

Economic and Political Challenges of Regional Integration in South-Asian Countries

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Abstract: Economic and political integration in South Asian countries is said to be the major objective of SAARC. However, it is observed by many researchers that it is still far beyond the reality even after nearly 30 years from establishment of SAARC. Most of the studies on SAARC regional co-operation have highlighted more of the unsuccessful stories than successes. Changes in world economic order and changes in regional and domestic politics are blamed for it. This has led variety of criticisms regarding the evolution of the SAARC to its present form. Criticisms range from the idea that it is a 'talking shop' to the critique that it is not a place for regional problems. Some commentators have gone to the extent that it is a "poor's club". In fact, these criticisms are not without reasons. This article examines political and economic factors behind the poor regional integration in SAARC.

Key words: SAARC, Regional Integration, South-Asian Countries, Economic and Political Challenges.

I. INTRODUCTION

South Asian Association for Regional Co-operation (SAARC) was formed in December 1985. This is considered by many as one of the major diplomatic breakthrough in South Asian region in its modern history. The SAARC comprises eight (8) countries Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. It has emerged as one of the youngest regional co-operations in the world. However, even nearly after 30 years and despite many common characteristics shared by its member countries, for many researchers, South Asia is still the least integrated region in the world.

Data available from World Bank (2007) and SAARC secretariat web page show that the economic integration in terms of trade is minimal between SAARC countries. For example, in recent past out of total trade initiated in SAARC only 4 percent has taken place between SAARC countries. The rest 96 percent of trade of SAARC is with rest of the world. Out of this minimum 4 percent trade among SAARC members 76 percent is with India. Comparing these statistics with European Union, Association of South-East Asian Nations (ASEAN) and Latin America shows that in European Union 67 percent of trade place among union members. In ASEAN, it is 26 percent and in Latin America it is 22 percent.

Complex security issues, political disagreements among member states and untapped economic potentials are the noticeable characteristics of South-Asia. These political disagreements are mainly blamed for the poor performances of the regional co-operation.

This study mainly focuses on political and economic challenges with have been obstacle to political and economic integration in South-Asia. This article has divided into five sections including introduction. Economic and political environment of member countries are explored in Section 2. Section 3, using literature examines challenges for regional integration. Recommendations to improve its present situation are presented in Section 4 and Section 5 concludes the paper.

II. ECONOMIC AND POLITICAL BACKGROUND

SAARC is identified by some as "poor's club" indicating that poverty is the common characteristics shared by all SAARC member countries. Despite this common feature many have identified differences between its member states. While poverty and related problems slowdown the cooperative actions of member states, many other heterogeneities of member states have devastating effects on SAARC's cooperative strategies.

Table 1: Summarizes some background factors between SAARC members

Country	Size (sk. Km 000)	Population (in million)	GDP per capita PPP US \$	Poverty Index
Afghanistan	648	30	1,000	36
Bangladesh	148	161	1,700	32
Bhutan	39	0.72	6,200	23
India	3,287	1,205	3,700	30
Maldives	0.30	0.39	8,800	16
Nepal	147	30	1,300	25
Pakistan	796	190	2,800	24
Sri Lanka	66	22	5,700	09

Source: Development report of SAARC (SAARC Summit- 2016).

Table 1 identifies that except for Sri Lanka overwhelming poverty is a salient feature of all SAARC member countries. In terms of country size, population and GDP, they show significant variation.

It is obvious that among all SAARC member countries India becomes significantly different from rest of all SAARC. In terms of land size it is 4 times greater than the second largest country (Pakistan), India reports the largest population and it is 6 times greater than Pakistan population. In terms of GDP per capita it is in fourth place and in terms of poverty it is in sixth position. In terms of land area India covers 64 percent of entire SAARC and in terms of population India contribute 74

percent of SAARC population. Therefore, whatever the success or failure of SAARC co-operation, it is a fact that the role of India for it is significant territorial authority of India seems to be higher than any other member state of South-Asia. Only Sri Lanka, Afghanistan and Maldives do not processes any territorial affinity with India. Bhutan, Nepal, Pakistan and Bangladesh, border sharing countries with India do not have direct access to international sea. Therefore, most of them are highly depending on India. Some critiques also record that India also tries to control these small countries by using Indian's military, political and economic power. In this regard, the cold war situation between its largest two countries India and Pakistan and involvement of world super powers in it cannot be neglected.

Therefore it is inevitable that any study about the performance of SAARC should consider the cold war between SAARC "big brothers", power game between small and large members as well as the role of superpower in the region. Another aspect of SAARC is highlighted in Table 2.

Table 2: Economic Freedom Index within SAARC-2013

SAARC	Index	Rank	Classification
Afghanistan	51.10	138	Mostly Unfree
Bangladesh	52.60	132	Mostly Unfree
Bhutan	55.20	119	Mostly Unfree
India	55.10	121	Mostly Unfree
Maldives	60.70	81	Moderately Free
Nepal	55.00	122	Mostly Unfree
Pakistan	49.00	149	Repressed
Sri Lanka	50.40	144	Mostly Unfree

Source: <http://www.heritage.org/index/ranking>

In terms of economic freedom index most of the member countries are in "unfree" category. SAARC is not open to the rest of the world satisfactorily.

The 10 indices in Table 3 are (1): Property Rights, (2): Freedom from Corruption, (3): Government Spending, (4): Fiscal Freedom, (5): Investment Freedom and (10): Financial Freedom. Each index taken the value between 0 and 100 where, 0 means no freedom and 100 maximum freedom.

Table 3: Sub-index in Economic Freedom Index-2013

SAARC	Rule of Law		Limited Government		Regulatory Efficiency			Open Market		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Afghanistan	25	26	90	97	90	65	72	48	30	30
Bangladesh	20	27	92	72	68	52	65	54	55	20
Bhutan	50	31	78	78	37	74	65	65	35	40
India	30	25	89	81	71	48	67	66	35	40
Maldives	40	33	87	85	77	61	69	76	40	40
Nepal	60	57	39	83	61	84	67	50	20	30
Pakistan	25	25	15	99	89	64	70	44	30	30
Sri Lanka	30	22	89	86	57	44	75	61	10	30

Source: <http://www.heritage.org/index/ranking>

Table 3 shows that except for few indices for some countries, on average SAARC countries perform below the average (50 percent) of any of the indices given.

III. CHALLENGES TO REGIONAL INTEGRATION IN SOUTH-ASIA

This section of the paper reviews major challenges for successful integration of SAARC region. As far as the economic challenges are concerned it is observed that there are no that much of challenges from economic front. Most of the challenges are political by nature. In many cases, political conflicts between India and other countries are highly relevant in this context.

Indo-Pakistan conflict is very vital among them. Historical evolution of this conflict goes up to the freedom struggle of India. Kashmir issue was the plant of the respective creeds of two countries. Pakistan feared that if Kashmir Muslim majority province remained, India might use Kashmir as a weapon against Pakistan one day. In other hand India also feared to loss Kashmir due to security reasons. In virtue of Kashmir two brothers fought against each other twice over past decades (1948-1956). Bangladesh liberation issue led another war between Pakistan and India in 1971.

Political tension has been raised everywhere in the region, Pakistan declares India as the major threat to its security and *vice-versa*.

Political tension moved in to other small countries in the region. Except Maldives and Bhutan. India has diplomatic problems with all other countries in South-Asia. All countries have declared security threat according to their political interest. However, at the end of the last decade security of each country was seriously questionable.

Bangladesh and Nepal were dominated by India during past decade. However, after establishment of democratic government in Nepal and after withdrawal of India's peacekeeping forces, conducted by Sri Lanka, Nepal capable to build considerable relation with India. But, after sometimes, invisible hand of India directly involved democratic Nepal. The geographical Location and poor performances of Nepal's economy would use as reasonable tools to enter. Because of the land lock between India and China, Nepal has to depend on India for its security and all other transaction with outside the world. Either Nepal has no other choices Instead of signing Indo-Nepal Treaty of Peace and Friendship in July 1950. Because of the critical border of Nepal, (Tibet), India tried to maintain close strategic relationship with Nepal. However, due to the continuous influences of India over Nepal economic and political lifestyles, fear of independence and security of Nepal has been increased. Distrust was deep rooted in their bilateral agreements. Therefore, occasionally Nepal uses China as a strategy to get rid from India.

Chakms refugee problems and the Farakka issue on the sharing of the Ganges water endure to adversely affect Indo-Bangladesh relations. Bengal issue was seriously affected bilateral relation. Before the independence of Bangladesh poor Muslim farmers in east part of Bengal, which belongs to Bangladesh now, used to depend on Hindu land loads and merchants in the west part, currently belongs to India. Later, India used this custom as a strategy to dominate poor Bangladesh economy. As a result of the bad experience Tin Bigha controversy was failed to established resolutions for this issue (Sobhan, 1991).

AS usual in 1980s India tried to expand its power over Sri Lanka through the ethnic conflict. The interference started with the issue of Sri Lanka's denial of citizenship to large number of Indian Tamils who have been hired to work in upper country plantations. From this moment relationship with India was a pain in a neck for Sri Lanka. After all, India tried to involve Sri Lankan domestic affairs again in 1983. India was blamed for unethical interference over Sri Lankan domestic problems. And also they were badly accused for supporting Liberation Tigers of Tamil Elam (LTTE) terrorists as a rotten strategy to spread the India's power over the Small Island. This last factor was the most serious one.

Not surprisingly, Indo-Sri Lanka relation was a day dream due to the active and unethical Indian intervention in the Sri Lankan civil war. Therefore, Sri Lanka exported railway coaches from Romania instead of exporting Indian better quality and low cost coaches. Distrust and fear of the security

and independence of other South Asian countries have been improved over first big brother. All the relations with India were full of suspicions.

Later Bangladesh president expressed his concerns over the ending of Indo-Pakistan conflict with the establishment of SAARC. He also emphasized that achieving peace, stability and security in the region is more important than promoting intra trade among regional members. Therefore, the regional co-operation agreement was aimed at achieving peace, stability and security in the region. In 1970s Regional Co-operation agreement has been established with the help of all seven members of South-Asia. But, due to the political distrust between member countries, RCA was not effective as expected. Two big brothers of the region has miss-lead by their own creeds. India assumed SAARC is a strategy of Pakistan to destroy Indian's power in the region with the support of Bangladesh. However, finally with all negative and suspicion imaginations, all seven members have been signed the agreement.

To a certain extent, SAARC succeeded to reduce Indian domination over other member countries. But, security concerns and distrust about India would not decline among regional members since India failed to regain trust among region members. India's positive attitude towards the LTTE moment in Sri Lanka and unethical political interference over Sri Lanka spread the uncertainty of security within the region again. Distrust about India has been increased due to Indian's bilateral agreements with US and Indian unethical foreign policies over regional members.

Therefore, other SAARC members settled several security arrangements with external regional powers. China, Russia and Japan have been taken this great opportunity to enter South Asian economics. Sri Lanka, Pakistan and Nepal are the critical destinations for those external powers.

Considering all Dubey (2008) wrote "If political differences among countries can be ignored, South Asia offers several desirable features for regional co-operation. It is a contiguous land mass, with several rivers crisscrossing the region. The region has a common history, languages and cultures as well as common inherited legal and administrative systems. And over the last decade, all of the region's economies have been liberalizing and generally growing at respectable rates, which should further facilitate deeper co-operation in the region" (Dubey, 2008).

Desai (2010) identifies that lack of a common threat is one of the major challenges to regional integration in South Asia. Common threats appear as territorial, ideological and political dominance. Latin American nations led to form Mercosur over US hegemony, fear of Iran and Iraq among the smaller Persian nations led to from Gulf co-operation and increased power of China led all East Asian nations to come together to form ASIAN are some of good examples. Common threats build up strong relations with all threaten nations and helped to eliminate previous differences. Absences of such common

threat, is the major difference between integration levels of South Asian and other regional co-operations.

Protectionism policies in intra-regional trade in SAARC can be identified as another threat to political and economic regional integration. Intra trade within the South Asian region is limited to 4 percent (World Bank Statistics, 2012) due to the self-sufficiency policy of South Asian nations. A study which conducted by State Bank of Pakistan in 2005 found that nearly 32 percent of types of products imported by India from out-side the region, were available in Pakistan at respectively low prices. Nearly 50% of Pakistan's imports were available in India. This study further realized that Pakistan was losing between \$ 400 million to \$ 900 million USD's annually due to these imports (Asian Development Bank, 2010). Adverse inter regional trade policies might established due to the low comparative advantage over each other. All South Asian countries are rich in labor and natural resources but struggled with Cash. Therefore. No one country has any considerable comparative advantage over others expect India. Comparative advantage which gain by India due to the wide range of products, would lead to build up an asymmetric trade relation with neighbor countries.

Imbalance power structure and territorial dependency are the biggest challenges to increase integration among South Asian countries, "Two Nation Theory" has been proven by SAARC real world power distribution (Bhutto, 1969). All most all members centralized around two big players in the region (Pakistan and India). Both players try to spread their power all over neighbor countries. Political tension has been increased. Security of the South Asian nations and independence of each democratic country were seriously questionable. India miss used the extreme power especially over border sharing countries. Nepal and Bangladesh experienced bitter history. As per the power centrist view military and economic is the most critical determinations of regional integration (Desai, 2010). Both India and Pakistan consist with those required powers while others lack with them. Imbalance of power in South Asian region left many disputed among nations.

Indo-Pakistan conflict is another critical challenge to improve regional integration in South-Asia. Two nation theory which identified by Muslims in the Indian subcontinent was the critical creed. Majority Muslim Kashmir exists as a part of India even after the independence of Pakistan. Creeds of Two Nation Theory have been created fear of existence of Pakistan. Suspicion of another rebel has been rooted in Indians mind. As a result both countries spread their power over poor regional members. Regional integration has been dwindled.

Intra-regional and intra state conflict based on geographic boundaries, cast, language and ethnicity are the next challenge for regional integration in South Asia. Since the beginning bilateral relations among member countries are questionable. Especially, Nepal, Pakistan, Bhutan and Sri Lanka's bilateral relations with India are full of distrust. These conflicts have

been affected political and public life in SAARC member countries over past two decades. That cause little regional economic development over the years than other regions like European Union (EU) and SAARC. Due to bitter historical memories, SAARC countries still could not able to build up strong relations with India. These conflicts never provide appropriate environment for effective regional integration in South Asia.

IV. SUGGESTIONS FOR EFFECTIVE INTEGRATION

Several motivation factors can be identified through evaluation previously discussed challenges. According to the political and economic interest, each country has a separate roll to play in the process of increasing regional integration. But benefits of strong regional integration can be experienced by all countries in same proportion. Following factors can be used as methodologies for increasing regional integration.

Common Issues as a Platform:

South Asia is fully consisting with economic and political issues more than any other regions in the world. Low growth rate, high inflation rates, unemployment are common economic issues in the region. Terrorism, environment, climate changes, food security, intra region migration, infrastructure and regional security can be identified as common political issues. Therefore, it is better if SAARC capable to use their common issues as a platform for all members to gather, as Mercosur used Drug Trafficking issue.

Proper Management of Water Resources:

South Asia consists with rich river network such as Ganga, Meghan, Brahmaputra and Indus which has potential to provide necessary energy power for region. Most of these rivers are the borders of several nations. Throughout all past decades, rive network have been creeds of many critical conflicts. Even before load Buddha's region Shakkiyans and Koliyans fought for Yamuna River. Therefore, later as a solution SAARC has been established several treaties for sharing river water. India river treaty between India and Pakistan in 1960 and Farakka Treaty between India and Bangladesh in 1966 are some of the annual flood create several problems. Proper management would contribute towards providing water for paddy fields and day today consumptions, controlling floods and generating electricity. Continuous improvements in river sharing treaties between all border sharing countries and proper water management systems would help South Asia to achieve more economic opportunities.

Poverty Reduction and Infrastructure Development:

South Asia is one of the biggest regions in the world. More than a quarter of world population lives in the regions. Highest rate of natural resources are. But, more than 40 percent of world's power population has been living in the same region (Asian Development Bank, 2009). Poverty plays the leading role within the South Asian region. Vast variances

can be seen in income distribution especially, in India, Pakistan, Nepal and Bhutan. Rich aristocrats experience superb luxury life while poor lick their plates. While rich were exploiting poor men within countries, more economically and politically powerful members exploited poor neighbors in order to gather more resources. Bengal issue was the best example. It is clear poverty is one of major challenges of regional integration. However, growth in domestic regional economy is the only solution for the poverty. Increase inter-regional trade, establish free education and health systems, build up suitable environment for FDIs, increase in the production of three sectors would lead South Asian countries to improve minors' standard of living.

Develop as SAARC:

Several external political powers such as US, UK, China are trying to involve democratic nations in South Asia with the purpose of spreading their power. Some appears as friends and others appear as enemies. However, finally purpose of both friends and enemies is the same. Invisible hands of those powerful countries are rotating all over the region. Division of South Asian countries is one of their strategies. Indo-Sri Lanka conflict, Maldives internal political crisis are some good examples. USA all most all political decisions in India through the nuclear power bilateral agreement. They led India to vote against Sri Lanka in Human Right Council. Distrust about Indian foreign policy on region countries have been increased among regional nations. That would lead India to loose many things. Therefore it is really important for South Asia to build up strong regional integration to establish an identical region. Regional co-operation and integration will give voice for small states in global forum.

Reduction of Cost:

Transaction cost which aroused in international trade can be reduced through increasing regional integration. Also regional integration would allow all nations to gain benefits from international investments (FDI). Free movements of labor, resources and capital across borders will reduce production costs. Consumers will experience low prices due to reduction in unnecessary overhead costs such as relatively high transport cost if exporting from other region and taxes. But, due to the low integration in South Asia intra-trade with in the region is not effective. India import fabric from Europe while Pakistan high quality fabrics are available. Coasts of those fabrics are also high since India has to re-route fabric from Pakistan markets via Dubai (Francois et al, 2008). Such costs can be eliminated by increasing regional integration.

New Market Opportunities:

Only stable economy in South Asia, India has maintained bilateral relations with other regions especially, with East Asia. India gain huge benefits from the bilateral agreement with ASIAN, Vis-à-vis. But other South Asian countries except India will experience the benefits of new market if India allows its members to involve. Since, other nations are

not economically and politically strong enough to involve in such bilateral agreements with other regions. In fact all other South Asian countries must understand that Indian's gain from this trade agreement is much higher than its gains from intra-regional trades. Therefore, increasing relations with India is the best strategy for small nations to access East Asian markets. But, that does not mean that all small countries should let India to exploit themselves. Also India should understand that maintaining good relations with small neighbors will gain lot of benefits in political and economic perspectives. In other hand, India has a moral obligation towards its neighbors.

V. CONCLUSION

Distrust and political tension would lead to fail bilateral relations among member countries. Suspicious behavior of India is the critical reason for shrank regional integration in South Asia. Indo-Pakistan problems divided whole South Asia into several parts. Three wars have been taken place due to the creeds of distrust. Kashmir issue around several critical conflicts which diminish regional integration and co-operation. Due to the Indian narrow foreign policy, India has been created many issue with its border sharing countries. Nepal and Bangladesh were major victims of India. Due to the territorial lock, Nepal and Bangladeshis. Unethical interference of India would lead to dispute bilateral relations with Sri Lanka. Security of each country was seriously questionable due to Indian positive attitude towards LTTE. Many treaties have been introduced to reduce the political tension.

These political and economic problems reduced the regional integration. Therefore, following factors can be identified as challenges for increasing regional integration. Lack of comparative advantage, power asymmetry, protectionism, Indo-Pakistan relations. Geographic dependency and distrust about India are the identified challenges. Integration among South Asian members is important for establishing regional co-operation SAARC. As a result of power imbalance within regional members, more powerful members used to interfere into small domestic nations to spread their power. Political tension around. Trust between regional members has been diminished. Therefore, integration among regional members has been vanished. Likewise all challenges would lead to reduce regional integration in South Asia.

Therefore, in order to increase regional integration, South Asian members must take place suggested corrective actions in last section in this article. Those methodologies can use as motivation factors for increasing regional integration. Cost benefits, Access to new markets via India, poverty reduction and common issues as a platform to gather are the motivation factors.

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