- (7) India-Maldives trade agreements: India views regional trading arrangements (RTA'S) as building blocks towards the overall objective of trade liberalization. Hence, it is participating in a number of RTA's which include free trade agreements (FTA's) preferential trade agreements (PTA's) and comprehensive economic cooperation agreements with its neighbors such as Maldives.

CONCLUSION

India continues to pursue close relations with South-East Asia and the Pacific region as envisioned in its look east policy. With some countries in the region, we stepped up relations to the strategic level. Diversifying and strengthening relations at regional and multilateral forums contributed to a higher degree of engagement among leaders. In the last five years, prime ministers, presidents and ministers of several countries in the region visited each other. These visits and signing of several framework agreements have significantly contributed to India's growing relations with countries in this region. The bilateral trade and investment between India and countries in SAARC have considerably increased, the main idea being to significantly enhance the two-way trade. South Asia is a large regional bloc with huge potential. Achievements of India in this region are large as compared to other nations. In a static sense, small countries may lose and large countries

may gain from free trade areas. A desirable trade strategy for India must therefore have a good mix of bilateralism and multilateralism. Given its comparative advantage in services and ever growing need for capital, India needs to target comprehensive trade pacts only, covering goods, services, and investment, among other areas. Whether we like it or not, foreign direct investment and multinational corporations remain the key source of export. So reversing policies in retail or any other sector that creates regulatory uncertainty would not be wise. Further, with the U.S. trying to rewrite the future rules of trade through its giant trade pacts, India will have to upgrade its regulatory regime sooner rather than later, particularly with respect to intellectual property, labor and environmental standards, to safeguard its long-term commercial interests.

REFERENCES

- (1) Ali, E. & Talukder D.K. (2009). "Preferential trade among the SAARC countries". *Prospects and challenges of regional integration in south Asia*, JOAAG, vol.4.no.1
- (2) Angus Maddison. (2007). "Economic historian". *The world economy.OECD*.
- (3) National portal content management team reviewed on. (2010). "know India, foreign relation". India. Gov. in. Archive.
- (4) Srinath Raghavar's. (2014). "centre for policy research". *The economic times*.
- (5) Isher judge Ahluwalia. (2013). "Economic cooperation in south Asia". *Indian council for research on international Economic relations*.
- (6) Ratna vadra .(2012). "A study on India's trade relation with SAARC countries". *Inder science publishers*.
- (7) Dushni weerakoon .(2012). "SAFTA.' Current status and prospects". *Institute of policy studies of Sri Lanka*.
- (8) N Sathiya Moorthy .(Dec 2011). "Significance of the 17th SAARC summit". *Observer research foundation building partnerships for a global India*.
- (9) W.L.HILL, Charles. (2011). "International business" *The Mcgraw Hill Companies*.

