

Chapter-13

India and SAARC in 2025: Opportunities, Challenges, and Regional Prospects

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Abstract:

The South Asian Association for Regional Cooperation (SAARC) remains an overambitious and underachieving regional organization in the broader landscape of global integration. As the most populous and most geographically central and powerful country in South Asia, India plays a critical role in shaping SAARC's performance and direction. Based on latest geopolitical trends, trade flows, connectivity projects, and strategic realities in South Asia, this article analyzes India's opportunities and constraints at SAARC in 2025. Despite the vast potentials for strengthening intra-regional trade, energy collaboration, digital linkages, and climate resilience within SAARC, the progress achieved has been hampered by the continuous strains of political discord, institutional paralysis and bilateral disputes. Using a descriptive, policy-oriented methodology based on secondary data and emerging trends in 2025, this article examines the evolving role of India in regional interaction. The study argues that although India stands ample opportunities to assert its leadership in the realm of economic diplomacy, physical connectivity, digital public goods and sub-regional frameworks, the structural asymmetries, trust deficit and external geopolitical rivalry have served as binding constraints. The conclusion asserts that in order to revive SAARC, greater political will, a focused approach toward practical co-operation in functional sectors and a sensitive balance in accommodating smaller member states' priorities should be exercised. In this regard, India's strategic yet inclusive leadership at the SAARC forum can indeed help make SAARC a viable mechanism for regional prosperity and stability.

Keywords: India, SAARC, South Asia, Regional Cooperation, Economic Integration

Introduction:

Regional organizations are becoming increasingly influential in governing regional and global economic and political cooperation. In the context of deepening integration through institution building in regions like Europe and Southeast Asia, the South Asian region continues to lag behind the trend in terms of intra-regional cooperation. Established in 1985, SAARC was designed to foster economic, social and cultural cooperation between its eight members. Despite geographical proximity and shared cultural heritage, South Asia is ranked among the least integrated regions globally. By 2025 SAARC remains highly relevant in the changing global scenario where trends in terms of global economic recovery, diversification of supply chains, climate risk and digital disruption are taking center stage. India as the most significant economic player in the region plays an indispensable role in determining the success or failure of regional cooperation. This paper takes an in-depth look into the opportunities

and challenges before India in SAARC in 2025 and discusses the future of intra-regional cooperation in South Asia.

Literature review:

Several papers have looked into South Asian regional cooperation; some focusing on economic integration, others on political relations or strategic issues. Dash (2008) points out that political conflict and asymmetry in economic capacities have hampered meaningful economic integration within the South Asian Association for Regional Cooperation (SAARC). In fact, the India-Pakistan bilateral relations constitute a significant structural problem that has hampered practical cooperation, according to Alam and Khan (2016). Recent analyses on South Asian trade, for example, by World Bank (2023) and Exim Bank of India (2025) clearly show that intra-SAARC trade is less than 5 per cent of the region's overall trade despite a high degree of scope. Analyses on energy cooperation, e.g. By Bhattacharya and Gurung (2019), confirm that there is potential for India to exploit the hydropower resources of Bhutan and Nepal through energy-sharing with neighboring states through cross-border transmission but there is a distinct lack of integrated energy grid in the region.

Connectivity and infrastructure proposals has been analyzed in several papers. Sen and Rahman (2021) observe that India's participation in sub-regional cooperation like BBIN suggests that a real-world cooperative approach is feasible while SAARC Summits continue to falter. Analysis of the strategic domain by Muni (2020) reveal that China's deepening influence in South Asia presents a strategic challenge to India's regional leadership and poses questions about the prospects of India developing a regional strategy in South Asia. Three clear recurring themes that can be extracted from analyses of the SAARC are; economic opportunity and disparity, the constraints that political and security issues present and finally strategic competition in South Asia. There is very little written, however, that connects India's opportunities and constraints across all three domains in a holistic manner.

Although there is vast literature on historical political relations and pre-2023 trade statistics, there are only a few studies on India's role in SAARC after 2025 focusing on new domains such as digital connectivity, infrastructure diplomacy, climate cooperation and strategic competition. This paper provides a fresh and a policy-relevant analysis on opportunities and constraints India faces today within the South Asian region.

Objectives of the Study:

1. To analyze India's role within SAARC in 2025.
2. To identify key economic and strategic opportunities available to India in the South Asian region.
3. To assess the critical political and structural constraints hindering regional integration.
4. To explore future opportunities in reviving cooperation within SAARC.

Research Methodology:

This study will adopt a descriptive and qualitative research design approach. The methodology primarily relies on the secondary data from government reports, policy briefs, regional trade and economic statistics as well as current events in 2025. This approach places a greater emphasis on analysis of policies rather than on econometric

modeling. The approach primarily uses information pertaining to trade trends, connectivity initiatives, strategic competition, and institutional framework to define opportunities and constraints India faces in South Asia with reference to SAARC.

India's opportunities in SAARC (2025):

1. Economic Integration & Trade Expansion:

The South Asian region offers a substantial consumer market and tremendous scope for boosting trade. Opportunities exist for India to build and improve regional value chains, boost trade facilitation, promote digital trade initiatives, and increased regional trade integration would lower external imports reliance and boost supply chain robustness.

India's position can be utilized to boost intra SAARC trade by SAFTA arrangements. Presently, intra- SAARC trade stands at barely 5 per cent of its global trade, where India is a major player with roughly 83 per cent of exports; its top exports include pharma, machinery, textiles and IT services.

Table 1- Intra-Regional Trade Share Comparison Among Major Regional Blocs (2025)

Regional Bloc	Intra-Regional Trade Share (%)
European Union (EU)	45
ASEAN	25
SAARC	5

Source: World Bank (2024–2025), South Asia Regional Integration Report.

Table-1 shows the trends in intra-regional trade shares of the key regional groupings in 2025. This clearly depicts that the intraregional trade share of SAARC continues to be negligible, at about 5 percent, vis-a-vis 25 percent share for ASEAN and 45 percent share for EU. This wide difference has occurred despite geographical proximity of SAARC states and common historical and cultural bonds. It reflects poor level of economic integration in South Asia due to tariff and non-tariff barriers, political tensions and poor connectivity that impede trade growth in the region. For India, it has both an opportunity and a challenge to foster greater economic cooperation in SAARC.

2. Connectivity & Infrastructure Diplomacy: India's investment in roads, railways, ports and digital infrastructure in its neighbours promotes regional connectivity. It is, consequently, creating greater economic linkage as well as a room for its political influence.

3. Energy cooperation: Hydro-power cooperation with Nepal and Bhutan as well as connectivity between regional power grids offer possibility of a cooperative solution to regional energy security. Energy trade can be the basis for functional regional integration.

Table 2: Key Regional Energy Cooperation Projects in South Asia (2025)

Project	Countries Involved	Capacity (MW)	Status (2025)
Nepal–Bangladesh Power Export via Indian Grid	Nepal–India–Bangladesh	40	Operational
Arun III Hydropower Project	India–Nepal	900	Under Development
India–Bhutan Hydropower Cooperation	India–Bhutan	6,020+	Ongoing

Source: Reuters (2025); Government of India, Ministry of External Affairs (2025).

The main cross-border energy cooperation projects planned for operation in 2025 are given in table 2. This 40 MW electricity exports from Nepal to Bangladesh via India's grid is another landmark of trilateral cooperation in energy. These two hydropower projects in particular – 900 MW of Arun III and the India-Bhutan cooperation which is 6,020 MW or more – show how energy diplomacy can provide a basis for cooperation in the region. Both suggest that practical cooperation in areas such as renewable energy where there is little controversy may be a precursor to greater regional cooperation in SAARC.

4. Digital & Technological leadership: *The* digital public infrastructure India developed such as digital payment and identification systems can act as a model for regional digital integration for facilitating financial inclusion and cross border trade.

5. Climate & disaster cooperation: South Asia is highly vulnerable to climate changes. India could take the lead to promote regional adaptation policies to the impact of climate change, disaster response and coordinated development projects.

Issues India Faces within SAARC:

a) India-Pakistan relations and bilateral conflict: The India Pakistan dispute remains a fundamental obstacle for institutional functioning of SAARC. Summit level interactions have failed to meet regularly leading to limited collective decision making.

b) Structural Asymmetry: Some smaller states are apprehensive that its sheer economic power may give rise to notions of over dependence and uneven dominance within the grouping.

c) Extra-regional strategic competition: Expanding footprints of outside actors are reshaping alliances and the pattern of cooperation.

Trade facilitation comparison: intra-regional trade proportion in South Asia is much smaller than in comparable regions which may be attributed to tariff barriers and non-tariff barriers, as well as logistics and transportation.

Table 3: Trade Facilitation Scores of SAARC Member Countries.

Country	Trade Facilitation Score (%)
India	93.55
Pakistan	70.97
Bangladesh	64.52
Sri Lanka	60.22
Nepal	58.06
Maldives	55.91
Afghanistan	43.01
Bhutan	40.86

Source: World Bank (2023), Trade Facilitation Indicators Database.

Table-3 reveals the trade facilitation capability of SAARC member states according to most recent available data. It appears that India possesses the highest level of achievement, as the country has secured the highest score (93.55%), signifying its logistics infrastructure, customs efficiency, and digital trade systems are relatively advanced compared to other SAARC countries. Countries like Bhutan and Afghanistan have significantly lower scores which indicate their lack of infrastructural development and institutional capacity. As reflected in their levels of trade facilitation, a structural asymmetry is evident in the SAARC region and policy reforms have been inconsistent. India's higher score reflects the potential for the country to play a leading role in the region for trade facilitation by knowledge and technical support to other states.

Institutional stalemate: Inconsistent summits and weak implementation of agreements have led to institutional weaknesses in the organization.

Discussion: Regional Prospects in 2025:

Notwithstanding these weaknesses, the potential for revival of SAARC can be realized through pragmatism, not rhetoric and through cooperation in non-contentious issues. Sub-regional integration, digital connectivity, energy integration and climate collaboration can create stepping stones towards wider regional integration.

India's leadership, on the other hand, needs to be participative, transparent and responsive to the concerns of small states. Confidence-building measures and economic incentives can restore trust among the member states. Strengthening functional cooperation may finally resolve the political impasse.

Policy Recommendations:

- i. Restore regular SAARC summits and dialogue forums.
- ii. Strengthen SAARC's trade facilitation regime and modernise its infrastructure.
- iii. Augment SAARC's energy networks and co-operation in renewable energy.
- iv. Develop digital public goods and promote financial integration.
- v. Enhance climate resilience and co-operate on disaster risk management.
- vi. Invest in confidence-building mechanisms to mitigate political distrust.

Conclusion:

In 2025 SAARC stands at the crossroads of stagnation and rejuvenation. As the largest and central player in the South Asian landscape, India has immense opportunity to be instrumental in paving the way for deeper integration in the region.

Despite the existing political tensions and structural impediments that continue to prevent a more comprehensive convergence, new areas of focus, such as digital connectivity, infrastructure cooperation and collaboration in climate action offer novel opportunities for cooperation in the region.

Revitalisation of SAARC requires commitment from member states; strengthening institutions; and participative leadership. The balanced and pragmatic approach by India would be crucial in shaping a prosperous and integrated South Asian region.

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