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UNDERSTANDING THE DYNAMICS OF POLITICAL ECONOMY OF SOUTH ASIAN REGIONAL COOPERATION

Abstract

The Political Economy (PE) of South Asia (SA) is being challenged by number of political and economic issues among countries of SA. All countries in SA region are suffering greatly due to that. Trade deficit between member states, lack of political will and capacity constraints, domestic political obstacles, poor infrastructure for free movement of goods, misunderstanding and mistrust among member states, limitation in policy preparation for regional cooperation and integration, very limited Foreign Direct Investment (FDI), positive leadership, lack of promoting free trade and economic integration are the areas which needs immediate attention for inclusive economic development of member states of SA. The SA Association for Regional Cooperation (SAARC) could not succeed mainly due to age old rivalry between India and Pakistan. Analysing political economy of regional cooperation's of SA and other regions and suggest ways and means to improve that would benefit SA region in general and countries of SA region in particular. SAARC as a regional cooperation, needs to analyse the critical challenging aspects of the organisation, look for opportunities and move forward forgetting all the misunderstanding and mistrust of the past among member states. To improve the human development of people of SA, member states must explore global economic drivers like USA, China, Japan, Germany, France, Russia, Singapore, South Korea etc. and successful regional cooperation like Association of Southeast Asian Nations (ASEAN) and European Union (EU) giving due emphasis on technology, innovation, Artificial Intelligence (AI) and 4th Industrial Revolution for future development. Self-sufficient in agriculture and industries at the same time earn revenue by allowing India and China to use infrastructure for trade and commerce would reduce trade gap of other SA countries with India and China. SA countries need to develop capacity of their people in technical and vocational subjects, encourage technology and innovation to reduce unemployment and increase overseas employment. Red Tape needs to be abolished from member states of SAARC otherwise FDI will not come in near future. SAARC countries can reduce their cost in trade and commerce if they can link themselves in Belt and Road Initiative of China in future. Visionary leadership of SAARC countries will be the key to reduce differences and mistrust among member states and work for PE which can take member states of SAARC to the zenith of prosperity.

Keywords: Political Economy, South Asia, SAARC, regional cooperation.

1. Introduction

The Political Economy (PE) of regional cooperation in South Asia (SA) was very much absent until SA Association for Regional Cooperation (SAARC)

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came into being on 8 December 1985 with 7 member states of SA.¹ SAARC as a regional organization has huge potential blessed with vast natural resources with 1.7 billion people. Because of strategical positioning, SAARC has immense capacity to become the 3rd largest economic and political power block of the world.² The SAARC comprises 3 per cent of the world's area, 21 per cent of the world's population and 4.21 per cent (US\$3.67 trillion) of the global economy, as of 2019. Since the beginning, this regional cooperation started facing lot of challenges due to balance of power among member states, antagonistic inter-state relations among member states, and political structures and processes of decision-making within member states. Though SA region is geographically united and has cultural commonality, but SAARC could not bring significant results in political economy for member states in particular and region in general. As a result, other institutional frameworks for advancing regional cooperation in SA such as the Bangladesh Bhutan India Nepal (BBIN) initiative, the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), the Indian Ocean Rim Association (IORA) and Bangladesh China India Myanmar-Economic Corridor (BCIM-EC) came up. The region is yet to achieve sustainable economic growth in compared to other regions of the world. In the crucial time of globalization and pandemic, people of SA cannot afford to be victimized by politics.

The objective of the research is to analyze political economy of regional cooperation's of SA and other regions and suggest ways and means to improve that which would benefit SA region in general and countries of SA region in particular. The research has been to identify the gaps in improving political economy of SA regional cooperation's including challenges. In-depth interview gave the researcher the opportunity to know in detail on the subject, validate secondary source, and bring out pragmatic solutions. A survey has been conducted on thirty-five policy makers from civil and military (local and international) to validate the strength and weaknesses of regional cooperation of SA region and other parts of the globe on political economy. This methodology integrates and permit a more complete and synergistic utilization of data than separate quantitative and qualitative data collection and analysis. There are many other regional and sub-regional cooperation some of them could survive and some could not flourish as expected. This research has been conducted to make SAARC as an effective regional organization in the field of political economy taking lessons from success and failure of other regional cooperation.

¹ Professor Dr. Abu Yusuf Md. Abdullah, "SAARC Will it Survive?", Bangladesh: Akota Offset Press, 2007.

² Professor Dr. Abu Yusuf Md. Abdullah, "SAARC Will it Survive?", Bangladesh: Akota Offset Press, 2007.

2. Review of Literature

Christina J. Schneider (2017) wrote an article on the PE of regional integration where she reviewed and analyzed recent research on regional integration. The analysis also highlighted the importance of international pressures for regional integration, emphasised on the domestic politics of regional integration, the causes and consequences of institutional design beyond trade agreements, and the consequences of the increasing number of often overlapping regional agreements. Bruce, Jan and Cristian (2015) focused five factors on PE approach for regional integration where they highlighted structural factors, formal and informal institutions, actors, political elites and agency, sector characteristics and external factors influencing the PE. Fredrik and Jacob (2014) explained that there is a relation between regionalism and economic development. They also mentioned that PE has close ties with economy and political institutions and political environment. Their research paper is mostly focused on global environment benefits through PE and regionalism. Priyanka (2012) in her book very clearly pointed out the challenges to regional integration in SA, benefits of regional integration, changing dynamics and lessons from other regional integration arrangement. Ershad and Dayal (2010) talked about prospect and challenges of preferential trade liberalization and regionalism in SA based on PE.

Ali Carkoglu, Mine Eder, and Kemal Kirisci (2005) focused on PE of Middle East (ME) where they have indebted analysis on the prospect and challenges of regional cooperation and its effect in PE of ME. There is a gap in finding out ways and means in exploring the potentials of economy of SA like trade deficit between member states, poor infrastructure for free movement of goods, very limited Foreign Direct Investment (FDI), lack of promoting free trade and economic integration, which the researchers found out in the research. There is a gap in finding out ways and means in exploring the potentials of political aspects of SA like lack of political will and capacity constraints, domestic political obstacles, misunderstanding and mistrust among member states, limitation in policy preparation for regional integration and cooperation, positive leadership, which the researchers found out in the research. Addressing this gap is very important as because SA is hosting 21per cent of world population. To improve the life of common people of SA Region, PE of this area needs to be given due importance by all.

3. South Asia: A Geostrategic Hub

Due to geo-strategic location, SA got huge interest of influential actors of the world (China, Japan, Middle East Countries and Russia from Asia. UK, France,

Germany from Europe, and USA and Canada from North America). SA regional organs can take advantage of influencing actors both in world politics and economics for human development of the people of this region. Political elites of SA must have strong and visionary leadership to eradicate trust discrepancy and major obstacles for a conducive regional cooperation. Diffident and shifting leadership from the political elites of SA countries would put countries into backwardness. Government regulatory bodies must not be biased in policy making rather they should work for improving life of common people of own country and region in general.

At 18th SAARC Summit held on 26-17 November 2014, Prime Minister of India, Narendra Modi said, “We have an agreement, an institution, or a framework of cooperation in every field. We also have many successes. Yet, when we speak of SAARC, we usually hear two reactions, cynicism and skepticism. This, sadly, is in a region throbbing with the optimism of our youth. Today, less than 5per cent of the region’s global trade takes place between us. Even at this modest level, less than 10per cent of the region’s internal trade takes place under SAARC Free Trade Area. Indiancompaniesareinvestingbillionsabroad, butlessthan 1percentflowintoorregion. It is still harder to travel within our region than to Bangkok or Singapore; and, more expensive to speak to each other.

How much have we done in SAARC to turn our natural wealth into shared prosperity; or, our borders into bridgeheads to a shared future?”³ Bangladeshi Prime Minister Sheikh Hasina stated in her speech at 18th SAARC Summit held on 26-27 November 2014 that, “Bangladesh will appreciate the early signing of the Regional Motor Vehicles Agreement and the Regional Railways Agreement.” Her speech assured Bangladesh’s strong commitment with SA regional integration. She also said, “What is needed is to set aside our differences and work on collective strength for bringing real progress to the people in the region.” In fact, Prime Minister of Bangladesh has clearly mentioned the apple of discord that is pulling behind SA countries in economic development of the region.⁴

SA is a unique in geography with a common heritage, history, linguistic, cultural and social practices yet is considered the least integrated region globally. This region is distinctly characterized by complex security issues, multiple interstate disputes, and deep-rooted historical difference yet having enormous potentials to be a dominant actor in the world economy. But statistically, the regional trade in SA

³ Available at <https://www.mea.gov.in/Speeches-Statements.htm?dtl/24321/Prime+Ministers+speech+at+the+18th+SAARC+Summit>, accessed on 10 August 2021.

⁴ Professor Delwar Hossain, “Dhaka Discourse 18th SAARC Summit: A Perspective from Bangladesh”, *Institute of Peace and Conflict Studies*, India, 15 December 2014, available at http://www.ipcs.org/comm_select.php?articleNo=4776, accessed on 14 August 2021.

is dismally low at 5 per cent as compared with the regional trade of Association of Southeast Asian Nations (ASEAN) 25 per cent and the European Union (EU) at 67 per cent.⁵ The region's 29.5 per cent of its population are living under less than 1.27 USD/ day.⁶ Still, it holds huge potentiality, and its prosperity lies with the regional economic cooperation and integration. Given the advantages of proximity and the similarity in production, requirement, and familiarity of culture, it is likely that a more pronounced set of benefit can be accrued from the integration and enhanced cooperation of trade and commerce in SA.

4. Glimpses on Regional Cooperation in SA

By broader definition, regional cooperation encompasses the primary idea for developing one particular region or sub-region across the world into a robust entity, both politically and economically. This is also applicable for the region of SA with its eight countries including Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. Having three percent of the total land in the world, the region has a diverse socio-economic landscape. Some fastest-growing economies from this region have established their importance in the scenario of global economic growth.

However, notwithstanding a shared historical linkage along cultural, linguistic, topographical and economic lines, SA remains one of the least integrated regions in the world in terms of trade and people-to-people connectivity. Over the years, though its collective economic growth has shown remarkable resilience amid global recess, the region as a whole could not yet come up to its fullest potential. It also confronts a number of challenges such as infrastructure development, poverty eradication, huge untapped youth population, disbursement of equitable growth, etc. among others.

4.1 SAARC

The SAARC was established in December 1985 with a view to fostering regional integration and economic connectivity among the countries of the region. However, it has not been able to promote the promised regional cooperation, as expected, due to several political differences among the member states, the basic conflict being between India and Pakistan. Benefits of regional integration could easily

⁵ "Political Economy of Regional Integration in South Asia", *UNCTAD Project*, Oct 2012, Available at https://unctad.org/system/files/official-document/ecidc2013misc1_bp5.pdf, accessed on 19 June 2021.

⁶ Mustafa Moinuddin, "Fulfilling the promises of South Asian Integration: A Gravity Estimation", *ADBI Working Paper*, Asian Development Bank, 4, available at <https://www.adb.org/publication/fulfilling-promises-south-asian-integration-gravity-estimation>, accessed on 21 July 2021.

turn the region into an important land bridge and trade hub between Europe, Central Asia, and SE Asia. Policymakers and stakeholders need to have a comprehensive understanding of regional integration which may contribute to fruitful and functional regional policy formulation and procedures. Three interconnected drivers for a more workable regional integration are economic drivers, PE drivers and extra-regional drivers.⁷

SAARC Secretariat must be institutionally strengthened with proper working representation from the individual member states. The political leadership's role is the important political economy driver. The prevalent issue of mutual suspicion and distrust in SA is mostly considered the principal impediment in the way of regional integration. Absence of visionary leadership could not yet yield in expected result from the regional integration procedure. Strong leadership, especially from India, is needed for an effective regional integration in SA. As for the extra-regional drivers, a vast array of geo- political and economic issues are affecting the region. In SA, the roles of extra-regional drivers are varied in accordance with respective countries with different integration formulas.⁸

Regional disagreements related to security, perception of threat and cross-border issues periodically hamper the diplomatic process. Thus, the inefficacy of SAARC provided a strong argument to its critics to look for alternatives beyond SAARC for advancing regional cooperation, which saw the emergence of other institutional frameworks such as the BBIN initiative and the BIMSTEC.

However, along with SAARC, these other organizations have brought about only limited success in overcoming impediments to enhanced regional collaboration. So, against the backdrop of the COVID-19 pandemic which demands greater regional cooperation to help build more inclusive economic growth and opportunities, SAARC's revitalization is the best possible option for SA integration. The recent reconciliatory tone of the leadership of the major member states may make an attempt to re-establish the relevance of SAARC in the rapidly changing regional environment. The 21st century being declared as the Asian century, SA must take necessary efforts to be the fulcrum for its growth and development in the upcoming years.⁹

⁷ Dr. Selim Raihan, "Political Economy of Regional Integration, Where Do We Stand in South Asia?", *The Daily Star*, April 12, 2021, available at <https://www.thedailystar.net/op-ed/where-do-we-stand-south-asia-1207690>, accessed on 27 April, 2021.

⁸ Dr. Selim Raihan, "Political Economy of Regional Integration, Where Do We Stand in South Asia?", *The Daily Star*, April 12, 2021, available at <https://www.thedailystar.net/op-ed/where-do-we-stand-south-asia-1207690>, accessed on 28 April, 2021.

⁹ Ms. Maleka Parveen, Director General, Ministry of Foreign Affairs, Africa, Bangladesh, Interviewed on 20 May 2021.

4.2 *SAPTA/SAFTA*

Unlike the European Economic Community (EEC, 1957) and the ASEAN, the two main inspirations behind its formation, SAARC's growth was slow in contrast to the EEC which developed into the EU and the ASEAN which showed visible success. However, SAARC did help increase South Asia's intraregional trade from 4.5 per cent of its total trade in 2008 to 7.6 per cent in 2015, and 6.9 per cent in 2018.¹⁰ But this gradual growth took more than three decades and during this long period, as part of institutionalizing formal trade in the region, the SA Preferential Trade Agreement (SAPTA) came into being in 1995 and was taken over by the SA Free Trade Agreement (SAFTA) in 2006.

SAARC facilitated SAFTA's inception with a vision to gradual transition towards a SA Economic Union characterized by a Common Market & Customs and an Economic & Monetary Union. However, after more than a decade and despite numerous bilateral Free Trade Agreements (FTAs), intraregional trade accounts for barely 5 per cent of SA's total trade compared to approximately 25 per cent for the ASEAN.¹¹

One main reason behind undermining intraregional trade is the long sensitive list of products exempted from the tariff liberalization programme. Proliferation of para-tariff & non-tariff barriers, poor trade facilitation at borders and high trade and connectivity costs are some other factors hampering SAFTA's full potential.

China has been the gainer in the field left open by India. Until 2005, India and China were close in their overall trade volume with SA. However, after 2005, China consistently increased its trade with SA. In 2014, China's trade reached a high of US\$ 60.41 billion, whereas India traded approximately one-third of the amount at US\$ 24.70 billion.¹²

The main driving force behind the success of the ASEAN and the EU has been their ability to emphasize economic prosperity more than their political differences and concentrate on a shared long-term growth agenda.¹³ Whatever model is being followed by SA, strengthening regional integration will be crucial for augmenting the region's competitiveness, addressing common regional challenges such as food

¹⁰ P.K. Balachandran, "Can SAARC Come Out of the Doldrums?", 2021, available at <https://newsin.asia/can-saarc-come-out-of-the-doldrums/>, accessed on 27 April 2021.

¹¹ Viraj Mehta, "The economic case for South Asian regionalism", 2020, available at <https://www.weforum.org/agenda/2020/01/the-economic-case-for-south-asian-regionalism/>, accessed on 30 March, 2021.

¹² Riya Sinha and Niara Sareen, "India's Limited Trade Connectivity with South Asia", 2020, available at <https://www.brookings.edu/wp-content/uploads/2020/05/Trade-Policy-Brief.pdf>, accessed on 26 April, 2021.

¹³ Viraj Mehta, "The Economic Case for South Asian Regionalism", 2020, available at <https://www.weforum.org/agenda/2020/01/the-economic-case-for-south-asian-regionalism/>, accessed on 30 March 2021.

and energy security, poverty eradication, job creation and getting potential investors. Achievement of remarkable economic progress by some SA economies through increased global integration will certainly pave way for more economic development for these economies through SA regionalism.¹⁴

4.3 *BIMSTEC*

Due to political and economic differences within regional groups, countries join new and less problematic groups. Thus, SAARC's visible non-performance led to the formation of a few other institutional frameworks such as BIMSTEC and BBIN initiative. Launched in 1997, BIMSTEC is a sector-driven regional organization comprising 7 member states that lie in the littoral and adjacent areas of the Bay of Bengal: 5 from SA (Bangladesh, Bhutan, India, Nepal, and Sri Lanka) and 2 from SE Asia (Myanmar and Thailand). Though the sub-regional group was formed nearly three decades ago, its various initiatives have remained slow. Thus the question surfaces now and then whether it may replace SAARC at all. In fact, SAARC and BIMSTEC focus on geographically overlapping regions. However, this does not make them equal alternatives. SAARC is a purely regional organization, whereas BIMSTEC is inter-regional and connects both South Asia and two countries of SE Asia and members of ASEAN. The possibility of SAARC's revival still remains. The limited success of BIMSTEC does not render SAARC pointless; it only adds a new chapter in regional cooperation in SA.¹⁵

4.4 *BBIN Initiative*

To address the long-discussed regional connectivity and integration issues, in 2015, the BBIN Motor Vehicles Framework Agreement was signed by 4 countries. The purpose was to facilitate cross-border movement of passenger and cargo vehicles. 3 countries ratified the agreement, with Bhutan staying out in 2017 for the time being but consenting to other 3 to go ahead. BBIN is yet to showcase its usefulness as a new addition to the regional integration process as it's still in a nascent stage. However, some political analysts' critical observation is that BBIN initiative has a future only if China can be involved in this process. Their argument is that every single member of this initiative's main trading partner today is China and "this is the contemporary reality within which we operate".¹⁶

¹⁴ Professor Dr. Abu Yusuf Md. Abdullah, Professor, Institute of Business Administration, University of Dhaka, Interviewed on 24 July 2021.

¹⁵ Ms. Maleka Parveen, Director General, Ministry of Foreign Affairs, Africa, Bangladesh, Interviewed on 20 May 2021.

¹⁶ Professor Rehman Sobhan, "How Viable is an Economic Alliance without China?", 2021, available at <https://www.tbsnews.net/feature/panorama/how-viable-economic-alliance-without-china-200083>, accessed on 26 April, 2021.

4.5 SASEC

In 2001, in response to the request of four SA countries, i.e. Bangladesh, Bhutan, India and Nepal, the South Asian Sub Regional Economic Cooperation (SASEC) program was formed from the Manila-based Asian Development Bank (ADB) to assist in facilitating economic cooperation among these countries. Maldives and Sri Lanka joined SASEC in 2014 and later Myanmar became its 7th member in 2017. Since 2001, a total of 94 national and regional ADB-financed technical assistance projects (worth \$125.73 million) have supported different SASEC investment projects.¹⁷

4.6 BCIM-EC

In August 1999, as part of China’s Belt and Road Initiative (BRI), the Bangladesh, China, India, Myanmar–Economic Corridor (BCIM–EC) was established to connect eastern China with SA that will also ultimately connect SE Asia through different modes for better economic and cultural connectivity in future. This is the only way to rope in both Myanmar and India within the Bangladesh-China cooperation framework.¹⁸

Figure 1: BRI Showing Railways, Road Routes and Maritime Routes



¹⁷ “Working Paper Series on Regional Economic Integration”, ADB, Asian Development Bank, 2010, available at <https://www.adb.org/sites/default/files/publication/28528/wp54-political-economy-south-asia.pdf>, accessed on 26 April, 2021.

¹⁸ Sanjida Shahab Uddin, “BRI and BCIM-EC: Overcoming the Impediments”, BIIS Journal, ol. 38, No. 3, Dhaka, 2017, 205-206, available at <http://biiss.itracker71.com/uploads/libraries/yDT2Q0GEGdfsVBAByyZMCt7XLWOqBJeXW8jVx7Wk.pdf>, and https://www.researchgate.net/publication/336604749_BRI_and_BCIM_-_EC_Overcoming_the_Impediments/link/5da82e5b92851caa1bab226a/download, accessed on 28 June 2021.

4.7 *IORA*

As for the IORA, this dynamic inter-governmental organization was established in March 1997 aiming at strengthening regional cooperation and sustainable development within the Indian Ocean region through its 23 Member States and 9 Dialogue Partners.¹⁹ IORA is also becoming a critical feature for the US-led Indo-Pacific Strategy.

5. **EU and ASEAN: SA Regional Cooperation Context**

Regional Cooperation refers to the collaboration of countries in a geographical region,

strengthening their common interests and promoting their national interests through mutual cooperation. The researcher compared three models of Regional Cooperation in terms of political economy, SAARC, geographically located very close to SA namely ASEAN and successful regional organization of developed country that is EU with their critical features and limitations. The dynamics of SAARC has been explained above and ASEAN and EU are explained below.

5.1 *ASEAN*

ASEAN is one of the oldest regional organs of Asia which was established on 8th August 1967 with five member states and now the organ is comprised of ten member states.²⁰ ASEAN is an organization of countries located in SE Asia, and it was set up to promote cultural, economic, and political development in the region. ASEAN established the ASEAN Free Trade Area (AFTA) to increase the competitive advantage as a production base for the world market, reduce the inter-regional tariff and eliminate tariff of their product.²¹ ASEAN is strong in unity and network due to balance of power among member states, healthy inter-state relationship and efficient political and economic structure. There are other success stories of regional cooperation such as European Union, a political and economic union, established on 01 November 1993 with twenty-seven member states, where member states agreed to establish a unified economic and monetary system to break down barriers to trade and borders.²² Currently, ASEAN is made up of ten member countries, which are namely: Singapore, Malaysia, Philippines,

¹⁹ Available at <https://www.iora.int/en>, assessed on 30 June 2021

²⁰ Available at <https://asean.org/asean/about-asean/>, accessed on 29 April 2021.

²¹ Available at <https://asean.org/asean-economic-community/asean-free-trade-area-afta-council/>, accessed on 26 April 2021.

²² Available at <https://www.britannica.com/topic/European-Union/The-Maastricht-Treaty>, assessed on 27 April 2021.

Indonesia, Thailand, Brunei Darussalam; Vietnam; Lao PDR and Myanmar; and Cambodia.²³

5.1.1 *Critical Features of ASEAN*

ASEAN refuses the use of force to handle disputes and instead uses peaceful settlement. The ASEAN Political-Security Community (APSC) was formed to manage the security issues of the member countries. ASEAN established the ASEAN Intergovernmental Commission on Human Rights (AICHR) in 2009 and the ASEAN Human Rights Declaration (AHRD) in 2012. AICHR and AHRD are documents related to the protection the human rights and freedom of the ASEAN people.²⁴ ASEAN established ASEAN Regional Forum (ARF) to hold constructive dialogue on political and security issues to promote cooperation and confidence-building among ASEAN members.²⁵ ASEAN established the ASEAN Free Trade Area (AFTA) in 1992. This initiative increases the ASEAN region's competitive advantage as a production base for the world market. The elimination of import duties shall achieve a maximum impact in enhancing the ASEAN region's economic competitiveness to the rest of the world. ASEAN's network of FTAs and dialogue partners gives it an important voice in international trade and investment.²⁶

The ASEAN Economic Community (AEC) Blueprint 2025, succeeding AEC Blueprint 2008–2015 visions a higher integrated and cohesive, competitive, innovative and dynamic community, enhances economic integration in ASEAN, and sectoral cooperation that integrate with the global economy. ASEAN caters for the different levels of development of the member nations and adjusts the demands on the less developed members.²⁷ ASEAN develops friendly relations, beneficial dialogue, cooperation, and partnerships with countries and international organizations to support ASEAN Centrality and ASEAN's community building efforts and to promote peace and stability in the region.

²³ "Association of Southeast Asian Nations (ASEAN) – Membership", *NTI*, March 2019, available at <https://www.nti.org/learn/treaties-and-regimes/association-southeast-asian-nations-asean/#:~:text=History,Cambodiaper cent20onper cent2030per cent20Aprilper cent201999>, accessed on 16 April 2021.

²⁴ "Fact Sheet on ASEAN Political-Security Community APSC", *ASEAN Secretariat*, Nov 2018, available at https://asean.org/?static_post=fact-sheet-asean-political-security-community-apsc, accessed: 16 April 2021.

²⁵ ASEAN Regional Forum (ARF), May 2015, available at https://media.nti.org/pdfs/arf_13.pdf, accessed on 16 April 2021.

²⁶ ASEAN Secretariat, "AFTA: An Update", 2012, available at https://asean.org/?static_post=asean-free-trade-area-afta-an-update, accessed on 16 April 2021.

²⁷ "ASEAN Economic Community Blueprint 2025, ASEAN 2025: Forging Ahead Together", *ASEAN Secretariat*, November 2015, 59–100, available at <https://www.asean.org/storage/2015/12/ASEAN-2025-Forging-Ahead-Together-final.pdf>, accessed on 16 April 2021.

5.1.2 *Limitations of ASEAN*

ASEAN continues to remain as a consultative body with no power to discipline its members. This is because ASEAN's doctrine is non-interference in the internal affairs of the state. Thus, determination and respect for geographical boundaries of the region are still among the major problems faced by ASEAN. The reduced tariffs may risk an influx of cheap imports flooding local markets. The political models of ASEAN member countries vary from one country to another, thus, making it difficult for the member states to integrate towards a union. ASEAN is challenged by the complicated nature of inter-state relationships of the member states with the great powers such as China, USA, Japan, and Russia. The ASEAN member countries form their alliances according to their own interests and ASEAN has no power over this arrangement.²⁸

5.2 *EU*

EU is an international organization comprising of 27 European countries and function in governing common economic, social, and security policies. Originally confined to Western Europe, the EU undertook a robust expansion into central and east Europe in the early 21st century. The EU was founded on November 1, 1993, in Netherlands. Before 1993, the EU was not as big as it is today. Gradually, more countries decided to join.²⁹ European Union's main objectives are as follows: to promote peace and the well-being of EU citizens; create a free and safe Europe with no internal borders; to work towards the stable sustainable development of Europe; to support the advancement of science and technology and education; establish an economic union, with the euro as its currency; and to contribute to the sustainable development, peace and security of Europe and elsewhere in the world.³⁰

5.2.1 *Critical Features of EU*

The EU creates stability and member states safer because the EU creates an allied front against outside aggression, and all nations belonging to the NATO agreement work together for their mutual benefit. The EU's security profile helps proactively to prevent other countries from taking advantage of the smaller size countries on the continent. EU creates more employment opportunities, better wages,

²⁸ Brigadier General Norsham bin Md Tap, Malaysian Army, National Defence College, Bangladesh, Course Member 2021, Interviewed on 15 April 2021.

²⁹ "The European Union and Countries in the EU", *Schengen Visa Info*, November 2020, available at <https://www.schengenvisainfo.com/eu-countries/>, accessed on 21 April 2021).

³⁰ Mosaikki RY, "Information campaign of the European Parliament, Values and Objectives", 2014, available at <https://europarlamenti.info/en/values-and-objectives/objectives/>, accessed on 21 April 2021.

and a higher-skill workforce in Europe today. The member countries have created a single market together and this gives them more scale to negotiate in international trade deals. The EU has reindustrialized the continent dramatically with the state members' cooperation. The EU enabled a guaranteed democracy, competitive environment, provide financial resources to meet the obligations of the cooperation. People can travel to any other country or territory in the EU with ease when the EU introduced the Schengen Visa. The EU's economic benefit is extended to the rest of the world. The value of the import export industry all over the world benefits since the EU becomes an economic force for trade. To support consumer safety, the EU creates high food standards and consumer benefits. The EU members invested heavily on technological advancement in energy sector, climate change and common seamless digital transport sector comprised of road, railway and aviation. China is interested to connect BRI with EU's communication network so that with the help of EU's excellent road and railway network, they can reach UK without spending a single penny in infrastructure development in Europe.³¹

5.2.2 *Limitations of EU*

With the introduction of the Schengen Visa by EU, the travel of the average person throughout Europe is made easier. There is a rise in people crossing a border without documentation or using false ID and attacks classified as terrorism also increased. Despite the existence of EU, many problems with division in Europe still exist. There are many different cultures and ethnicities on the continent which see things differently attribute the difficulty for the EU to stop the rise of nationalism, fascism, and other problematic government structures. The development of new businesses is not encouraged by the Europe's taxation structure. Instead of the Euro currency created most of the Eurozone countries are experiencing declines in their economic prospects. The European Parliament seats are filled with a fixed number of representatives from the member states based on the size of the population of the country. The larger countries can have a stronger say in the region's politics.³²

³¹ Keith Miller, "Advantages and Disadvantages of the European Union", 2021, available at <https://futureofworking.com/11-advantages-and-disadvantages-of-the-european-union/>, accessed on 22 April 2021. and Professor Dr. Shahab Enam Khan, Department of International Relations, Jahangirnagar University, Interviewed on 12 August 2021.

³²"How are members of the European Parliament elected?", *News European Parliament*, available at <https://www.europarl.europa.eu/news/en/faq/0/how-are-members-of-the-european-parliament-elected>, accessed on 21 April 2021.

6. Political Economy of SA: A Framework for Analysis

Economic prospect of SA can be reaped maximum through identifying its opportunities, and pointing the areas that need reform. To understand its context, it may be looked at through five lances.

6.1 *Foundational or Structural Factors*

Structural or foundational factors relate to contextual aspects such as history, geography or certain deeply ingrained economic characteristics of the region. These are hard to transform in the medium and even long-term initiative. They are mentioned below.

- a. The land and topography make SA a single geographical unit. All countries of SA have high population growth against low income. The economy of these countries is still dominated by agriculture.
- b. Countries of SA culturally and socially homogenous but politically volatile and economically underdeveloped. It has a common history, but the political division is causing constraints in deepening intra-regional homogeneity.
- c. SA countries do not have a common threat, nor did they face a common war that may threaten their existence which would have forced them to come together and emerge as a united region like EU. Rather, colonial legacy, subsequent political division after independence, cold war bipolarity, mistrust and fear of dominating states hegemony worked against the concept of regional cooperation and integration.
- d. In SA, continuing geopolitical tension between India and Pakistan is the main impediment to regional cooperation.
- e. Geo-politically, India is in the center of the region. It is at the core of all economic and other development activities. It has 74per cent of the region's total population, 75per cent of the GDP, 79per cent of trade and 81per cent of FDI flow in the region.³³ It has land boundary with all the SA country except Sri Lanka, Afghanistan and Maldives. Sri Lanka is closely linked with India through sea route and similarity in demography with Tamil Nadu.

³³ "The Political Economy of South Asia", *DAWN*, available at <https://www.dawn.com/news/881084/the-political-economy-of-south-asia>, assessed on 22 July 2021.

The countries of SA have common infrastructure deficit, reliance on agricultural employment, limited industrial base, and large informal sectors. Land-lock of Nepal, Bhutan and Afghanistan, political rivalry between India and Pakistan, trade among the SA countries primarily through land borders are the other factors.

6.2 Formal and Informal Institutions

SA countries pursue cooperation and integration with some formal institution like the SAARC, SA Sub-regional Economic Cooperation Program (SASEC), and the BIMSTEC which is a cross-regional institution. Civil society also formalized through research institution, think tanks, policy forum etc. Examples of some of the institutions are the Regional Center for Strategic Studies (RCSS), the SA Network of Economic Research Institute (SANEI), SA Center for Policy Studies (SACEPS). Besides, specialized institution for different spheres also came up like the SA Free Media Association, SA Chambers of Commerce and Industries, SAARC Law, SA Federation of Accounts etc. All these institutions are pursuing regional cooperation and integration.³⁴

6.3 Actors, Political Elites and Agencies

Strong and visionary leadership are needed from the political elites to eliminate any trust deficit, which can emerge as a result of a variety of the structural factors discussed earlier. In SA, such trust deficit is often highlighted as one of the major barriers to deeper regional integration. Also, there are concerning hesitant and inconsistent leaderships from the political elites of these countries. At the conceptual level, all SA Countries leaderships support and keen to take forward the integration narrative. But in reality, the scene is different. Numerous agreements, arrangement and understanding took place but failed to have the necessary impact due to non-enactment of the provision or partial implementation of the provisions. The glaring example is SAARC.³⁵

6.4 Sector Characteristics, Public Goods and Governance Implications

Transport, Trade facilitators, energy, economic corridor development, ICT, textile are some of the sectors of regional integration. The characteristics of these sectors, their linkage and interaction with the government pave the way for effective

³⁴ Brigadier General Mohammad Jahangir Alam, BSP, psc, National Defence College, Bangladesh, Interviewed on 23 July 2021.

³⁵ Professor Dr. Abu Yusuf Md. Abdullah, Professor, Institute of Business Administration, University of Dhaka, Interviewed on 24 July 2021.

integration that is yet to be achieved. Clean Energy, Energy efficiency and measures to combat global warming, natural disaster response, fighting communicable disease, fighting drugs and human trafficking are the key regional public goods that need attention in regional integration. Other important public goods are water management, hazardous waste disposal and preservation of biodiversity. Food security is the most important domestic or regional public good. Country-based management and ensuring food security is not an efficient system rather it should be managed at the regional level to avoid over positioning. Governance of regional public goods are almost nonexistent in SA regional structure. There are only some regulations and some licensing procedure at government level, almost nothing functional at the regional level. Prioritizing regional public goods, structuring activities to improve public administration to better manage public goods, adopting and enacting policies are few steps that help improve the governance and management of these public goods.³⁶

6.5 External Factors Influencing the PE Context - Global Drivers

The extra-regional drivers include a wide range of global economic and political factors that can influence the region. In SA, countries are at different levels and with different patterns of integration with the extra-regional drivers. Environmental drivers, pandemic, superpower influence, trade war, different economical alignment, price of oil, and international terrorism influence the regional political economy.

7. Political Economy of SA: Core Issues

Analyzing primary and secondary sources, few important points were revealed related to political economy of regional cooperation in SA especially SAARC and other regions. Those are appended below.

7.1 Managing Conflict

There is a big difference between SAARC and ASEAN in managing conflict. Since inception of SAARC in 1985, India and Pakistan involved in war or conflict four times. Those are Siachen Conflict in 1985, 1987 and 1995 and Kargil War in 1999.³⁷ The Indian intervention into Sri Lanka in 1987 in a complex long multi-ethnic

³⁶ Brigadier General Mohammad Jahangir Alam, BSP, psc, National Defence College, Bangladesh, Interviewed on 23 July 2021.

³⁷ Adrija Roy Chowdhury, "Here is a history of India-Pakistan conflict", *The Indian Express*, New Delhi, 29 September 2016, available at: <https://indianexpress.com/article/research/here-is-a-history-of-india-pakistan-conflict/>, assessed on 01 May 2021.

conflict without the consent of all parties ended with withdrawal on request of the Sri Lankan Prime Minister Premadasa.³⁸ Inter-state rivalry is very much prominent in this region. Most of the conflicts and intervention took place just after the birth of SAARC when the regional organ did not have experience to stop those events. On the other hand, there are issues between ASEAN member states related to land disputes, human trafficking, and terrorism but ASEAN Political Security Community could handle those issues successfully.

7.2 Balance of Power

Balance of power among member states is very important in sustainable development of regional cooperation. Out of eight member states in SAARC, India is the biggest country in terms of land, population, GDP, and military power. Geographically, India is also connected to all countries of SAARC through land and sea except Afghanistan. Tables below shows basic political economy indicators of ASEAN and SAARC member states.³⁹

Table 1: Select Basic Indicators for ASEAN Member States

2014 -15	Popula- tion (million)	GDP Growth (%)	GDP/P	CPI(%)	Export (US\$ billion)	Import (US\$ billion)	Foreign Re- serves
Singapore	5.5	2	\$53,004	-0.6	377	295	240
Thailand	67	0.90	\$5,445	1.90	225	200	157
Indonesia	255	4.80	\$3,379	3.4	150	143	106
Malaysia	31	5	\$10,222	2.10	200	176	95
Philippines	101	5.80	\$2,877	1.50	58.6	66.7	80.7
Vietnam	92	6.70	\$2,036	0.60	162	166	34
Cambodia*	15.3	7.10	\$1,096	3.90	10.8	13.5	5.6
Brunei*	0.4	17.10	\$41,411	-0.20	-8.3	-5.9	3.5
Lao PDR*	6.9	7.50	\$1,739	1.30	17	9.3	0.9
Myanmar*	51.4	8.50	\$1,228	5.90	11	16.2	4.8

Source: ASEAN Secretariat

Due to PE, India influences in all activities in SA region including SAARC. On the other hand, ASEAN comprises of ten member states and all the member

³⁸ B Ramesh Babu, “Indian Intervention in Sri Lanka: Anatomy of a Failure”, *World Affairs: The Journal of International Issues*, Kapur Surya Foundation, 1998, pp. 132-145, available at <https://www.jstor.org/stable/45064546?seq=1>, assessed on 02 May 2021.

³⁹ Sridharan Kripa, “Regional Organisations and Conflict Management: Comparing ASEAN and SAARC”, National University of Singapore, March 2008, 23-24.

states are almost equal in strength as such no country alone can influence in all the activities of SE Asian Region or ASEAN.

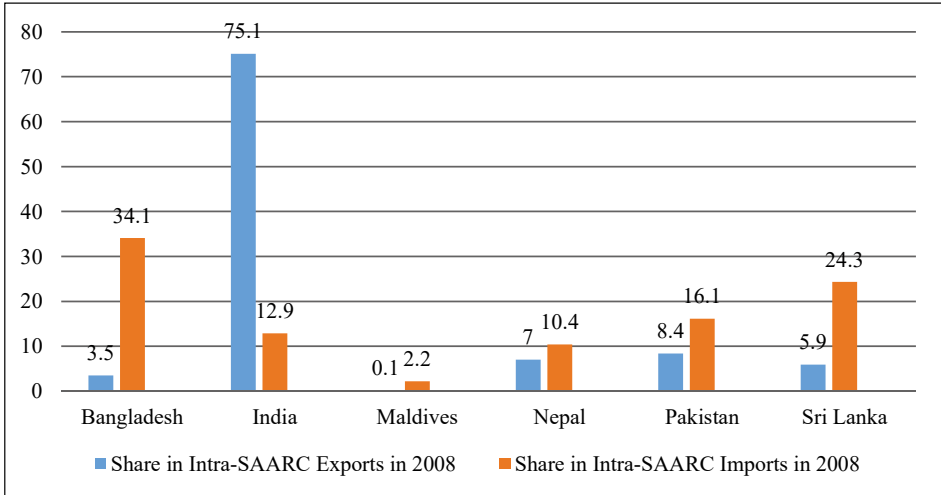
Table 2: Select Basic Indicators of SAARC Member States

Country	Popula- tion (Mil- lion)	GDP (PPP) (Bil- lion)	GDP Growth Rate *2014 (%)	Export 2014 (Bil- lion)	Foreign Direct Invest- ment *2013	Literacy Rate (%) (Given Age & above)	Popu- lation below Poverty Line (%)
Afghanistan	32.007	\$63.5	3.20	\$0.3	N/A	28.1(Age 15)	15.80
Bangladesh	159.857	\$572.6	6.20	\$31.2	\$0.66 bn	57.7 (Age 15)	31.50
Bhutan	0.779	\$6.3	6.4	\$0.7	\$63 mln	52.8 (Age 15)	23.70
India	1,276.20	\$7996.6	7.30	\$464.0	\$31.0 bn	74.4 (Age 7)	21.90
Maldives	0.38	\$5.2	4.50	\$0.28	N/A	99 (Age 15)	16
Nepal	28.4	\$70.7	5.50	\$1.0	\$10 mln	66 (Age 15)	25.20
Pakistan	190.4	\$928.0	4.20	\$25.1	\$0.709 bn	55 (Age 15)	22.60
Sri Lanka	21.7	\$233.7	7	\$11.8	\$0.9 bn	98.1 (Age 15)	8.90

Source: International Monetary Fund, April 2015.

India has been leading in unfathomable way in export in Intra-SAARC in compared to other SAARC member states and Bangladesh is leading in import among SAARC countries. Intra-SAARC exports and imports and Inter-Region trade of GDP are shown in charts below.

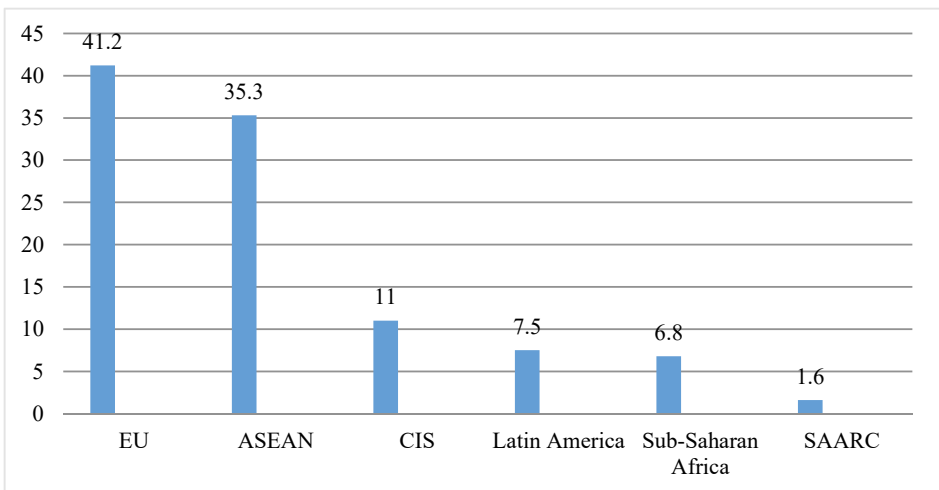
Figure 2: Intra SAARC Exports & Imports



Source: IMF

In Inter-Region trade, EU is leading among other regional organs and SAARC is lowest in that race.

Figure 3: Inter-Region Trade of GDP (per cent)



Source: UNCTD

7.3 Trade Imbalance

Due to huge market, production capacity in food, agriculture, and industry, India dominates the PE in SA region.⁴⁰ India contributes maximum in Intra-state export and also takes minimum from Intra-state import. Tables below shows how much all members of SAARC shares in terms of export and import among member states.⁴¹

Table 3: Intra-SAARC Exports

(US \$ billion)							
Year							
Countries	2000	2001	2002	2003	2004	2005	2006
Afghanistan	60.3	49	44.4	64.1	87.4	102.1	125.3
Bangladesh	93.6	97.7	78.4	112.5	126.5	187.3	228.5
Bhutan	24.5	27.1	33.3	50.8	57.1	95.4	117
India	4822	2082	2601	3918	4416	5273	6789
Maldives	13.8	17	14.1	15.7	15.6	17.2	21.2
Nepal	222.9	243.8	279	265.3	302.2	343.7	568.8
Pakistan	404	407	452	751	959	1797	2191
Sri Lanka	189.9	157.8	256.8	350.6	507.9	655.5	808.6
Total	2831	3081.3 (8.8)	3759.0 (22.0)	5527.9 (47.1)	6471.1 (17.1)	8471.1 (30.9)	10849.5 (27.1)

Note: Values in parentheses show percentage growth.

Source: Direction of Trade Statistics Yearbook 2007, IMF.

Member states of SAARC can reduce trade imbalance with India and China by growing agriculture for food security, develop industries for self-sufficiency at the same time allow them to use their infrastructure. Rent earned from using sea/air/land port, rail and road would reduce trade imbalance greatly.

Table 4: Intra-SAARC Imports

(US \$ billion)							
Year							
Countries	2000	2001	2002	2003	2004	2005	2006
Afghanistan	169.5	196.9	307.9	590.2	684.8	1333	1648.6

⁴⁰ Professor Dr. Yusuf Abdullah, PhD, Professor, Institute of Business Administration, DU, Interviewed on 11 May 2021.

⁴¹ Vilas B. Khandare and Someshwar N. Babar, "Trade among SAARC Countries: With Special Reference to India", *IJIBF*, Vol 2, No 1, Jan-June 2012, pp 133-134.

Bangladesh	1058.9	1299.1	1221.1	1612.2	1887.4	2121.9	1036.5
Bhutan	3.9	4.5	32.4	79.4	88.6	99.3	122.1
India	473	533	544	664	891	1297	1763
Maldives	89.6	93.2	103	114.2	136.5	129.3	159.9
Nepal	163.1	179.2	355.8	659	793.8	921.6	1486.3
Pakistan	291	321	259	345	599	765	945
Sri Lanka	707.3	712.5	933.1	1175.7	1574.8	1981.3	2448.7
Total	2956.2	3339.3	3756.2	5239.6	6655.9	8648.4	9610.15
		(13.0)	(12.5)	(39.5)	(27.0)	(29.9)	(11.6)

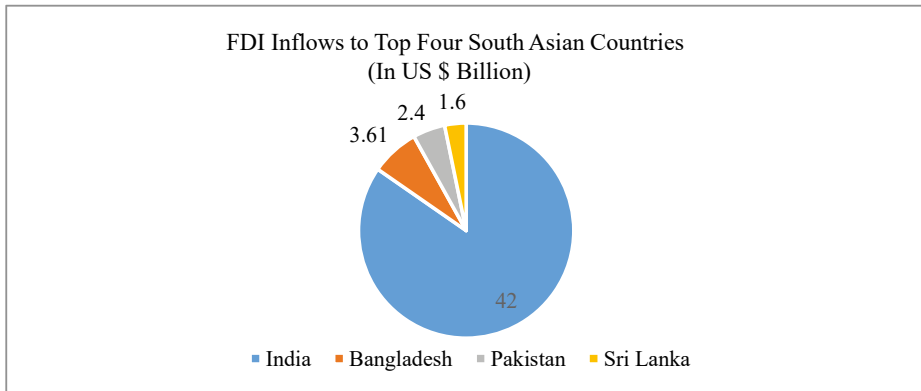
Note: Values in parentheses show percentage growth.

Source: Direction of Trade Statistics Yearbook 2007, IMF.

7.4 FDI Flow

FDI in SA region is very low in compared to ASEAN, EU and NAFTA. Within SA Region, India had highest FDI (Fig 1.4).

Figure 4 : FDI Inflows to Top 4 SA Countries



Source Bahadur Khurram (2019), Bangladesh, the 2nd Largest FDI

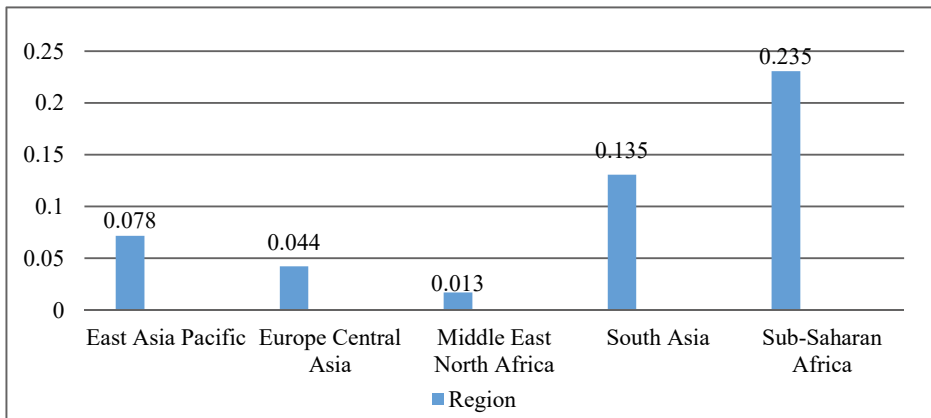
7.5 Infrastructure and Policy Development

Transportation of man and material by road, railway, water and air within SA countries is difficult due to lack of infrastructure development and non-availability of policy of transit and transshipment between and among SA countries. SAFTA needs to include all policy barriers so that land lock countries can take port and infrastructure support from any SA countries.⁴² If SAARC Highway Corridor is

⁴² Prabir De, Abdur Rob Khan and Sachin Chaturvedi, "Transit and Trade Barriers in Eastern South Asia: A

established by SASEC and if these roads are linked with Asian High-way and BRI under BCIM-EC, it would revolutionize trade and commerce in SA countries. If member states of SA can integrate themselves in BRI, transportation cost of their product would reduce significantly. The estimated effects of the BRI transportation network on GDP growth by BRI region is shown in figure below.

Figure 5: Estimated Effects of the BRI Transportation Network on GDP Growth by BRI Region {Increase in GDP (Percentage Point)}



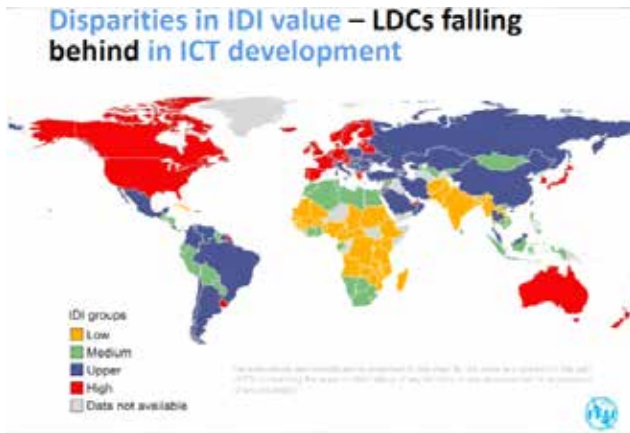
Source: Chen Maggie Xiaoyang (11 October 2018). 'Foreign Investment Growth in the Belt and Road Region Economies'

7.6 Use of Technology

Technology, innovation, Artificial Intelligence (AI) and 4th Industrial Revolution (IR) are going to dominate PE of regional cooperation. Member states of SA are lagging behind in this aspect in compared to other regional organization. Capacity building through technical and vocational training is a must for reducing unemployment and increasing overseas employment. Figure below shows that other than Sri Lanka, most of the SAARC countries are in low ranking in ICT Development Index whereas most of the ASEAN countries are in middle and high ranking.

Review of the Transit Regime and Performance of Strategic Border Countries”, *Asia-Pacific Research and Training Network on Trade Working Paper Series*, No.56, ARTNet, 2008, 2-3.

Figure 6: ICT Development Index (IDI): Global and Asia Region, 2017



Source: ICT Dev Index (IDI): Global and Asia Region, 2017

For political economy of SA region, we need to focus on this. SAARC countries spend very less in Research and Development from their GDP and engage very limited scientists and engineers for innovation and technological development. SAARC Information Center, Kathmandu, Nepal and SAARC Human Resource Development Center, Islamabad, Pakistan can jointly take the initiative in developing technology among SAARC countries and SAARC Development Fund, Thimphu, Bhutan can allocate budget for that.

8. Integration Opportunities, Challenges and Way Forward

Despite having enormous possibilities, sectoral integration progressed very slowly. Some of the sectoral integration issues are discussed in the following paragraphs.

8.1 Industry Integration

Regional economic liberation introduced by the SAPTA and through various bilateral FTA, inter-regional trade could reach up to 5per cent only whereas, in Southeast region it is more than 25 per cent.⁴³ ASEAN has shown that the reduction of barriers and cost to trade in conjunction with a more conducive investment climate can boost intra-regional trade. Textile Industry and Automobile Industry are the two sectors that are promising in this regard. India and Pakistan being the major producers of fabric and Bangladesh and Sri Lanka being the users of textiles, creates substantial

⁴³ “Political Economy of Regional Integration in South Asia”, *UNCTAD Project*, Oct 2012, available at https://unctad.org/system/files/official-document/ecidc2013misc1_bp5.pdf, accessed on 26 July 2021.

potential for vertical trade to take place between countries in the region. India had comparative advantages in producing automobile components in much cheaper prices on average 10-20per cent less than the regular price⁴⁴ and, on the other hand, automobile industry of Pakistan, Bangladesh and Sri Lanka have been creating the opportunity to flourish this industry within the region. Tariff, trade transaction cost, human resource capability, infrastructure quality, transport bottlenecks both within and between countries are some of the impediments of the regional industry integration.

8.2 *Integration and Prospect of ICT Industries*

SA is very potential for ICT and other knowledge-intensive industries due to the availability of talented youth, good English language proficiency and relatively low wage rate. But it never flourished as a regional product. However, to reap maximum benefit out of it, the followings need to be done:

- a. SA countries need to strengthen cooperation on developing ICT infrastructure construction including fixed, mobile and satellite network and develop an integrated framework to support each other in case of emergency. It should also develop coordination mechanism for network and information security emergency response.
- b. Regional capacity needs to be built to create required skilled ICT manpower through regional ICT institution. Arrangement to be made for the free flow of ICT professionals within the region. Member countries need to strengthen exchange and cooperation in respect to e-commerce, e-governance and mutual recognition arrangement for better and beneficial integration.
- c. Provision of intellectual property rights and regular inter-governmental coordination, dialogue and exchange is a prerequisite for integration of a fast-moving industry like ICT.

8.3 *Regional Connectivity Integration*

Transport connectivity within the region is the biggest contributing factor in economic integration. It depends heavily on the density and quality of connectivity. It is vital for the survival of three landlocked countries and one island country.

⁴⁴ “Regional Integration and economic development in South Asia”, *ADB*, 2012, 70, available at <http://www.adb.org/sites/default/files/publication/29871/regional-integration-economic-development-south-asia.pdf>, accessed on 27 July 2021.

- a. **Maritime Connectivity:** Maritime connectivity depends on the capacity and efficiency of its seaports particularly container ports. SA countries can attract more ships, and a wider range of ships, by investing and maintaining their maritime ports and developing peripheral infrastructures. Trades of landlocked countries to be integrated through reduction of trade processes and procedures at transit ports or hubs.
- b. **Air Transport:** The requirement of transportation by air and the volume of air freight is increasing in the era of regional integration. Passenger travelling by air is increasing by 18per cent on an average per annum and air freight is increasing by 10per cent per annum⁴⁵ and it will continue. India is in the driving seat in this growth. However, the region is yet to achieve full liberalization of air freight. A regional approach should be followed to mitigate geographical, operational or procedural bottleneck in this regard.
- c. **Land Transport:** Inter country land transport linkage in SA is mostly underdeveloped. Both road and railway need attention especially railway as it is instrumental to lower the trade cost.
 - i. **Road Connectivity:** The Intergovernmental Agreement on the Asian Highway Network, adopted under the auspices of ESCAP on 18 November 2003, established technical specifications for the regional road network. It is extended for 32 countries and 142, 000 km of highway.⁴⁶ Integration of the transport network of SA is especially crucial to landlocked countries such as Nepal and Bhutan and regions such as the Northeastern Region of India as this could serve to end their landlocked or semi-isolated status and provide shorter transport and transit links.
 - ii. **Rail Connectivity:** The Intergovernmental Agreement on the Trans-Asian Railway Network is ongoing. But it has major technical issue in regard to broad gauge and standard gauge and also has the missing link of 1100 km railway.⁴⁷

⁴⁵ "Connectivity, Trade Facilitation and Regional Cooperation in South Asia", *Commonwealth Secretariat*, April 2013, 6.

⁴⁶ "Connectivity, Trade Facilitation and Regional Cooperation in South Asia", *Commonwealth Secretariat*, 9 April 2013.

⁴⁷ "Connectivity, Trade Facilitation and Regional Cooperation in South Asia", *Commonwealth Secretariat*, 10 April 2013.

8.4 Regional Public Good Management and Integration

SA region has a lot to do with the public good in the regional framework. In fact, the level of integration will be evaluated on the level of management of governing public goods like food security, environmental issues, eliminating terrorism, poverty, disaster response etc. A regional framework with a combined response to the common issues will have more effective dividend.⁴⁸

9. Concluding Remarks

Despite having enormous potential and opportunity, the SA region has still not been able to reap the benefit of its crucial geo-strategic location and huge demographic dividend. As the sole regional organization, SAARC could not yet come up to the expectations of the SA people, notwithstanding the conclusion of a number of initiatives, agreements and conventions in paper. While smaller sub-regional initiatives/programs may continue operating in their stipulated fields, it is time for the SAARC senior leadership to sit together with a renewed vigor to revive this body for the welfare of the SA people. As suggested by some political analysts, China's possible inclusion into SAARC to augment regional economic integration and intraregional/interregional connectivity may be examined with due cautiousness. The success of similar other organizations such as ASEAN, EU may be emulated broadly for SAARC to follow. Strengthening SAARC Secretariat, full operationalization of SAFTA, increased people-to-people contact are, among some other propositions, which have to be implemented instead of only being talked about. The issue of economics is a very different question, since each member has unique needs that a continental body cannot always meet. That is why there will always be some level of discontent in the member countries of the Regional Cooperation, despite the overall gains. No form of government is perfect because humanity is an imperfect race. Problem in reaching cooperative solution is likely to be the lack of trust, the complexity and the financial requirements of the various parties.

Regional cooperation plays an important role in PE of all countries geographically located in a region. SA countries are very closely located, and they also have only one regional cooperation that is SAARC. Some of the SA countries are also members of many other cooperation's like the BIMSTEC, BBIN Initiative, IORA, BCIM-EC etc. to increase regional cooperation for economic emancipation of the member states. The SAARC could not flourish and one of the prime reason is age-old rivalry between two major states, India and Pakistan. On the other hand,

⁴⁸ Brigadier General Mohammad Jahangir Alam, BSP, psc, National Defence College, Bangladesh, Interviewed on 23 July 2021.

ASEAN could become a very successful model of regional cooperation. All ten states of ASEAN are becoming economic giants one after another due to mutual interest served by this regional cooperation. Though SAARC was initially developed for the economic prosperity of SA countries, but the organisation stalled from the very beginning due to mistrust and hatred between member states, attitude of some of the member states, leadership, priority of national interest, domestic politics and many more. Weakness of SAARC and other regional organisations of SA are being revealed and ways and means to make all those cooperation functional for political economy of SA were also suggested for implementation.

Developing good understanding and mutual trust among states of SAARC can only help to make the regional cooperation effective and develop economically. People to people contact must be increased and infrastructure must be developed among member states for trade and commerce. SA countries must face non-traditional security threat combinedly. The strength and weaknesses of ASEAN and other regional organisations were assessed for taking lessons at the same time interlinking with them for mutual benefit of SAARC countries. Involvement of economic giants of the world like China, Japan, USA and interlinking other successful regional organs like ASEAN, EU would benefit SA countries in developing political economy. Big powers in this region must take more responsibilities, be open minded and be more considerate in tariff and taxes so that other countries in the region can make trade and commerce within the region. This research would help all SA countries to revive the ineffective regional cooperation of SA for PE development of SA nations.

Regional cooperation's in SA region has lot of prospects and challenges. For developing PE of SA region, this region needs to repair prevailing suspicion and distrust between member states, build cordial inter-state relationship, empower SAARC Secretariat, promote more free trade and economic integration, increase more people to people contact including involvement of informal institutions and finally involvement of extra-regional actors both major powers interested in this region and other regional organisations. This research unearthed many challenges in the regional cooperation's of SA resolving those would contribute to the PE of the member states in the future. The economic emancipation of the region remains with the efficient and meaningful economic integration and cooperation of all economic sectors. Besides building confidence or trust against the deep political difference between the member countries, efficient, faster and affordable connectivity, the liberation of concept and policies are some of the major preconditions for effective economic integration of the region. The following are some of the recommendations:

- For making SAARC effective, member states must remove differences among themselves, build mutual trust, and manage conflict so that it does not turn into war or armed conflict. Leadership of SA countries

need to work for the improvement of life of common people holding one fourth of world population.

- SAPTA/SAFTA must be utilized with full potentials by all member states of SAARC with equal benefits. Policies and framework are to be made so that all land lock countries and provinces can use infrastructure of other countries for trade and commerce for mutual benefit. Balance of trade in terms of export and import are to be maintained.
- Interlinking global drivers (China, Japan, USA etc.) and successful regional organs (ASEAN, EU etc.) would help in encouraging FDI flow in the region. For that, bureaucracy in FDI needs to be reduced and infrastructure needs to be developed as soon as possible. Regional countries may develop connectivity with BRI to reduce trade cost for export and import of goods and raw materials.
- Capacity building in ICT, technical and vocational side would increase opportunity at home and abroad. As the economy of member states of this region are based on agriculture, they need to make their economy based on industries taking benefit of technology, innovation, AI, and 4th IR in future.
- Member states of SAARC need to reduce trade imbalance with India and China by growing agriculture for food security, develop industries for self-sufficiency at the same time allow India and China to use their infrastructure. Rent earned from using sea/air/land port, river, rail and road would reduce trade imbalance greatly.