

## THE ROLE OF OBSERVERS IN SAARC

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### Abstract

*The South Asian Association for Regional Cooperation (SAARC) was set up in 1985 by seven countries of the South Asian region, namely Bhutan, Bangladesh, India, Maldives, Nepal, Pakistan and Sri Lanka. With the admission of Afghanistan the membership of SAARC now stands at eight. Despite recognition of the need by the member countries for accelerating the process of regional cooperation for development, SAARC could not achieve much in the area of trade and economic cooperation. It was due largely to the existence of bilateral disputes, particularly between Pakistan and India, that the process of regional cooperation could not make an appreciable forward movement. However, during the last about five years, SAARC has displayed signs of vibrancy and progress in the area of economic integration and trade promotion. The agreement on establishing a South Asian Free Trade Area (SAFTA) is an example. The improvement in prospects of development under SAARC has attracted an increasing number of states as Observers. In the last (15<sup>th</sup>) summit meeting of SAARC held in Colombo in August 2008, nine countries participated as Observers. This paper tries to look into the factors, which have encouraged other countries to seek association with SAARC as Observers. The paper would also discuss what benefits SAARC could get as a result of participation by a large number of countries as Observers.*

**A**ccording to Oxford Advanced Learner's Dictionary, an observer is a person who watches somebody or something, a person who attends a meeting, lesson, etc., to listen and watch but not to take part.<sup>1</sup> In the context of international conferences observer means a country or an organization, which sends its representative to attend the conference or meeting of an international or regional organization for the purpose of watching its deliberations but

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<sup>1</sup> *Oxford Advanced Learner's Dictionary*, Sixth, ed, (New York: Oxford University Press, 2000), 874.

does not participate in its decision-making process due to definitional constraints of that conference or meeting. For example, the Organization of Islamic Conference (OIC) is an international organization of Muslim countries. Its membership is limited to only those countries where Muslims constitute the majority of its population, but it allows a number of other countries and international organizations to attend its summit meeting as observers. Similarly, the European Union (EU) and the Association of Southeast Asian Nations (ASEAN) have the practice of allowing countries and international organizations to attend their summit meetings as observers since geography precludes the membership of these states.

As it is the case with other international and regional organizations, a number of countries interested in the affairs of the region also attend the summit meetings of SAARC. There have been fifteen summit meetings of SAARC, since its establishment in 1985. The last summit meeting was held in August 2008 in Colombo, Sri Lanka. Nine countries sent their delegates as observers to attend the summit. More states have shown their interest in acquiring observer status in the SAARC summit meetings. A look at the past 23 years' old history of SAARC would show that the SAARC process has evolved with an increasing number of states seeking observer status. This paper proposes to discuss the role of observer states in SAARC and the contributions that these states could make towards making the regional grouping as a vibrant and action-oriented entity. At the same time the paper would also take into account the impact of their presence as observers at SAARC summits on the regional security/stability situation as they have divergent political agendas and security interests in the region. The paper would argue that the bee-line of observers at SAARC summits presents both a challenge and an opportunity; as while it enhances the international stature of SAARC and creates strong imperatives for peace and cooperation, it can boost foreign direct investment, open up transit trade facilities, provide connectivity and promote inter-regional trade and economic cooperation opportunities among the member states.

The countries or international entities that send their observers to attend the meetings of international or regional functional organizations are motivated by a number of factors. For example, they have traditional and longstanding political, economic and cultural links with the region, which is represented by a particular organization. ASEAN is a regional organization consisting of countries of Southeast Asia. But other

countries like the United States, Pakistan, India and Japan attend the summit meetings of ASEAN as Sectoral Dialogue or Full Dialogue members because these countries have historical links and important economic and strategic interests in this region. Sometimes a newly formed regional organization consciously keeps its membership limited for the purpose of efficiently running its affairs, but allows some other countries, which are in fact the potential members, to attend as observers. After attending these meetings as observers, these countries usually apply and are admitted as members of the organization. Pakistan and Iran have been attending the summit meetings of Shanghai Cooperation Organization (SCO) as observers. But both the countries have a strong desire to become members of SCO. The countries that have sizeable stakes in certain regions or are aspirants for acquiring membership usually start attending the meetings as observers. They send their senior diplomats to watch the deliberations of these conferences with a view to exploring the opportunities for further interaction with the member countries in the political, economic and cultural areas. It also gives them an opportunity to assess the future trends in political and economic development in the region and plan their strategies for future relations with the countries of the region in the light of these trends.

Most importantly, in this world of increasing interdependence under the rising tide of globalization, no country or group of countries or organization is in a position to achieve the goals of economic development and trade expansion without cooperation from other countries. This is particularly true of the developing countries, whose economies have for a long time remained and still remain linked with the economies of the developed countries. For accelerating the pace of regional cooperation for economic development and trade they need help and assistance from the developed countries. Moreover, the formation of regional trading blocks is a dominant trend of the post-Second World War period. Regional cooperation has been supported by the United Nations and the developed countries because the process strengthens global economy in which every country has a vital stake.

### **The Case of China and Iran**

People's Republic of China expressed its interest in joining SAARC as a member on the basis of geographical contiguity, historical, cultural links and rapidly growing trade and commercial relations with South Asian countries, particularly India, Pakistan, Bangladesh and Nepal. The

candidature of People's Republic of China received support from Pakistan and Bangladesh, while India was initially reluctant to accept prospects of China becoming a member of SAARC. During the 13<sup>th</sup> (Dhaka) Summit, India agreed to grant an observer status to China along with Japan. The candidature of China was discussed during the 14<sup>th</sup> (New Delhi) Summit. Pakistan, Bangladesh and Nepal joined to support the Chinese case. The Indian reluctance to agree to accord China an Observer status was paradoxical. While on the one hand, Sino-Indian bilateral trade was showing phenomenal growth, India had reservations on an Observer seat for China at the SAARC summits. The only plausible reasons could be strategic and political. The Indians may have been afraid that Chinese presence at SAARC summits would lend support to the smaller countries of the region, particularly Pakistan, Bangladesh and Nepal, who have enjoyed close relations with China.

The Islamic Republic of Iran made quite a strong case for SAARC membership. After Afghanistan's membership of SAARC, Iran has the distinction of having common borders with two of the eight members of the regional grouping. Besides geographical contiguity, Iran and South Asia have had trade and commercial links since ancient times. Iran has also strong cultural, economic and political relations with Afghanistan, Pakistan and India. In February 2005, Iran made a formal request for SAARC membership when its Foreign Minister, Kamal Kharrazi, indicated Iran's interest in joining SAARC by saying that his country could provide the region with "East-West" connectivity. On 3 March 2007, Iran submitted a formal request for an Observer status in SAARC. The request was approved during the 14<sup>th</sup> (New Delhi) summit of SAARC held in April 2007.

The presence of some major powers as observers and the desire shown by an increasing number of other states to become observers or members of SAARC shows that the South Asian regional grouping is attracting greater attention of international community due its growing importance as a regional trading bloc. In parts of this paper that follow we will, therefore, first discuss briefly the major achievements of SAARC, and then the role of observer states in facilitating further development of intra-regional and inter-regional cooperation for development and trade.

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## Achievements of SAARC

In its more than twenty years of history, SAARC has been able to considerably expand its areas of cooperation with some landmark agreements among the member states that have implications even beyond the region. It has moved from discussing social and development issues to the promotion of cooperation in areas like terrorism, poverty-alleviation and economic cooperation. It is now clear that the regional grouping is trying to adjust to new geo-strategic and economic developments in the era of globalization.<sup>2</sup> The signing of Social Charter, Additional Protocol on Terrorism and South Asia Free Trade Area (SAFTA) agreement are the three most important achievements of SAARC. The signing of Social Charter was hailed by the 12<sup>th</sup> Summit of SAARC held in Islamabad in January 2004, as “a historic development, which would have far reaching impact on the lives of the millions of South Asians.” The issues covered under the Charter included poverty alleviation, population stabilization, empowerment of women, youth mobilization, human resource development, promotion of health and nutrition and protection of children.<sup>3</sup> Following the signing of Social Charter, another landmark achievement of SAARC is the entering into force of SAFTA agreement from 1 January 2006. As the declaration issued after the Thirteenth (Dhaka) SAARC Summit said: The launching of SAFTA marked “an important milestone on the road to a South Asian Economic Union.”<sup>4</sup> There are other benefits that the countries of South Asia are expected to secure once SAFTA becomes fully operative. Since the agreement binds more developed economies of the region (India, Pakistan and Sri Lanka) to reduce their tariffs by 20 per cent in the next two years and in the next seven years, 2012, to zero tariffs, the Least Developed Countries (LDCs), Nepal, Bhutan, Bangladesh, Maldives and Afghanistan would greatly benefit from this agreement. It is also expected that SAFTA would bring much of the illegal trade in the region to official level, giving a boost to

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<sup>2</sup> Smruti S. Pattanaik, “Making Sense of Regional Cooperation,” *Strategic Analysis* 30, no. 1 (Jan/March, 2006), 144.

<sup>3</sup> SAARC, *Islamabad Declaration*, Twelfth SAARC Summit, Islamabad (4-6 January 2004), <http://www.sarc-sec.org/main.php?id=14&t=4> (accessed on 2 April 2008)

<sup>4</sup> SAARC, *Dhaka Declaration*, Thirteenth SAARC Summit, Dhaka, 13 November 2005, <http://www.sarc-sec.org/main.php?id=159&t=4> (accessed on 2 April 2008)

all round regional trade levels.<sup>5</sup> This aspect of SAFTA is particularly significant because intra-regional trade is at a very dismal level. The countries of South Asia trade with each other on the basis of negative lists and their protective trade regimes inhibit free flow of goods across their international frontiers. If this situation is allowed to persist it would become a great hindrance and mar the prospects of a common market emerging in the region. Such obstacles and restrictions have also given rise to smuggling and unofficial trade. Unless the countries let the market forces decide the list of imports and exports, the governments would continue to lose substantial revenues. The restrictions imposed on trade and the policies of raising protectionist walls is of no use, as the porous borders make protective trade regimes unsustainable.<sup>6</sup> With an increase in intra-regional trade under SAFTA, the investment climate would improve in the region. This would attract countries beyond the region to establish and expand their trade and commercial links with the countries of South Asia. The developments like the signing of SAFTA has helped project South Asia as a vibrant economic region with considerable future potential. SAFTA, as one writer has emphasized, brings new hopes, builds confidence and generates a chain of opportunities for the South Asian countries to look beyond the SAARC.<sup>7</sup>

At the 12<sup>th</sup> (Islamabad) Summit, the foreign ministers of SAARC signed Additional Protocol to the 1987 SAARC Convention on Terrorism. The protocol was signed in the backdrop of 9/11 terrorist attacks in the United States and its purpose as defined under Article 1 is to strengthen the 1987 convention on the suppression of terrorism adopted by SAARC. The Additional Protocol deals with “collection and acquisition of funds for the purpose of committing terrorist acts” for which the cooperation of the state is needed. Apart from the exchanges of information, measures to suppress and eradicate the financing of terrorism, extradition of terrorists and promoting technical cooperation among member countries have been mooted. The Protocol was

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<sup>5</sup> Pattanaik, “Making Sense of Regional Cooperation,” 145.

<sup>6</sup> Ibid., 146.

<sup>7</sup> Mahendra P. Lama, SAARC: Dynamics of Emerging New Regionalism, (paper presented at the Regional Conference on the *Expansion of SAARC: Challenges and Opportunities*, Institute of Foreign Affairs (IFA), Lalitpur, 29-30 June 2006), [http://www.fesnepal.org/reports/2006/seminar\\_reports/seminar%20papers/Paper\\_MPLama.pdf](http://www.fesnepal.org/reports/2006/seminar_reports/seminar%20papers/Paper_MPLama.pdf)

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hammered out to meet the obligations of the UN Security Council Resolution 1373 (2001).<sup>8</sup>

By signing the Social Charter, launching of SAFTA and acceptance of global obligations to suppress and eradicate terrorism by adhering to Additional Protocol on terrorism, SAARC has come into the lime light as an organization, which is not only making progress in the areas of regional integration and social development but also showing willingness to share the responsibilities to fight the war against international terrorism. It has induced the other countries to enhance the level of their interaction with SAARC in areas like trade, investment, energy, infrastructure, education and security. This became the basis of the desire of some countries like the United States, China, Japan and European Union to seek observer's status in SAARC, because that facilitates close cooperation between SAARC and these countries.

### **The Issue of Membership and Observers**

SAARC has been confronted with the issue of membership and observers from the very beginning. Certain states like Afghanistan were desirous of entering into SAARC from the day it was founded 33 years ago. The case of Afghanistan was based on geographical contiguity, traditional, social, cultural and economic links; and Pakistan and India being markets for Afghan commodities. Similarly, U.S., China, Japan and South Korea were interested to become observers at SAARC summits. But the decision on the issue was delayed because of prevalence of the view in some member countries that extension of membership and admission of observers might impinge on the progress of SAARC to a certain extent because the focus on the region would get diluted. While Pakistan, Bangladesh and Nepal were keen to bring in China as observer, India and Bhutan showed nervousness on the prospect of Chinese presence in SAARC. However, under the imperatives of globalization, it has become difficult for countries to remain confined only to one or two regional groupings. South Asian countries themselves-- India, Pakistan, Bangladesh and Sri Lanka—have been keen to develop linkages with other regional groupings like ASEAN, SCO, ECO, etc. The admission of observers also complements diversification of economic opportunities. Other regional groupings have their own dynamics and priorities. Some of the issues that the SAARC states confront are region-specific. Interaction between

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<sup>8</sup> Pattanaik, "Making Sense of Regional Cooperation," 148.

various regional groupings and some of the SAARC member countries in other fora would enhance knowledge and understanding of the region and contribute to the progress of SAARC.<sup>9</sup>

The improvement of regional security environment as a result of progress achieved by Indo-Pakistan peace process has been another incentive for countries to seek close association with SAARC as Observer states. The Indian TV network *rediff.com* reported in November 2006, that encouraged by the improvement in relations between India and Pakistan, Russia had expressed interest in joining SAARC as an observer. The network cited a report, published in the Pakistani newspaper *Dawn*, which quoted a Russian diplomat saying, “Russia has a big interest in SAARC and it is clear that it cannot remain out of the process with countries like Afghanistan joining it and Iran also making a bid for it.”<sup>10</sup> The U.S., Japan, China, South Korea and EU had already expressed their desire to be associated with SAARC as observer states.

In response to these developments, the 13<sup>th</sup> Summit of SAARC held in Dhaka in November 2005 started the process of associating other countries as observer states and thus ending its deliberate and self-inflicted isolation from the rest of the powerful economies of the world.<sup>11</sup> During the summit, China and Japan were admitted as observer states. Following this decision, the Standing Committee in its meeting held on 10 November 2006 in Dhaka agreed in principle to admit the U.S. and South Korea as observers. The Standing Committee of the foreign secretaries of the SAARC countries meeting prior to the holding of 14<sup>th</sup> Summit in New Delhi in April 2007 approved Iran’s application for observer’s status. Thus, the 14<sup>th</sup> Summit of SAARC had the unique distinction of being attended for the first time by five observer states, namely, the U.S., European Union, China, Japan and South Korea. The Summit was also attended by Afghanistan as the grouping’s eighth member.

Chinese Foreign Minister Li Zhaoxing, the then Japanese Foreign Minister ( now Prime Minister) Taro Aso, South Korean Foreign and Trade Minister Song Min Soon, U.S. Assistant Secretary of State for

<sup>9</sup> Ibid., 158.

<sup>10</sup> *rediff.com*,

<http://www.rediff.com/cms/print.jsp?docpath=//news//2006/nov/22russia.htm> (accessed on 28 March 2008).

<sup>11</sup> Ranjit Kumar, “Role of Observer States in Promoting Economic Cooperation Among SAARC Members,” in *Japan-SAARC Cooperation*, ed. Aatur Rahman, (Dhaka: Japan Study Center, University of Dhaka, 2006), 129.



South and Central Asia Richard Boucher and EU's New Delhi envoy represented their countries at the Summit. The presence of five major economies from outside the region in fact extended the appeal of SAARC to the larger international community. Their presence symbolized the enhanced interest of the international community in the functioning of SAARC. Although it could also entail some power play as big powers always have their own agenda, but there was general agreement among the political observers and close circles of SAARC that the association of super-economic powers with SAARC would also have some positive impact on South Asia.<sup>12</sup>

### The Role of Observers

On the eve of 14<sup>th</sup> Summit in New Delhi, Indian Foreign Secretary Shivshankar Menon was asked what would be the role of the five observer states in SAARC. He replied that there could be cooperation between SAARC and these countries in trade and counter-terrorism as well as social and economic sectors.<sup>13</sup>

At the inaugural session of the Summit each observer state was allowed to deliver a four-minute speech in the presence of heads of state or government. While delivering their short speeches, the representatives of the observer states outlined their future role in the SAARC.

The Foreign Minister of China declared Chinese support for the SAARC process and said his country was ready to intensify cooperation with SAARC countries in various areas, including infrastructure and energy.

“Good political atmosphere, close geographical location and popular support would greatly boost China-SAARC Cooperation,” he said and proposed to institutionalize the China-South Asia Business forum to serve as a platform for discussion on economic problems and trade. In order to enlighten the Summit about the process of change in China, the Chinese Foreign Minister said that Beijing planned to hold a workshop for South Asian diplomats on contemporary China.

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<sup>12</sup> *The Daily Star*, 30 March 2007,

<http://www.thedailystar.net/2007/03/30/d7033001044.htm>

<sup>13</sup> *Hindu*, 1 April 2008,

<http://www.thehindu.com/2007/04/01/stories/2007040107020100.htm>

“As close neighbours, China and SAARC countries enjoy deep traditional friendship and there is a strong foundation for advancing our cooperation. We all belong to the developing world, are experiencing fast growth and facing historic opportunities of development.”<sup>14</sup>

In his address the then Japanese Foreign Minister (now Prime Minister) Taro Aso identified “better regional connectivity” as the target of Japan’s expanded cooperation with SAARC, and also said that Japan was keen on supporting priority projects. In his address, he also disclosed that Japan had contributed an additional USD 7 million in the SAARC-Japan Special Fund for furthering social and cultural exchanges with South Asia. The fund, according to him, would especially be used for the promotion of youth activities. Giving the details of plans for further cooperation between SAARC and Japan, Mr Aso said that Japan was planning to increase its investment in India from the 2005 level of USD 515 million to USD 5.5 billion in 2007. Most of this investment was likely to go into the automobile industry. He said that Japan would soon finalize a Free Trade Agreement with India, which would further promote Japanese investment in India. Trade, investment and economic cooperation were not the only areas in which Japan envisaged greater cooperation with SAARC. The Japanese Foreign Minister also mentioned transportation and disaster management as additional areas in which Japan was keen to enhance cooperation with SAARC countries.

Another area in which the Japanese Foreign Minister said Japan would like to play its role as an observer state was the promotion of democracy in South Asia. In this regard he particularly mentioned the democratization process in Nepal and Bhutan. In his address Mr Taro Aso said that while being a part of SAARC as an observer nation, Japan was advancing a new initiative to create an arc of freedom and prosperity.

“The outer rim of the Eurasian Continent has seen historic transitions in many countries. A new frontier or an arc has emerged. It is a growth region, more stable than ever, committed to universal values. South Asia indeed makes the central pillar of this arc. Recalling the role of South Asia in the economic development of Japan during

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<sup>14</sup> *Times of India*, 3 April 2007,  
<http://timesofindia.indiatimes.com/articleshhow/1851922.cms>

1950s, the Japanese Foreign Minister said that when Japan's post-war economic miracle was yet to take place, South Asia helped its people and India and Pakistan provided Japan with crucial materials like iron ore and raw cotton."<sup>15</sup>

In reply to a question on the U.S. role in SAARC as observer, the U.S. representative to the 14<sup>th</sup> SAARC Summit, Assistant Secretary of State for South and Central Asia Richard Boucher said:

"I think to some extent we are still figuring it out, because this is the first time there have been observers at SAARC meetings, and the first time for us, so I am thrilled to be here. It is a chance for me to interact with all the leaders of the region and see how they interact with each other. We are looking to the areas that we can support areas like trade and education that we can work with, and try to support the organization and its goals."<sup>16</sup>

While the SAARC decision to expand its membership and admit observers has generally been welcomed, some skepticism and misgivings have also been expressed. It is said that SAARC, even after entering into third decade of its existence, has not made impressive progress in the area of intra-regional trade and economic cooperation. For example, despite SAFTA, intra-regional trade in SAARC region is only 4-5 per cent of its total trade. It sharply contrasts with ASEAN's 25 per cent and EU's 66.6 per cent.<sup>17</sup> Even if the region has made impressive and steady economic growth, its overall trade in the global market is unlikely to change radically. The smaller economies like Bangladesh, Nepal and Pakistan stand to gain more from a freer trading bloc. As of now, Pakistan has held up implementation of SAFTA and hinges it to the resolution of Kashmir dispute. Thus SAARC and SAFTA continue to be hostage to the political differences that exist among its member states. What is then the basis of attraction; it is asked, for the extra-regional actors to seek

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<sup>15</sup> *Times of India*, Ibid.

<sup>16</sup> U.S. Department of State, Interview with Suhasini Haidar, Deputy Foreign Editor CNN-IBN, New Delhi, India, 4 April 2007, <http://www.state.gov/p/sca/rls/2007/82662.htm>

<sup>17</sup> Anura Ekanayake, "Fiscal and Trade Policy for the SAARC Region-Vision 2020," (presentation at South Asian tax Summit 2008), [www.aseansec.org](http://www.aseansec.org), <http://europa.eu>, [www.sarrc-sec.org](http://www.sarrc-sec.org)

association with SAARC when the organization does not offer an economic incentive that could not be pursued bilaterally? It is claimed that incentives are not necessarily economic: the rationale for the rush appears to be the political considerations of the major powers. By being a part of the organization, they secure a position to consolidate their overall political influence in South Asia. It would also enable them to evolve a regional policy that transcends their traditional Indo-Pakistan oriented policy. In some cases, it also facilitates an activist role in the smaller states of the region. Since geography precluded a full membership of SAARC, these extra-regional powers have opted for the observer's status.<sup>18</sup>

### The Impact of Observers

Notwithstanding the fact that the presence of big powers inevitably entails some sort of a power game, the dominant view on the role and impact of observers in SAARC reflects positive overtones. The process initiated by SAARC to associate extra-regional powers as observers is being perceived as an act to enlarge its vision and opening itself to the outside world. As one writer has said:

“SAARC as an economic group had till now little coordination with (extra-regional powers), though individual South Asian countries have best of trade relations with them. No grouping or economic cooperation organization in a region can prosper without the support, cooperation and guidance of other regional economic groupings and its leading members and learn from their experience of economic integration. ASEAN is an example before us that started this process of associating other powerful countries in the region and world wide as Sectoral Dialogue Partners and Full Dialogue Partners.”<sup>19</sup>

It is true that SAARC, despite its 23 years of existence has not been able to achieve much in terms of economic integration and inter-regional trade, but it is recognized as a market of the future due to its

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<sup>18</sup> PINR: *SAARC: A Potential Playground for Power Politics*, 17 April 2006, [http://www.pinr.cm/report.php?ac=view\\_printable&report\\_id=473&language\\_id=1](http://www.pinr.cm/report.php?ac=view_printable&report_id=473&language_id=1)

<sup>19</sup> Ranjit Kumar, “Role of Observer States in Promoting Economic Cooperation Among SAARC Members,” 129.

huge material and human potential. The region is also recognized as an emerging global economic force, having an aggregate GNP of approximately USD 780 billion. When measured in terms of Purchasing Power Parity (PPP) the region's collective GDP stands at approximately USD 3.8 trillion. The region is passing through a period of economic upsurge as major economies of the region continue to register high growth rate. The performance of these economies has been commended by international financial institutions like the World Bank (WB) and the Asian Development Bank (ADB). At present the annual growth rate of GDP in India hovers around 8-9 per cent; whereas the latest projections about Pakistan's growth rate hint at the possibility of 6 per cent annual growth rate.<sup>20</sup> This is a remarkable achievement of the economies of the two major countries of South Asia and holds the promise to give the region a prominent place on the world economic geography. It is projected that if the South Asian economies can sustain 7-9 per cent growth rate annually, attain the Millennium Development Goals (MDGs), put the basic institutions in place over the next decade, the region can well meet the challenges of poverty alleviation, root out illiteracy and surpass many other regions of the world in the area of economic development.<sup>21</sup>

The prospects of SAARC being transformed into a dynamic and vibrant economic grouping have made it a magnet for other economies of the world, which are keen to develop linkages with the region. The decision to expand the membership of SAARC to include Afghanistan as a member has been termed as a positive development as without Afghanistan integration of SAARC as a regional economic forum would have been incomplete. The next steps could be the decision to include Iran and Myanmar as members as both these countries are geographically contiguous and economically linked to South Asia. Certain SAARC members are advocating full membership for China, although India is reluctant to endorse it. Similarly, Iran's presence in SAARC as an observer state may cause some embarrassment to EU and the United States who sit in the SAARC as observer states. It is generally agreed,

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<sup>20</sup> The figures have drastically been downgraded in view of prevailing world recession.

<sup>21</sup> C M Shafi Sami, "SAARC: the Future Direction" (paper presented at the Regional Conference on the *Expansion of SAARC: Challenges and Opportunities*, Institute of Foreign Affairs (IFA), Lalitpur, 29-30 June 2006).

however, that the inclusion of extra-regional states as observers would prove beneficial to SAARC.

“The inclusion of South Korea, China, USA, Japan and the European Union as full fledged Observers has given SAARC not only new teeth, but has also enhanced its image as an important economic and strategic forum at a global level. The coming of these countries as Observers has given SAARC a much wider platform for business and trade. It has also given SAARC a much wider strategic platform. Probably this could be a stepping stone for SAARC to attain a global image like ASEAN, APEC and other forums in near future.”<sup>22</sup>

However, the expanding list of observer states in SAARC may also bring with it regional and international rivalries reflected in the divergent political and regional security agendas of these states. For example, the United States maintains heavy military presence in Afghanistan along with the troops of UN mandated International Security Assistance Force (ISAF) of over 40 countries, including NATO countries. These forces have been battling Taliban insurgents for the last eight years. Under the new strategy on Afghanistan and Pakistan, the US plans to enhance the level of its forces further. The presence of such a large number of foreign military forces is giving rise to concerns by some of the regional states, like Iran and China.

During the last three years, the region has witnessed a sharp increase in the military and economic influence of the United States. The most visible symbol of this phenomenon is the Indo-U.S. deal for civil nuclear cooperation. In addition to that the two countries have held a number of bilateral military exercises involving their naval, air and land forces. The declared objective of these acts is to promote cooperation and coordination among the forces of the two countries in the war against terrorism. India and the United States have also expanded cooperation in the areas of trade, commerce, energy, technology and science. Although China has also expanded its bilateral trade relationship with India and is focusing on promoting economic cooperation with Pakistan, the increasing military and economic influence of the United States in South Asia is likely to be viewed with concern in Beijing.

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<sup>22</sup> Suvrokamal Datta, “Is the SAARC heading Global,” *INDOLink*  
<http://www.indolink.com/printArticleS.php?id=040507040915>

Similarly, Iran, though opposed to Taliban's comeback in Afghanistan, cannot be indifferent to heavy U.S. and NATO military build up in Afghanistan with which it not only has a long common border but has also important strategic, political and cultural interests. In the back drop of U.S.-Iran stand off on Tehran's nuclear programme, the presence of such a large number of American troops is certain to unnerve Iran. The United States has already successfully used its newly acquired leverage over India to prevent it from joining Iran-Pakistan Gas Pipeline. The presence of both Iran and the United States as observer states is sure to mar the SAARC summit meetings with accusations and counter-accusations from both sides.

### **Conclusion**

The SAARC initiative to expand its membership and extend observer status to some of the extra-regional powers has been taken in response to the persistently aired view that these measures would strengthen regional grouping and make it more dynamic and vibrant. The decision to accept Afghanistan as a member would promote intra-regional and inter-regional connectivity as Afghanistan can function as a bridge between South Asia and Central Asia through Pakistan for the purpose of trade and energy transportation between the two regions. The states that have been accepted as observers are strategically and economically important actors in the international system. Their presence in SAARC would enhance the prestige of the organization and would provide it an opportunity to benefit from the experience of these powers in the area of economic integration. It is also said that from the organizational point of view, the inclusion of observers might energize SAARC toward greater economic cooperation and dynamism within the member states and with the outside world, especially vis-à-vis the observers. It might even minimize the political differences that often cloud its economic cooperation and progress.

But at the same time, the countries, which would attend the SAARC meetings as observers look at South Asia from their own perspectives. There is an element of competition in their approach to cultivate closer relations with the countries of SAARC. They have different political calculations and are often in competition. For example, China's trade and commercial relations with India are growing at a phenomenal speed, but politically its outlook has greater convergence with Pakistan. Given the adversarial relations between Pakistan and

India, this could prove to be a complicating issue from the Indian point of view. Similarly, the presence of the U.S. and Iran in the same organization as observer states might create an acrimonious environment in view of U.S. opposition to Iran-Pakistan-India (IPI) gas pipeline. In short, while the expansion of SAARC through the inclusion of new members and observers might contribute to the growth of economic cooperation among the member states and the organization, it can also lead to new power games in South Asia as states with divergent political agendas register their presence and pursue their strategic objectives in the SAARC. ■