

*Saddam Hosen***SUB-REGIONAL COOPERATION IN SOUTH ASIA: ISSUES, CHALLENGES AND POLICY IMPLICATIONS****Abstract**

Sub-regional cooperation is a nascent phenomenon in South Asia. Significant sub-regional cooperation frameworks in South Asia include the South Asia Sub-regional Economic Cooperation (SASEC), the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), the South Asian Growth Quadrangle (SAGQ) initiative and the Bangladesh, Bhutan, India, Nepal (BBIN) initiative. The objective of sub-regional cooperation is to ensure proper institutional mechanism in order to boost the quality of development particularly in sectors such as economic and connectivity among the member countries. The current trend of sub-regional cooperation proves that state's political will and efforts have increased regarding sub-regional cooperation in South Asia. Although, most of the goals and targets remain on paper as they are facing crucial challenges such as bilateral disputes, leadership crisis, lack of good governance, implementation problem, etc. Given this context, the paper will investigate two key questions. First, why sub-regional process of cooperation has not been effective in South Asia? Second, what are the factors that can boost the sustainability of sub-regional cooperation in South Asia and how? The paper advocates that the member states of sub-regional groups should act as soon as possible to implement the plans, programmes and activities that they have adopted and undertake concerted efforts toward sustainable solution.

**Keywords:** Sub-regionalism, BIMSTEC, BBIN, SAGQ, SASEC

**1. Introduction**

Sub-regional cooperation is a new phenomenon in international relations. After the end of the Cold War, globalization has become a catchword in international relations and the waves of globalization exhibit a variety of challenges to state as well as to ordinary people. Sub-regional integration assists states to cope up with the challenges of globalization for development, growth, and security. Borzel said that “sub-regional groupings appeared to gain momentum as the way in which countries cooperate and should cooperate to pursue peace, stability, wealth and social justice.”<sup>1</sup> In the age of globalization, sub-regional cooperation is vital for South Asia

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<sup>1</sup> Tanja Borzel, “Comparative Regionalism: A New Research Agenda”, *KFG Working Paper*, No. 28, Berlin, 2011, p. 3.

like other regions. Sub-regionalism among South Asian countries will harness the economic growth and development. It will also augment the geo-political, economic and strategic cooperation among South Asian countries if states follow cooperative engagement system.

Hence, in South Asia, a number of initiatives regarding sub-regional cooperation have been undertaken by the states. For instance, the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) was established in 1997 under the Bangkok declaration. It was formed with the idea of developing socio-economic cooperation among the member states.<sup>2</sup> The member states selected fourteen areas for cooperation within the framework. The member states also agreed to widen the status of trade partners to include Japan, Singapore and the United States (US). On the other hand, the South Asia Sub-regional Economic Cooperation (SASEC) initiative started in 2001. The member states of this programme are Bangladesh, Bhutan, India, Maldives, Myanmar, Sri Lanka and Nepal. The member states have set some key areas under SASEC programme such as trade facilitation, developments of transport and energy cooperation. Moreover, the proposal of South Asian Growth Quadrangle (SAGQ) was undertaken at the South Asian Association of Regional Cooperation (SAARC) council of ministers in 1996 which came into practice in 1997.<sup>3</sup> The aim of this initiative was to run the regional projects and to avoid the conflict between major powers within the framework of SAARC.

Another important sub-regional initiative is the Bangladesh, China, India and Myanmar forum for sub-regional cooperation (BCIM) consisting of four vital countries for accelerating economic growth through greater integration of trade and investment among the member states. Significantly, the notion of the BCIM started as a non-governmental Track II initiative.<sup>4</sup> China proposed to promote BCIM sub-regional initiative for ensuring connectivity and economic development in 1999. Generally the Kunming initiative is known as the BCIM sub-regional initiative.<sup>5</sup> BCIM as a sub-regional economic cooperation initiative identifies some specific areas for connectivity such as transport, railway, water transport and tourism. The member countries bequeathed much importance on the physical connectivity of BCIM forum for enhancing development.<sup>6</sup>

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<sup>2</sup> Nilanjan Banik, "How Promising is BIMSTEC", *Economic and Political Weekly*, Vol.41, 2006, p. 1.

<sup>3</sup> Delwar Hossain, *Globalization and New Regionalism in South Asia: Issues and Dynamics*, Dhaka: AH Development Publishing House, 2010, p. 143.

<sup>4</sup> SM Rashed Ahmed, "A Historic Vision for Peace and Development", *The Daily Star*, 08 March 2015.

<sup>5</sup> Zaara Zain Hussain, "Initiative for 'Southern Silk Route' Linking Bangladesh, China, India, and Myanmar", *Institute of South Asian Studies*, No.192, 2014, p. 3.

<sup>6</sup> Rupak Bhattacharjee, "BCIM-EC: Problems and prospects," *The Daily Star*, 08 March 2015.

The last important sub-regional initiative is Bangladesh, Bhutan, India, and Nepal (BBIN) initiative which formed formally in 30 January, 2015. By taking the excellent support from India, the member countries are working for enhancing connectivity and development among the member states. The priority areas of this initiative are water management, hydropower and transit facilitation among the member states.<sup>7</sup> Thus, the countries within South Asia are trying to develop connectivity and cooperation as much as possible.

But it is evident that states face enormous problems and challenges regarding sub-regional cooperation. There are a number of factors behind such challenges confronted by the states. For instance, bilateral disputes, intra-state conflict and mistrust are the main factors behind it. However, now a days, states are more conscious about the continuation of sub-regional cooperation in South Asia. States are taking many positive steps. But in the process of integration, unresolved political issues are very much important because political settlements improve bilateral relations. So, states require to focus on political issues regarding sub-regional cooperation.

There is a limitation on published research regarding the trends, dynamics and challenges of sub-regional groups in South Asia. Delwar Hossain argues that the endorsement of SAARC Preferential Trading Arrangement (SAPTA) and South Asian Free Trade Area (SAFTA) endangered sanguinity for regional cooperation due to mistrust and power politics under the SAARC which brings BIMSTEC, SAGQ and SASEC at the forefront as sub-regional cooperation for development.<sup>8</sup> Sandeep Chakravorty explains that BIMSTEC and BCIM-Economic Corridor (EC) initiatives are shaping ahead and SASEC has been working for economic cooperation but without amplified sub-regional cooperation among Bangladesh, India and Myanmar (BIM), BIMSTEC cooperation will not prosper, along with focusing on BBIN as new dynamic sub-regional cooperation.<sup>9</sup> Abul Kalam illuminates that sub-regionalism in South Asia is a positive view of development process and argues that due to SAARC's slow process, sub-regionalism has been taking place where SAGQ emerged only a state sponsored planning.<sup>10</sup> Nilanjan Banik focuses on the opportunity of BIMSTEC Free Trade Agreement (FTA) among the member of BIMSTEC sub-regional groups and argues that BIMSTEC countries have lots of characteristics to form a desired FTA and believes that negotiation under BIMSTEC umbrella will be easier.<sup>11</sup> K. Bhattacharya and N. Bhattacharya describe about the prospects for strengthening

<sup>7</sup>Amit Kumar, "BBIN: Sub-regionalism in the SAARC," *Indian Council of World Affairs*, 2015, p. 1.

<sup>8</sup>Delwar Hossain, *op. cit.*, p.7.

<sup>9</sup>Sandeep Chakravorty, "India-Bangladesh-Myanmar: Energising Sub-regional Cooperation," *BIISS Journal*, Vol.36, No. 5, 2015, p.19.

<sup>10</sup>Abul Kalam, "*Sub-regionalism in ASIA: ASEAN and SAARC Experiences*," New Delhi: UBS Publishers, 2002, p.158.

<sup>11</sup> Nilanjan Banik, *op.cit.*

BIMSTEC cooperation and suggest that BIMSTEC cooperation will increase trade but not for all countries.<sup>12</sup> Mahfuz Kabir argues that states among South Asia are still facing numerous non-tariff barriers regarding trade and investment which reduce trade volume.<sup>13</sup> Jayanta Roy argues that the lack of connectivity is one of the major impediments for the development of economy of South Asian countries.<sup>14</sup> Niloy Ranjan Biswas tries to understand the headway of Bangladesh under BIMSTEC sub-regional cooperation based on analyzing numerous development sectors such as trade, energy, investment, counter-terrorism etc. and identifies some crucial challenges such as operational and monitoring problem, Asian power interest etc.<sup>15</sup> After analyzing existing literature, the paper finds that there is lack of comprehensive study and analysis regarding the effectiveness of sub-regional cooperation in South Asia.

The trends and dynamics of sub-regional cooperation in South Asia depends on various factors such as economic, social, cultural and connectivity etc. But, states need to rethink about the integration processes and the issues of concern for accelerating sustainable integration among the sub-regional groups in South Asia. It is necessary to identify the factors regarding the ineffectiveness of sub-regional cooperation and find possible mechanisms to make sub-regional cooperation more effective in South Asia. Given the contexts, the paper intends to investigate two key questions. Why sub-regional process of cooperation has not been ineffective in South Asia? Second, what are the factors that make sub-regional cooperation more effective in South Asia and how? This paper addresses these questions based on secondary data such as articles, books, newspaper articles, etc. The paper argues that sub regional cooperation remains ineffective in South Asia due to lack of enough efforts and implementation of targeted programmes.

The paper is organized as follows. In section two, the paper analyzes the theoretical framework for making the philosophical grounding based on the notion of neo-liberalism focusing on the idea of commercial liberalism, republican liberalism, sociological liberalism and neo-liberal institutionalism. In section three, the paper addresses the development of sub-regional cooperation processes in promoting cooperation. Section four and section five discuss key challenges of sub-regional

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<sup>12</sup> Swapan K. Bhattacharya and Biswa N. Bhattacharya, "Prospects of Regional Cooperation in Trade, Investment and Finance in Asia: An empirical Analysis on BIMSTEC and Japan," *Cesifo working paper no, 1725*, 2006, p.1.

<sup>13</sup> Mahfuz Kabir, "Regional Trade Liberalization and Non-tariff Barriers: The case of Bangladesh's Trade with South Asia," *BISS Journal, Vol.35, No.2*, 2014, p.126.

<sup>14</sup> Jayanta Roy, "Connecting South Asians: The Centrality of Trade Facilitation for Regional Economic Integration," *Paper presented at the 1st South Asia Economic Summit 28 - 30 August*, Colombo, Sri Lanka, 2008, p.2.

<sup>15</sup> Niloy Ranjan Biswas, "Bangladesh beyond Borders: Its Trans-Regional Experience in BIMSTEC," *Vivekananda International Foundation, Vol. III (1)*, 2020, pp. 52-76.

cooperation in South Asia and options to address the challenges for enhancing cooperation respectively. Finally, section six concludes the paper.

## 2. A Theoretical Explanation of Sub-regionalism

The term ‘sub-regionalism’ has been “adopted in order to distinguish from the higher levels of regionalism like the EU and from the lower levels of micro-regionalism promoted by national and subnational actors.”<sup>16</sup> Sub-regionalism refers to a common pattern of identity with some specific aims and goals for accelerating development at micro level. At present, sub-regionalism is a pervasive phenomenon in international relations. Sub regionalism has an “underpinning thrust on peace, security and development through exploration, identification and gradual intensification of trade, economic and cultural ties among the geographically contiguous areas.”<sup>17</sup> So, it can be said that sub-regionalism is a process where some states make a formal agreements regarding economic, social, political or cultural development based on mutual trust and cooperation without following hegemony. According to Panagoita Mamoli, sub-regionalism is better understood “as a coordination of policies among states in a circumscribed space vis-à-vis larger regional political project. It cannot be conceived as an independent process but it takes place within a larger regional context, aiming at the inclusion of its members in a broader integration process.”<sup>18</sup> In South Asia, some states especially, the small states like Bangladesh, Bhutan, Maldives, Sri Lanka, and Nepal are working to promote sub-regional cooperation.

The conceptual framework of sub-regionalism can be explained by various theories of international relations. Sub-regionalism can be explained by realism/neo-realism. It can also be explained by liberalism/neoliberalism or constructivism. Theories set forth a set of predictive assumptions that analyze the behaviour of actors in practice. After the end of the Cold War and the emergence of globalization, neo-liberalism has become a dominant theory in international relations. Neo-liberalism works on the basis of economic factors. Generally, it provokes commercial liberalism which advocates free trade and capitalist economy. Within neoliberalism, arguments are based on economic factors and also the notion of neo-liberal institutionalism.<sup>19</sup> A good number of states want to ensure institutional mechanism within South Asia especially for the small states. Hence, this paper adopts neo-liberalism as a

<sup>16</sup> Charalambos Tsardanidis, “Inter-regionalism, Regionalism/Sub-regionalism and Global governance,” *IDSIA Online Papers*, 2012, p. 8.

<sup>17</sup> Artatrana Gochhayat, “Regionalism and Sub-regionalism: A Theoretical Framework with Special Reference to India,” *African Journals of Political Science and International Relations*, Vol. 08, Issue. 01, 2014, p. 10.

<sup>18</sup> Panagoita Mamoli, “The Dynamics of Black Sea Sub-regionalism”, *Journal of Southeast European and Black Sea Studies*, Vol. 12, Issue. 04, 2012.

<sup>19</sup> Delwar Hossain, op.cit., p. 321.

theoretical framework of analysis for understanding theoretical explanations of sub-regionalism in South Asia.

### 2.1 *A Neo-liberal Explanation of Sub-regionalism*

Alexander Rustow, a German sociologist and economist coined the term neoliberalism in 1938.<sup>20</sup> Generally, neo-liberalism puts forward the concept of economic liberalism centered on free market or open market economy and private ownership etc. David Baldwin identified four characteristics of neo-liberalism based on economic, social and sociological factors such as commercial liberalism, republican liberalism, sociological liberalism and neo-liberal institutionalism.<sup>21</sup> The first poses the economic liberalism based on free market and capitalist economy. On the other hand, the second advocates the democratic form of political system, where in mass, people participation will be ensured by the political parties and government. In the perspective of sociological liberalism, it may be said that it proposes interdependence between governments and the notion of community development is the main feature of sociological liberalism. Neo-liberal institutionalism emphasizes on the importance of institution for enhancing cooperation among countries. For instance, European Union (EU) creates numerous institutions to enhance the cooperation process within the member states.

In South Asia, states are very much interested to boost cooperation at the sub-regional level because they think that states require to maintain good cooperative relations with the neighbours especially the neighbours with whom they share borders for sustainable development. So, states are giving priorities to maintain cooperation and enhance connectivity. As a result, states are following economic liberalism for enhancing free market economy based on regional trade. Trade facilitation has become the key area of sub-regional cooperation in South Asia. Neo-liberals suggest that states require ensuring free flow of goods and services to enhance the level of cooperation especially economic cooperation.

Moreover, in South Asia, the states who are small in size and power want to develop institution because they want to circumvent the supremacy of major powers for accelerating cooperation without interferences. Similarly, the smaller states like Bangladesh, Bhutan, and Nepal emphasize on institutionalism to generate cooperation without hegemony.<sup>22</sup> Thus, neo-liberal institutionalism has been considered as a

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<sup>20</sup> Oliver Marc Hartwich, "Neoliberalism: The Genesis of a Political Swearword," *The Center for Independent Studies*, Paper no. 114, 2009, p. 6.

<sup>21</sup> Jhon Baylis, Steve Smith and Patricia Owens (eds.), *The Globalization of World Politics: An introduction to International Relations*, Oxford: Oxford University Press, 2001, p. 85.

<sup>22</sup> Delwar Hossain, op.cit., p. 321.

notion of promoting cooperation at the sub-regional level. The small states of South Asia are very much interested to form sub-regional cooperation process based on mutual trust and interdependence. Meanwhile, transnational activities are increasing alarmingly due to the rise of globalization and capitalist system. As transnational activities increase, people are being interconnected across the border and their governments become more interdependent. So, the notion of interdependency necessitates states to ensure cooperation with the neighbours at sub-regional level as the experiences of states are not very good at regional level due to various limitations. As a result, states have already taken initiatives for enhancing cooperation at sub-regional level in South Asia. For instance, BBIN is the most recent initiatives among the four countries of South Asia. Discussion henceforth, substantiates the neo-liberal explanations of sub-regionalism in South Asia. However, it is important to understand why sub-regional cooperation is significant for the states of South Asia.

## 2.2 *Sub-regionalism: Why It Matters?*

The second half of the last century saw the emergence of a number of regional and sub-regional economic cooperative arrangements among countries across the globe.<sup>23</sup> Sub-regional cooperation has become significant for the development of economy, infrastructure, connectivity etc. After the establishment of SAARC in 1985, the member states started their journey to promote regional cooperation with lots of expectation. The SAARC continues to exist throughout the last two decades and makes people feel its presence as a principle regional organisation in South Asia.<sup>24</sup> During the time of 17<sup>th</sup> SAARC summit, the theme was ‘Building Bridges’ that aimed at physical connectivity and figurative political dialogue but there was no result at all.<sup>25</sup> After 30 years, if one looks at the overall mechanisms of SAARC, then one will be disheartened. Because, SAARC has not achieved its targets almost in all sectors. There are many reasons behind the slow process of SAARC such as mistrust, leadership crisis, major powers’ rivalry, bilateral dispute, power politics etc. As a result, many people think SAARC as a futile organisation regarding regional cooperation in South Asia. Therefore, states require to adopt a new form of process called sub-regional process of cooperation in South Asia for ensuring development and connectivity.

Moreover, within the framework of regionalism in South Asia, states do not get a viable platform which is very much significant for accelerating economic growth and infrastructure development. On the other hand, the opportunity to get

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<sup>23</sup> Mohhammad Rahmatullah, “Regional Transport Connectivity: Its Current State,” *The Daily Star*, 20 March 2013.

<sup>24</sup> Delwar Hossain, *op.cit.*, p. 7.

<sup>25</sup> Smruti S. Pattanaik, “Building Bridges but Mind the Gap”, *The Daily Star*, 10 November 2011.

viable platform within micro level of sub-regionalism is better than macro level of regionalism. Meanwhile, it is observed that historically, there is lot of animosity and contradiction between India and Pakistan. Many think that India-Pakistan animosity is the prime reason for the failure of SAARC. Small states want to avoid this problem so that they can run their development process effectively. So, states need to rethink their integration process. As a result, states have already taken initiatives regarding sub-regional process of cooperation in South Asia. In this context, it is imperative to analyze the trends and dynamics of sub-regional cooperation process in South Asia.

### **3. Development of Sub-Regional Cooperation in South Asia: Issues and Dynamics**

The road to sub-regional integration process in South Asia is not so long. Some attempts have been made to join with the framework of Association of Southeast Asian Nations (ASEAN) by two South Asian countries such as India and Sri Lanka but they were not successful. In 1993, India and Pakistan became the dialogue partner. After that, BIMSTEC was established in 1997 through Bangkok declaration. This sub-regional group was initiated to combine the look east policy of India and the look west policy of Thailand.<sup>26</sup> The idea of BIMSTEC was mooted by Thailand during the financial crisis of South East Asia in the year of 1997. The initial name of this sub-regional group was BIST-EC.<sup>27</sup>

According to the Bangkok declaration on the establishment of BIST-EC, the aims and goal of this initiative are to generate an enabling environment for rapid economic environment, accelerate the economic growth and social progress in the sub-region, promote active collaboration and mutual assistance on matters of common interest, promote assistance in the form of training and research facilities and supporting and complementing national development plans in the member states. It is believed that the negotiation under BIMSTEC will be good than other organisations.<sup>28</sup> The BIMSTEC Permanent Secretariat has been established in Dhaka where India has agreed to contribute 32 per cent of the cost reflecting its strong commitment to BIMSTEC process. It takes fourteen areas for fulfilling its targets regarding sub-regional cooperation process. They are trade and investment, energy, transport, tourism, fisheries, agriculture, cultural cooperation, environment, disasters management, public health, people to people contact, poverty, and terrorism. The

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<sup>26</sup> Sharif M. Hossain, "Impacts of BIMSTEC Free Trade Area: A CGE Analysis," *Journal of Economics and Sustainable Development*, Vol. 4, No. 13, 2013, p. 16.

<sup>27</sup> Harunur Rashid, "Bimstec Summit: Ushering in Economic Integration between Two Regions", *The Daily Star*, 5 March 2014.

<sup>28</sup> Nilanjan Banik, "The BIMSTEC FTA and Its Relevance," *Centre for Studies in International Relations and Development, Discussion Paper*, 36, 2007, p. 2.



framework agreement on BIMSTEC FTA was signed in 2004, but is yet to be fully operational.

Unlike many FTA agreements, the framework agreement on BIMSTEC FTA provides more scopes for cooperation, going beyond trade in goods to bring trade in services and promote investment cooperation.<sup>29</sup> In 2006, initiatives were taken to implement free trade area but it was delayed for the political and non-cooperative reasons of member states. Later, Japan, Singapore, and the US gained the status of BIMSTEC trade partner with the support of Asian Development Bank (ADB) and United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). Every possible steps were taken by the BIMSTEC members for advancing economic development. The first summit was held on 31 July, 2004 at Bangkok. The second summit took place on November 13, 2008 in New Delhi. The member states realized the notion of globalization and its influences on social and economic development during the second summit. As the challenges increased with the rise of globalization, they realized that they require more efforts to response. They also focus on terrorism and transnational crime which can affect the development of the states severely. They agreed to increase the level of energy cooperation as much as possible. They decided that the process of energy cooperation will be continued during the time of second BIMSTEC energy conference in 2014. The member states decided to establish a BIMSTEC Poverty Alleviation Centre in Bangladesh. Moreover, they also decided to support the establishment of the BIMSTEC Cultural Industries Commission and BIMSTEC Cultural Industries Observatory in Bhutan. For ensuring leadership criteria, they decided that India will take the lead to establish a BIMSTEC Network of Policy Think Tanks. Later, it was established and so far four meetings have been held.

During the 3<sup>rd</sup> summit, member states reaffirmed the notion of first and second summit based on Bangkok declaration. They decided some goals regarding trade with agreed general rules of origin and focused on the custom related matters under FTA. With the assistance of ADB, BIMSTEC sub-regional cooperations designed was to enhance the free flows of goods and services.<sup>30</sup> The fourth summit emphasized on enhancing institutional capacity to accelerate progress in the major areas of cooperation acknowledging the significance of developing visibility of BIMSTEC and blue economy. The fourth meeting of the BIMSTEC Network of Policy Think Tanks was held on August, 2018 where member states agreed to increase efforts in priority areas and to produce innovative ideas. The third meeting of National Security Chiefs of BIMSTEC in 2019 reaffirmed to increase capacities through training,

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<sup>29</sup> Ibid.

<sup>30</sup> Jayanta Roy and Pritam Banerjee, "Connecting South Asians: The Centrality of Trade Facilitation for Regional Economic Integration", *Semantic Scholar*, 2008, p.20.

equipment and sharing of experiences by making better use of collective resources. The first BIMSTEC Permanent Working Committee meeting in 2019 focused on enhancing determination for administrative and financial management. The second meeting of BIMSTEC Track 1.5 Security Dialogue Forum was held in July, 2019 where member countries agreed to enhance security cooperation on traditional and non-traditional security threats. They also expressed their commitments regarding cross-border connectivity of BIMSTEC member states. The progress regarding the targets of BIMSTEC sub-regional cooperation is not very satisfactory because of some barriers. The lack of strong leadership and non-tariff barriers can be traced as two vital reasons behind it.

The proposal for SAGQ came into preparation in 1996 during the time of SAARC council of ministers.<sup>31</sup> The purpose of this framework was to ensure the economic development of the member states based on cooperation and mutual interest. In the beginning of this declaration, states sought to build SAGQ as an independent organisation for economic development. But due to the opposition from Pakistan, Srilanka and Maldives, this organisation was edged within the notion of SAARC.<sup>32</sup> However, the SAGQ came into practice in 1997. According to Sonu Jain, “the South Asian Growth Quadrangle was launched in 1997 involving four countries of the region, namely Bhutan, Bangladesh, India, and Nepal, primarily aimed at creating an enabling environment for rapid economic development through the identification and implementation of specific projects.”<sup>33</sup> As Isher Judge Ahluwalia said, “the relative slowness in the promotion and implementation of regional investment projects within the framework of SAARC, and the remarkable success achieved by relatively smaller but compact regions in the growth triangles of South East and East Asia prompted some of the South Asian countries to think in terms of an alternative regional hub”<sup>34</sup>.

It can be said that due to the slow process of SAARC, some countries of South Asia wanted to establish a better platform for social and economic development. As a result, they established SAGQ within the framework of SAARC. The SAGQ was seen as a practical solution of socio-economic problems faced by the member of SAARC within South Asia.<sup>35</sup> It is evident that this kind of sub-regional platform will enhance economic and social development. This kind of sub-regional platform has two dimensions. One is that, it is geographically meaningful and the other is that

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<sup>31</sup> Delwar Hossain, op.cit., p. 143.

<sup>32</sup> Ibid.

<sup>33</sup> Sonu Jain, “Regional Cooperation in South Asia: Indian Perspective,” in Sadiq Ahmed, Saman Kelegama and Ejaz Ghani (eds.), *Promoting Economic Cooperation in South Asia: Beyond SAFTA*, 2010, p. 6.

<sup>34</sup> Isher Judge Ahluwalia, “Economic Cooperation in South Asia”, *Indian Council for Research on International Economic Relations*, p. 321.

<sup>35</sup> Ibid.

it would harness economic development that means economically beneficial. Like other growth triangles, SAGQ reinforced the sub-regional cooperation process in South Asia.<sup>36</sup> The aim of this sub-regional group was to promote the local economy for efficient use of manpower, trade and infrastructure development.<sup>37</sup> It was seen as a jovial organisation for accelerating economic development of the millions of people in South Asia. The common insight of this sub-regional cooperation process is the geographical proximity, traditions, life style and attitudes of the member states.<sup>38</sup>

SAGQ has not taken any major changes in the development and growth process in South Asia. As a result, gradually ADB and other financial organisations have withdrawn their support to SAGQ. The view of Pakistan to SAGQ is not so good because the country thinks that SAGQ is working for fulfilling the interest of India. Thus, the non-cooperation and hostility at its formative stage have made SAGQ a failed case.<sup>39</sup>

Another important sub-regional cooperation process is SASEC which started its journey in 2001 to accelerate economic development within the member states. The ADB helped to establish this kind of sub-regional group because the member states of SAGQ requested ADB to establish this for enhancing the economic condition of the member states. According to Delwar Hossain, “the ADB launched the SASEC project apparently at the request of the governments of SAGQ.”<sup>40</sup> The main purpose of SASEC was to ensure the trade facilitation for all member states by eliminating trade barriers. It included some areas of target such as transport and infrastructure development, energy cooperation and institutional development, tourism, environmental development and information communication technology. So “the ADB initiative of SASEC with emphasis on private-public partnership with a more project driven approach was a step in the right direction.”<sup>41</sup> At the beginning of this sub-regional group, India was not so interested to form this group. ADB decided to work for SASEC without the active participation of India.<sup>42</sup> Within the working group meeting, ADB wanted to solve the misunderstandings which haze the economic relations among the member states.<sup>43</sup> It is evident that this sub-regional group is vital for its member states. For instance, it is significant for Bangladesh in accessing new market and for the development of port and energy sector. For Bhutan,

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<sup>36</sup> Sridhar Ramaswamy, “Indian and its Eastern Neighbors: Prospects for Sub-regional Cooperation,” *Observer Research Foundation*, Issue Brief. 94, 2015, p. 3.

<sup>37</sup> Isher Judge Ahluwalia, op. cit. p. 322.

<sup>38</sup> Delwar Hossain, op.cit., p.144.

<sup>39</sup> Ibid.

<sup>40</sup> Ibid. p. 146.

<sup>41</sup> Sridhar Ramaswamy, op.cit., p. 4.

<sup>42</sup> Ibid.

<sup>43</sup> Ibid.

this initiative is so much momentous for accessing ports and exporting energy. For India, this sub-regional initiative poses enormous importance for getting transit and it is needed for Nepal to export their commodities. SASEC could be a channel for enhancing trade and investment. The trade facilitation programme of SASEC was initiated in the year of 2012, supported by ADB. The purpose of this project was to ensure better custom related administrations, ensure the flow of information and develop the notion of services. In 2013, ADB approved four projects for technical assistance of the project. Moreover, ADB declared a trade facility strategy for the period of 2014 to 2018 and the purpose of this strategy was to promote the prosperity of this sub-region by enhancing trade across the borders.<sup>44</sup>

SASEC also works for the development of energy sector. It has already made some stronger decisions for accelerating energy cooperation for the development process.<sup>45</sup> It needs more comprehensive steps to fulfill the dearth of energy. A large portion of this region has energy deficit according to their needs. So, it is high time to take essential measures and to implement it as soon as possible. SASEC Energy Working Group arranged a meeting in November, 2014 at Kathmandu for discussing the progress and future directions of SASEC energy cooperation, and agreed on the development of regional transmission and generation projects, as well as energy efficiency initiatives. Moreover, SASEC is also working for the development of transport sector within the member states. They have proposed the concept of economic corridor development and twin bridgehead connectivity concept for accelerating transport facilitation.<sup>46</sup> They also focus on developing transport facilitation to Bangladesh, North-east India and improving road connectivity with Thailand and Myanmar and starting Greater Mekong Sub-region (GMS) system for improving transport and communication networks.

Meanwhile, SASEC Power System Expansion Project was included in the ADB Country Partnership Strategy 2010-2012 for Nepal, and the Country Operations Business Plan 2013-2015.<sup>47</sup> These proposed plans have some aims and goals such as expansion of transmission and distribution system and the expansion of renewable energy for the remote villages. These are also linked with the environment. As a result, the Environmental Impact Assessment (EIA) was prepared on behalf of the Nepal Electricity Authority (NEA), the Executing Agency (EA) for the Project,

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<sup>44</sup> Asian Development Bank, "SASEC Trade Facilitation Strategic Framework 2014-2018," 2014, p. 3.

<sup>45</sup> Leena Srivastavaa, Neha Misra and Shahid Hasan, "Promoting Regional Energy Cooperation in South Asia", *Energy Policy*, vol. 35, 2007, pp. 3360-3368.

<sup>46</sup> Kavita Iyengar, "ADB's Initiatives on Promoting Transport Connectivity in South Asia," paper presented at the Regional Policy Dialogue on *Strengthening Connectivity in Southern Asia*, at Le Meridien Hotel, New Delhi, on 19-20 November 2014.

<sup>47</sup> Nepal Electricity Authority for the Asian Development Bank, "NEP: South Asia Sub-regional Economic Cooperation (SASEC) Power System Expansion Project (SPEP)," *ADB TA 8272-NEP*.

by consultants retained under ADB. Under the Nepal environmental regulatory framework, the proposed transmission lines require an Initial Environmental Examination (IEE) except for lines in protected areas, which require an EIA. Moreover, SASEC group is also working for the development of tourism sector by following eco-tourism concept and creating SASEC railway connectivity with the assistance from ADB.<sup>48</sup> Thus, this sub-regional group is trying to ensure the development process within the member states but again most of the targets remain ineffective and unrealized.

The latest sub-regional initiative is the BBIN initiative in South Asia for enhancing cooperation and development among India, Bangladesh, Bhutan and Nepal. The BBIN first meeting of joint working group was held in 2013 but Nepal did not join in the meeting. Later, Bangladesh, Bhutan, Nepal and India have agreed to form a sub-regional group to enhance connectivity among the member states. In January 2015, India held a meeting of joint working group of BBIN and the member states agreed to ensure cooperation in some sectors such as water management, hydropower and connectivity development. It is said that BBIN initiative reflects Indian strategy to connect South Asian economy. India also wants to bring Sri Lanka and Maldives within this framework to ensure overall economic development and connectivity. There are some specific reasons behind BBIN initiative. For instance, the first reason is to implement India's policy regarding neighbours, where India wants to develop its relations with its neighbouring countries to enhance economic growth and development. The second reason is that Bhutan and Nepal have huge potential regarding hydropower electricity. If BBIN countries are able to work together with Nepal and Bhutan for the development of hydropower electricity, it can also be fruitful for the neighbouring countries like India and Bangladesh. The third reason is that Bangladesh and India have huge potential for the development of energy sector and both countries have huge market for electricity. As a result, Nepal and Bhutan can be beneficiary through accessing the markets as Nepal and Bhutan have huge hydropower potentiality. Thus, BBIN member states can get mutual benefit by implementing this kind of sub-regional cooperation in South Asia.

At the 18<sup>th</sup> SAARC summit, India proposed motor vehicles and regional railway agreement for enhancing development and connectivity but Pakistan blocked the initiative due to its confrontational relations with India. At the end, India put Pakistan out of consideration and signed Motor Vehicles Agreement (MVA) with BBIN countries for reducing the costs of overland connectivity. All other member states avoided the big brother problem by eliminating Pakistan because they need India to ensure their development.<sup>49</sup>

<sup>48</sup> "ADB gives \$505m loans for Rail Links", *The Daily Star*, 29 June 2015.

<sup>49</sup> Rezaul Karim, "Bangladesh, Bhutan, India and Nepal likely to Ink Motor Vehicle Deal in June," *The Daily Star*, 04 April 2015.

The MVA was signed by the transport ministers of BBIN countries in Thimpu in June, 2015 focusing on insurance, permits, visa, and applicability of local laws. The protocols regarding the MVA have been made in July 2015 and the BBIN member states agreed to implement this agreement by August 2015. After that the preparatory work has been completed by the member states. Member states have agreed to transform transport routes into economic corridors that could enhance economic development of member states.<sup>50</sup> The BBIN MVA has put in place a good effort for facilitating transport and transit among the member states.<sup>51</sup> BBIN has now agreed to work out for the development of power trade, inter grid connectivity and multimodal transport facilities.<sup>52</sup> The agreement of motor vehicles facilitation can enhance the connectivity of BBIN member states. But, the empirical evidence shows that numerous facts of concern remain regarding the effectiveness of BBIN initiative. The member countries are yet to implement the application of various procedures, plans and programmes based on long term approach.<sup>53</sup> The Joint Working Group (JWG) has yet to meet since January 2016 to develop inter-grid connectivity and water resource management under BBIN mechanism.

#### **4. Challenges in Implementing Sub-regional Cooperation in South Asia**

Although, the SAGQ initiative was failed for the non-cooperation policy by the member states, it opened the door of sub-regional groups within the framework of SAARC. After that, South Asian countries made two other initiatives named BIMSTEC in 1997 and SASEC in 2001. It is evident that numerous initiatives have been taken by the South Asian countries but most of the initiatives are not so effective at all. There are many reasons behind this phenomenon such as tariff and non-tariff barriers, bilateral disputes, trust deficits, trade deficits, lack of good governance, leadership crisis, lack of implementation problem, lack of liberal mentality and lack of long term approach. However, all these challenges can be categorized as economic, political and implementation challenges for achieving sub-regionalism in South Asia.

##### **4.1 Economic Challenges**

Tariff and non-tariff barriers regarding trade and investment are critical impediments of sub-regional cooperation in South Asia. Although tariff barriers have been reduced by some of the major member states, huge non-tariff barriers

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<sup>50</sup> Harun Ur Rashid, "Where Does Bangladesh Stand?", July 9 2015, *The Daily Star*.

<sup>51</sup> Pritam Banerjee, "Bangladesh-Bhutan-India-Nepal Motor Vehicles Agreement: Unlocking the Potential for Vibrant Regional Road Freight Connectivity," *CUTS International Discussion paper*, 2015, p. 2.

<sup>52</sup> Amit Kumar, "BBIN: Sub-Regionalism in the SAARC," *Indian Council for World Affairs*, p. 1.

<sup>53</sup> Tariq Karim and Madhumita Srivastava Balaji, "BBIN: Paradigm Change in South Asia," 2016, P. 14.

remain crucial impediments for trade and investment. For example, India granted duty free quota free access to all traded Bangladeshi goods but Bangladeshis export is not increasing at all.<sup>54</sup> The possible reason is that overwhelming presence of non-tariff barriers has reduced the flow of trade. For example, 428 products of India at 8 digit HS code level cannot be imported without license. In Nepal, six categories of products such as narcotics, beef, and plastic materials are banned for import on religious and public health basis. There are also some non-tariff barriers in other South Asian countries such as Bhutan and Bangladesh. Thus, non-tariff barriers are reducing the flow of trade and investment within South Asian countries. As a result, the economic growth of sub-regional groups such as SASEC, BIMSTEC and BBIN is not good according to country's expectations.

Trade deficit is another vital problem regarding sub-regional cooperation in South Asia. It is perceived that huge trade deficit between India and other countries resulted in one sided trade. For example, "Bangladesh has been suffering from historical trade deficit with India since its independence. The trade deficit has been increasing exponentially since the recent past. Official data show that compared to 1983, trade deficit in 2003 was more than 46 times higher."<sup>55</sup> Although the trade deficit between Bangladesh and India has decreased but still Bangladesh faces trade deficit with India. Bangladesh's Gross Domestic Product (GDP) has increased into 7.9 per cent in 2018, which is very good for reducing trade deficit with other countries. Moreover, the Nepalese trade deficit is increasing each year in terms of GDP. Mahesh said that "if we scrutinize minutely, Nepalese trade with India has been characterized by a persistent and widening deficit."<sup>56</sup> India's GDP is increasing day by day and India has become one of the major economic powers around the world. After all, the rate of trade deficit among the South Asian countries still remains a major concern.

#### 4.2 *Political Challenges*

Bilateral disputes among states are crucial political challenges for the ineffectiveness of sub-regional cooperation process in South Asia because bilateral disputes hamper the economic and development process. Due to bilateral dispute, states focus more on their own interest rather than collective interest. For instance, when India thinks about their trans-boundary river water conflict with Nepal, India gives much importance on national interest although Nepal is a vital actor of sub-

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<sup>54</sup> Mahfuz Kabir, op.cit., p. 126.

<sup>55</sup> Mafizur Rahman, "Bangladesh-India Bilateral Trade: Causes of Imbalance and Measures for Improvement," 2004, p. 1.

<sup>56</sup> Mahesh K. Chaulagai, "Indo-Nepal Trade Relation: The Phenomenon of Black Hole Effect," *NRB Working Paper*, 2013, p. 2.

regional cooperation in South Asia. Mafizur Rahman says that “river flow freely but state-centric theories such as realism, neo-realism have trapped them within a specific territorial boundary.”<sup>57</sup> As a result, this water crisis leads to conflicts and disputes among sub-regional groups which hamper the sub-regional cooperation in South Asia. Trust deficit due to historical animosity is another major challenge regarding sub-regional cooperation in South Asia. South Asian countries face the problem of trust deficit although they have already undertaken the sub-regional initiatives. But historical animosity forces them into non-cooperation and mistrust.

Meanwhile, the notion of good governance has become a key concept in international relations. There are differences between good governance and governance. Governance refers to the process of decision making and the implementation of decisions. On the other hand, “good governance is the transparent and accountable management of human, natural, economic and financial resources for the purposes of equitable and sustainable development.”<sup>58</sup> Good governance is significant for ensuring economic growth, human development and resource management regarding sub-regional cooperation. It is also important to ensure institutional framework of sub-regional cooperation process. Without ensuring institutional framework, the goals of sub-regional groups cannot be achieved. Small states always want to ensure institutional mechanism for ensuring economic development of sub-regional cooperation in South Asia based on cooperation without hegemony. But it is observed that the members of sub-regional groups face the problem of lack of good governance in South Asia. For example, the notion of good governance is not good in Myanmar or Nepal. It can be said that the lack of accountability and transparency is increasing day by day in some of the South Asian countries. As a result, the rate of corruption is increasing rapidly which affects the process of economic growth, resources development and human development. It is also said that “political considerations reportedly influence the distribution of contracts, relief goods, schools, roads, and health facilities.”<sup>59</sup> Although India is considered one of the major democratic countries, the notion of corruption and lack of institutional mechanisms remain present in India. These phenomena directly affect the sub-regional cooperation processes in South Asia.

Moreover, dynamic leadership is one of the pre-conditions to achieve the targets of any sub-regional initiatives. For example, EU regional integration process has become the model of other regional forums due to its effective leadership.

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<sup>57</sup> Mafizur Rahman, op.cit.

<sup>58</sup> Council of the European Union, “*The European Consensus, Joint Statement on the European Union Development Policy*,” 2005.

<sup>59</sup> “The State of Governance in Bangladesh: Knowledge, Perceptions, Reality,” *Centre for Governance Studies, BRAC University and BRAC Research and Evaluation Division, Dhaka, Bangladesh*, 2006, p. 6.



Leadership is a process where an individual or a group of people influence others to achieve common goals. It is a process by which a person influences others to accomplish an objective and directs the organisation in a way that makes it more cohesive and coherent.<sup>60</sup> There is a close link between leadership and management which is crucial for the development of sub-regional groups in South Asia. Without ensuring proper management, it is not possible to achieve all the goals of sub-regional groups. So, “today’s groups, organisations, and teams need both effective leaders and effective managers to run a successful operation.”<sup>61</sup> Effective and dynamic leadership help to enhance creativity and long term approach which are important for effective mechanism of sub-regional groups. But, there is lack of effective leaders among the members of the sub-regional cooperation groups in South Asia resulting in ineffectiveness of sub-regionalism in South Asia.

### 4.3 *The Problem of Implementation*

Sub-regional groups are choosing many possible areas of cooperation but they are not following the process of implementation at all. For example, members of the BIMSTEC signed BIMSTEC FTAs for accelerating economic growth, trade and investment. But still, member states face trade barriers including tariff and non-tariff barriers. Meanwhile, there is no body regarding the implementation of targets. As a result, the lack of implementation has become a key challenge regarding sub-regional cooperation in South Asia. As Atiur Rahman argued, “sub-regional initiatives in South Asia have raised large questions, concerns and political passion rather than providing proper answers or creating growth mechanisms and cooperative understanding.”<sup>62</sup> This is because of the problem of implementation among sub-regional groups.

### 4.4 *Lack of Liberal Mentality*

Sub-regional cooperation is working among the sub-regional groups in South Asia for accelerating economic development, trade and connectivity. States have already developed sub-regional initiatives like BIMSTEC and BBIN which speak on the liberal efforts of the states. But, states do not follow enough liberal policy when they think their national interests in terms of economic and political activities. The state centric approaches promote states’ own interests rather than

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<sup>60</sup> Manoj Kumar Sharma and Shilpa Jain, “Leadership Management: Principles, Models and Theories,” *Global Journal of Management and Business Studies*, Vol.3, No.3, 2013, p.310.

<sup>61</sup> Kristina G. Ricketts, “*Leadership vs. Management*,” 2008, available at <http://docplayer.net/284538-Leadership-vs-management-kristina-g-ricketts-community-and-leadership-development.html>, accessed on 20 June 2019.

<sup>62</sup> Atiur Rahman, “*SAARC: not yet a Community*,” 2003, available at <https://apcss.org/Publications/Edited%20Volumes/RegionalFinal%20chapters/Chapter9Rahman.pdf>, accessed on 20 May 2019.

group's interest. As a result, it is perceived that among the states of sub-regional groups, there is lack of open mindedness almost in everywhere which poses serious challenges regarding sub-regional integration process in South Asia. The challenges discussed above should be addressed as soon as possible to develop sub-regionalism in South Asia.

## **5. Strengthening Sub-regionalism in South Asia: Policy Implications**

Under the notion of sub-regional cooperation process in South Asia, it is no doubt that states must require to ensure crucial mechanisms in order to augment institutional integration, connectivity and development among the member countries. Firstly, effective leadership is one of the significant elements to ensure the sub-regional cooperation in South Asia. The evidence shows that due to the crisis of effective leader, the sub-regional groups face a variety of problems when they want to fulfill their targets. Without ensuring proper management and monitoring, it is not possible to ensure effective sub-regional cooperation in South Asia. An effective leader can ensure effective management of the targets and projects which helps to enhance the sustainable development of sub-regional groups.

Secondly, Good governance is another vital factor behind the effectiveness of sub-regional cooperation process in South Asia. Good governance helps to ensure institutional mechanism which poses the notion of cooperation without hegemony. It also focuses on the notion of rule of law and accountability which can be helpful to reduce the illegitimacy among the member states of sub-regional cooperation in South Asia. Moreover, without ensuring institutional mechanism, states among sub-regional groups cannot ensure the notion of equal opportunity for all member countries. Thirdly, when states think about the national interest based on realist theory, they focus more on state-centric decisions rather than liberal mechanisms. South Asian states do not have enough liberal mentality to enhance the sub-regional cooperation process in South Asia. As a result, sub-regional groups are not so effective in South Asia.

Fourth, the problem of implementation regarding sub-regional cooperation in South Asia remains a key challenge behind the effectiveness of sub-regional groups. Sub-regional groups like BIMSTEC in South Asia have taken enormous initiatives such as BIMSTEC FTA but the member states could not implement the programme. Still now, there are non-tariff barriers among the BIMSTEC member countries in South Asia. So, it is mandatory for sub-regional groups in South Asia to implement the targets, plans and programmes for achieving possible outcomes.

Fifth, the persistence of huge trade deficit creates impediments for the collective economic development of the member states where all countries are not getting the same benefit from the sub-regional cooperation process. Some countries are getting more and some are getting less. For example, among the BBIN member states, it is evident that there exists huge trade deficit between India and Nepal. So, if states want to ensure the effectiveness of sub-regional cooperation in south Asia, they need to reduce trade deficit for ensuring equal economic development and opportunity among the countries. Moreover, tariff barriers among the sub-regional groups in South Asia have been reduced, still member states face huge non-tariff barriers regarding trade and investment which affect the economic development of sub-regional groups. As a result, the flow of trade and investment is declining which is detrimental for economic development. Reducing non-tariff barriers for accelerating economic growth and development among the member countries of sub-regional cooperation in South Asia could be fruitful for diminishing trade deficit.

## **6. Conclusion**

The advancement of sub-regional cooperation requires institutional mechanisms for accelerating economic growth, infrastructure development, people to people contact and connectivity among the sub-regional groups in South Asia. In recent years, it is evident that the sub-regional cooperation groups in South Asia are engaging together to promote rapid economic development which can be called a positive approach. Tariff and non-tariff barriers seriously hinder the economic development process of sub-regional cooperation in South Asia. Non-tariff barriers impede the flow of trade and investment among the sub-regional groups. Another significant challenge for enhancing sub-regional cooperation is the huge trade deficit among the member states. It is evident that Bangladesh, Nepal and Bhutan are facing huge trade deficits with India. Moreover, bilateral disputes among the different members of sub-regional forum hinder the cooperation process. States always think about their national interest rather than sub-regional cooperation which promotes the policy of non-cooperation. As a result, this creates the notion of mistrust among the sub-regional member countries which impede the achievements of targets and goals of the sub-regional mechanisms. The member states are not implementing the targets, plans and programmes of sub-regional cooperation and no active leader comes to properly address the challenges because of the absence of liberal mentality. But, it is important to note that the efforts of states have increased than before regarding the advancement of sub-regional cooperation through BIMSTEC and BBIN. BIMSTEC and BBIN member states are working to promote economic development and connectivity through transportation. The political will of the sub-regional groups like BIMSTEC and BBIN groups has increased in recent years. But, to promote sub-regional cooperation process in South Asia, states require addressing

the challenges of sub-regional integration process such as leadership crisis, lack of good governance, non-tariff barriers, trade deficit, lack of open mindedness, trust deficit and the implementation problem only then, countries of South Asia can harness economic growth, infrastructure development and connectivity effectively through sub-regional cooperation.