SAARC: SIGNIFICANCE AND IMPLICATIONS FOR NEPAL

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INTRODUCTION

After the Second World War 1945 various regional organization’s had emerged like NATO (North Atlantic Treaty Organization, 1948), Warsaw pact (1955), The American free trade organization, European Economic Community, African unity organization etc. In this context the South Asian Association for Regional Cooperation (SAARC) is also one of them. Currently, eight countries are existing in this organization called India, Pakistan, Sri Lanka, Nepal, Bhutan, Maldives, Bangladesh and Afghanistan. Earlier it had seven countries but after New Delhi Declaration of 14th SAARC Summit in 3rd-4 April 2007 included Afghanistan in the forum as its 8th newest member. The process of south Asian cooperation began with the imaginative diplomatic initiative of Bangladesh in 1980 to obtain, firstly, the strong endorsement of the idea from Bhutan, Maldives, Nepal and Sri Lanka, and secondly, to successfully bring together India and Pakistan into the regional fold. In reality, it took five years to laborious and committed diplomacy on Bangladesh’s part to effectively establish the association of south Asian states. (Mehta k. Ashok, 2004)

South Asia Association for Regional Organization is to deliver a platform for the peoples of South Asia to work together in a spirit of friendship, trust and understanding each other. Basically, the objective of SAARC is to expedite the process of economic and social development in member’s states through joint action in the agreed areas of cooperation. The main purpose of SAARC policies is to promote welfare economics and collective self-reliance among the states of South Asian region and to accelerate socio-cultural development in the region.

In 26th and 27th November 2014, Kathmandu hosted the summit of the SAARC countries for the third time in the nearly three decade history of the organization since its establishment in 1985. Kathmandu hosted the SAARC summit for the first time in 1987 under the rule of absolute

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monarchy while it hosted meeting for the second time in 2002 under the multiple democracy with constitutional monarchy and the third time Nepal hosted conclave in 26th and 27th November 2014, under a democratic republican rule. The aim of this summit was related to deeper integration for peace and prosperity. This SAARC summit provided the great opportunity to Nepal for share views and ideas with the SAARC leaders when Nepal was moving towards concluding the peace process and drafting a new constitution. Basically, it’s a great achievement of Nepal to successfully host the SAARC summit even Nepal face a critical political transition.

The successful hosting of the 18th SAARC Summit in Kathmandu has sent positive message not only about Nepal’s clever diplomacy and excellent security situation but also about his capability to organize such a mega event. According to Foreign policy experts “it was a great achievement for Nepal to be able to successfully organize the SAARC summit even Nepal face critical political transition. The Successful hosting of this summit has proved Nepal’s ability among South Asian leaders and Nepal adept of hosting summit in the terms of security and managerial ability.

**SAARC: SIGNIFICANCE FOR NEPAL**

Nepal is a small landlocked country in the central Himalayas which is surrounded between two large countries of the third world called India and China. Nepal situated around 147,181 km² in which latitudes are 26° 22’ and 30° 27’ north and longitudes are 80° 4’ and 88° 12’ east. Nepal stretching from the India in the south, east and west and from China in the north. Basically, Nepal divided into three regions: Himalayan region to the north, the mountain region and the Terai (Plains) in the south. Nepal knows as the land of Mount Everest and the birthplace of Lord Buddha.

SAARC is a very important platform for Nepal to develop close relations with their neighbor states and through this platform Nepal can decrease its dependence upon India. According to geographical location, SAARC is very important for Nepal in the terms of security, trade, development, tourism, problem of terrorism etc.

There are many factors which show the significance of SAARC for Nepal as follows:
1.) Economic Significance for Nepal
2.) Industrial Significance for Nepal
3.) Security Significance for Nepal
4.) Balancing Indian Hegemony Through SAARC
5.) Aid And Assistance Significance for Nepal

**ECONOMIC SIGNIFICANCE FOR NEPAL**

Economically, Nepal's interest are finest served through regional economic cooperation. The Nepalese economy is working under several limitations like landlocked location, border connected with India and China, poor infrastructure facilities in transport and communication, dependency on foreign aid, small domestic market and skilled or unskilled labor forces etc. Under these limitations, Nepal cannot become a self-sufficient without the external help. India is a natural trade partner of Nepal because it’s geographical condition. Nepal and India signed several treaties on trade. India serves as a convenient source of supply of the daily use commodities and Nepal is completely dependent on import of capital goods, technical and managerial support. In this context, SAARC help to Nepal decrease its dependence upon India and this is possible only made a good economic relations with their neighbors through SAARC.

**INDUSTRIAL SIGNIFICANCE FOR NEPAL**

In today’s world, industrial development is very important for every country. Nepal also wants industrial development, technological development, financial resources etc. SAARC have the ability to provide industrial, technological and financial help to Nepal. For example many Indian businessmen invested in Nepal. The major joint ventures in Nepal are Dabur, Dalmias, Hindustan Lever and Tata. Nepal is also interested to welcoming investments whether it’s a power projects, Agro-based industry and ancillary units, foreign investments. There are several other areas as well where positive prospects for establishing Indo-Nepal joint ventures exist, such as paper and pulp industry, diesel pumping sets, iron and steel projects, lead zinc, light industries and industrial estates etc. These joint ventures will not only help to increase Nepal’s exports to India and other regional states but will also help in reducing the trade deficits among Nepal and other SAARC countries. An economically strong Nepal will be beneficial to India as well.
SECURITY SIGNIFICANCE FOR NEPAL

Nepal is a landlocked country which is surrounded by India and China. So, its geopolitical location cannot allow to favoring any one country. Nepal has to maintain balance between two big powers and maintain equal relation with them. Nepal is a small country so it’s very important for Nepal to be a part of regional group like SAARC. Nepal has to maintain its relation with other neighbor countries. SAARC provides Nepal a sense of security because Nepal separately cannot control terrorism, dacoits, smuggling and other crimes. Nepal is a landlocked country hence Nepal need cooperation of other neighbor countries in the south Asian region.

BALANCING INDIAN HEGEMONY THROUGH SAARC

Unlike other regional organizations, SAARC is highly dominated by a single state called India. In the term of geography, population and natural resources India is the dominant country in the region. India is the third largest economy of the world and India’s Gross National Product (GNP) is 8 times more than from Pakistan which is second largest economy of the South Asian region. India is the only country in South Asia which has common borders with all the states of the region except Afghanistan. In this context, regional cooperation is not success without India's active participation.

SAARC giving a sense of security to small countries like Nepal to against the fear of big country in the region (India). There are close geographical, historical, socio-cultural, economic, political and psychological factors which have created Nepal’s relation with India. The border between the two countries is open. That’s why there is large scale of migration between both countries. Similarly Nepal’s economy is dependent on India in several ways. It has received maximum aid and assistance from India and considerable numbers of them have routine economic linkages with the southern neighbor. The goods freely flow across the border. That’s means trade transit facilities of Nepal is totally dependent on India. Because of the overwhelming dependence Nepal has always been in search of a counter balance in an effort to minimize its dependence on India. It viewed SAARC as an alternative to its excessive dependence on India.

AID AND ASSISTANCE SIGNIFICANCE FOR NEPAL
In the last year, end of April month 2015 Nepal is shaken by the earthquakes (also known as the Gorkha earthquake). In this earthquake around 8,800 people were death and thousands of houses were destroyed across many districts of the country. In this crucial time SAARC play a important role to rehabilitate the Nepali people in Nepal. Nepal is also a member of SAARC and it has right to get help aid and assistance from the other SAARC countries in this crucial point of time. Immediate neighbors of Nepal like India can take an immediate action and other SAARC countries can take important steps towards the Nepal’s rehabilitation. SAARC can play a very important role in this kind of natural calamities in any SAARC countries. It is very important for Nepal to be in SAARC because regional organization strengthens small countries like Nepal.

An Agreement on Establishing the SAARC Food Security Reserve was signed in Kathmandu in 1987. This agreement provides for a reserve of food grains to meet emergencies in member countries. It has been ratified by all the members countries and came into force on August 12, 1988. The reserve stood at 241,580 tons in January 2002. A member country can draw the same in the event of natural and man-made disasters and inability to cope with such a state or condition by using its nation’s reserve. A member country could even make use of this reserve if it is unable to procure the food grains it requires through normal trading transactions on account of balance of payments constraints. Nepal crisis shows it’s time SAARC food bank gets going.

**IMPLICATIONS OF SAPTA AND SAFTA IN NEPAL**

After a decade of establishment of SAARC, a regional economic cooperation agreement called South Asian Preferential Trade Agreement (SAPTA) came into presence in December 7, 1995. This agreement is considered to be major stepping stone towards advance level of intra-regional trade liberalization and economic collaboration among the member countries. The main objective of SAPTA was to support regional cooperation for the benefit of the people of the region by strengthening intra-regional economic cooperation and development of national economies. SAPTA was predictable to provide all the SAARC member countries preferential treatment by way of reducing import tariffs on eligible items. This arrangement delivers special and the most favorable treatment to the least developed countries in the region.

In order to further strengthen the regional economic collaboration, a new agreement called South Asian Free Trade Agreement (SAFTA) officially came into presence in January, 1st 2006. It’s
increased the considerable interest of regional economic integration among South Asian states. The SAFTA has become a parallel initiative to the multilateral trade liberalization promises of the South Asian states.

It is sure that least developed countries like Nepal will benefit from the regional trade agreement like SAPTA and SAFTA. Nepal being unique in the terms of historical, social, cultural and economic situation, the nature of trade seems uneven in the SAARC belt as it is a landlocked country. During 1980-1989, the growth rate was noted to 4.5 percent which declined to 4.12 percent during 1995-2005. Again in the period 2005-2012, it reached to 4.5 percent. After 2005, there were drastic political changes in Nepal which included ‘Comprehensive Peace Accord’ between the government and Maoist rebels followed by demolition of 240 years old monarchy. These political changes led to increased optimism in the country there by contributing to an improved investment climate. As a result there was steady rise in the gross fixed capital information.

The trade between Nepal and SAARC countries has increased in each periodic year. In the South Asian region Nepal’s trade is highly tilted with India. Nepal’s border stretching from the India in the south, east and west. On the one side Nepal import from India was 78.52%, 62.39% and 82.24% in 1990/91, 2000/01 and 2009/10 respectively and the other one is that Nepal export to India was 17.18%, 35.92% and 15.31% in 1990/91, 2000/01 and 2009/10 respectively. It can be say that, share of imports were higher from exports its means Nepal has huge trade deficit with India. Along with India, Bangladesh is the second largest trade partner of Nepal in the SAARC region.

From the year 2009 to 2013, Nepal suffered trade deficit with India and Pakistan. Likewise in the case of Sri Lanka, Nepal is experienced trade deficit in all the years (2010-2013) except in the year 2009. Trade deficit with India has been continuously increasing until 2012, except in 2013 when trade deficit has slightly declined. In case with Bangladesh and Bhutan, Nepal was having trade surplus in most of the period except in the year 2013. Overall, Nepal have experienced trade deficit with SAARC countries in the entire period. In the year 2009, it was recorded to be US$ 1836 million and it reached to US$ 2039 million in 2013. Nepal has not been able to diversify trade with SAARC nations except India as expected. Currently, Nepal has relied mostly on remittance to maintain its huge trade deficit.
Trade is often regarded as a tool to attract FDI. There is a general belief that FDI plays a crucial role in accelerating economic growth in developing countries. However, the FDI flow in Nepal is highly unsatisfactory even when compared to other South Asian countries and there is a need to attract a large volume of export-oriented FDI.

**NEPAL CALL FOR CHINA IN SOUTH ASIA**

Gradually, Nepal is coming under the influence of China. Chinese involvement in Nepal’s development and economy is not a patch on what India has done and is doing. The difference is that China is capable of better leveraging its financial, developmental, and infrastructural support for keeping Kathmandu tilted in its favor and stoking anti-India sentiments. The fact that India and Nepal signed 10 agreements during his visit for the SAARC summit did not restrain Kathmandu from supporting China’s case for an elevated role in SAARC. In fact, Nepal is all for China being granted full membership of SAARC. Whether this was under pressure from Beijing or because the Nepalese did not want to be seen as parading Big brother around the country is a moot point.

China’s commitment with smaller South Asian countries has been in the form of providing development assistance for building infrastructure and enabling reconstruction. China’s generous assistance to Nepal increased by 50 percent and touched US$22 million, focusing on the development of hydropower, roads, and tourism sectors. Chinese investment in infrastructural development in Nepal has been widespread. Presently, it is building a rail line to link Lhasa with Khasa on the Sino-Nepal border. India has been particularly critical of Chinese investments in Nepal because Nepal has often been willing to play the China card in South Asia to offset India’s influence.

China’s interest in South Asia, it is not very hard to imagine its preference in becoming a dynamic member of SAARC. For a long time, China has continuously expressed its wish to be fully involved in SAARC but to no avail. Historically, India has not been enthusiastic regarding Chinese involvement in SAARC. However, India had to agree to grant China observer status in the term of immense pressure from other South Asian countries like Sri Lanka, Pakistan, Bangladesh, and Nepal. Playing the China card helps the smaller states in balancing the enormous influence that India has on the region and SAARC.
In the 14th SAARC Summit held at New Delhi in April 2007, for the first time China was invited to this summit as an observer. During this summit, Chinese Foreign Minister Li Zhaoxing led a delegation to participate in the 14th summit and initiated five point suggestions on developing China–South Asian Cooperation in his Opening Speech.

China is seen by many of India’s smaller neighbours as an effective counterpart to India’s preponderant power”. Most of the SAARC members are eager for far deeper Chinese engagements in the region. The Chinese foreign ministry also sends some of their best diplomats to South Asia and to attend SAARC meetings. These diplomatic officials take advantage of platforms such as SAARC to pursue China’s regional goals. These goals gradually can reduce Indian influence in the region.

**CONCLUSION:**

SAARC is very important for Nepal in various aspects like trade, development, technology support, foreign investment, security, aid and assistance, security, tourism, problem of terrorism etc so on and so far but SAARC always suffer from India-Pakistan rivalry and its directly and indirectly impacted on south Asia region and upon SAARC developmental process. On the other hand there is also difference in SAARC’s agreement. SAARC has a SAARC food security bank but from the formation of food security reserve it is unused. Right now Nepal is suffering food crises due to recent earthquake and this time SAARC food reserve must be used but we can see there is no positive efforts are taken by the SAARC in the context of food security bank. SAARC should work more effectively and take into trust member countries especially small SAARC countries like Nepal, Bhutan, Maldives etc.SAARC is a very important platform for Nepal to develop close relations with their neighbor states and through this platform Nepal can maintain its dependence upon India.

**REFERENCES**


7. SAARC Website 2007.


