

Q:- Write a short note on Poverty and Trade in South Asia and the Role of SAARC. (1) (CSS-2022)

Ans:-

• Introduction:-

Regionalism has become the dominant feature in multilateralism post World War II. Infact, regional integration is considered as a panacea to many issues in the 21st century. Under the purview of regionalism, several intergovernmental organizations emerged including SAARC. SAARC was founded with the broader objectives of regional connectivity, collective self-reliance, human development and cooperation. Poverty and trade are the major agendas of the South Asian Association for Regional Cooperation. South Asia is home to 1.8 billion population; out of which 402 million people live in extreme poverty. Whereas trade among SAARC countries is low to about 5%. The figure is quite low compared to other organizations such as ASEAN (25%), European Union (60%). Therefore, the role of SAARC is crucial as it is mapped against the objectives in the Article I of its Charter. Revival of SAARC is sine-qua-non for the regional integration of South Asian Nations.

• Poverty in South Asia:-

South Asia is a vital region owing to its huge demographic, geostrategic location, trade potential and regional connectivity. Despite these leverages, South Asian countries are far behind to that of European

Countries. There are many reasons behind the poverty of these countries.

(2)

- Political instability
 - Conflicts
 - Terrorism
 - Informal economies
 - Population pressure
 - Natural disasters
- The 2024 data shows the poverty rate in South Asian countries.

Country	Poverty Rate (2024)
Pakistan	42.4%
India	5.3%
Bangladesh	12%
Nepal	17.7%
Sri Lanka	25%

Source: World Bank Report, 2024.

The data shows that almost all the South Asian countries are grappled with the problems of low income and are poverty-ridden countries.

• Trade in South Asia:-

Trade plays a fundamental role in the economic development and regional integration. Trade and poverty are interconnected; surge in one results in decline in other. Unfortunately, South Asia despite huge trading potential, contributes only 3.8% to the Global GDP growth.

According to World Bank Report, 2024,

(3)

~~Intra-saarc countries~~

- The trade among intra-saarc countries is less than 5%, quite low as compared to ASEAN (25%) and European Union (60%).

- About 67 billion dollars is lost annually due to limited and almost negligible trade.

Source: World Bank Report, 2024

- Trade is a key driver in the economic development of a country. It is the major contributor to the GDP and poverty alleviation.

• Role of SAARC:-

The objectives of SAARC revolve around regional integration, economic development, cooperation and improvement in the lives of the people. SAARC played its role in the few areas such as establishment of Economic cooperation committee for economic development, foundation of SAARC development fund for funding development programs as well as SAFTA.

As the Trade and Poverty are interlinked; therefore SAARC tried to play its role by facilitating trade among the SAARC countries to improve the lives of people and poverty alleviation.

• SAFTA:

South Asian Free Trade Agreement was signed on January 6, 2004. The agreement was signed under

The banner of SAARC. The main purpose of this agreement was to facilitate trade among the South Asian Nations by reducing trade barriers. Besides, the main strategy was to reduce trade tariffs to 0-5% in order to make South Asia - Free Trade zone within 10 years. (4)

Issue:-

Despite signing the agreement, the trade among South Asian nations remained very low. The main reason was the trust deficit and the deadlock among the countries on various issues. Due to these problems, SAFTA could not achieve its objective of trade liberalization and market integration.

• Conclusion:-

South Asia is one of the most important region due to its various factors, but the development ^{mechanism} remained stalled due to trust deficit and lack of ^{for} regional connectivity. SAARC, that was designed to address the challenges of economy and development, could not achieve its desired goals. The population of about 402 million people still live in poverty and trade in this globalized world is less than 5%. All this is due to inter-state conflicts particularly Indo-Pak rivalry, institutional weakness which accounts only for multilateral disputes and others. Therefore, the revival of SAARC is the hour of need by resolving cross-border issues and amending its Charter.