

Chapter- 16

Regional Cooperation in SAARC: Challenges and Prospects

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Introduction

Regional cooperation among countries has been bedrock of sustaining strong bilateral and multilateral cooperation. Across continents, different organization and institutions have been formed to foster strong economic and political cooperation, cultural exchange and develop healthy relationships among the member countries. South Asian Association for Regional Cooperation (SAARC) was also established in 1985 aiming at regional integration and economic connectivity, welfare of the people and for the close cultural and historical links among the South Asian Countries. Home to one and half billion population, south Asia consists of eight countries in the region having diverse economic features and population. However, its share in world gross domestic product (GDP) is barely 2.3%. Though, the regional association is dominated by two hostile neighbours, India and Pakistan, the objectives of trade and economic relations, socio-economic development, eradication of poverty free trade zone, education, health care, countering terrorism, and disaster management have taken precedence over individual ambitions and interests of both countries. The performance of SAARC has been proved to be disappointing due to political issues among the member countries and failure to impact geo-politics across the globe. Nonetheless, the ambitious charter for regional cooperation and regional cooperation for alleviating widespread poverty, sustaining employment generation, improving infrastructure, and sustaining rapid and inclusive economic growth remain the common and pressing challenges in all the countries of the region. With the increasing competition among USA and China for global economic, military and political superiority and proliferation of groups/organization under their leadership for inclusion of member countries has reignited the question about revitalization of SAARC. The ineffectiveness of SAARC is often given as an alibi to look for options beyond SAARC and find alternate avenues for regional cooperation. As a matter of fact, renewed efforts rethinking regional priorities and enabling SAARC to fulfill its promises are need of the hour, not the other way around. The revitalization of SAARC, in this regard, could be a better option for South Asian integration.

Importance of South Asia

South Asian countries enjoy historical ties and cultural exchange since time immemorial. The progressive trade relation through these countries across the world at a particular time period in the history was commendable. The technological revolution and increasing north-south divide among the developed and developing/underdeveloped countries has affected the South Asian countries manifold. They are not in position to withhold or challenge the onslaught on economic policies of the developed countries. They have become net importer countries aggravating their fiscal position. The dominance of association/organizations of developed countries poses an imminent threat to sovereignty and economic independence of the South Asian countries. However, since the nineties economic reforms have been undertaken by south Asian countries leading to positive economic outcomes. These reforms, most notably in India and Pakistan, have

not only spurred economic growth in the region, especially in India, but also made the region generally more open to greater integration both within the region and with the rest of the world (Kumar, 2009). The Indian growth story has catapulted the economic scenario of South Asia building confidence among its neighbouring countries and has provided them with greater access to India's large and growing market. With resurgence of China and its dominating economic policies there is greater need for the South Asian countries to overview the changing realities of the region and have a fresh look at the prospects and challenges for regional economic integration in the region.

Key Issues and Challenges of SAARC:

Mahmood (2003) is concerned that despite having close geographical cultural and historical affinity; the organization has failed to achieve the desired results for holding summits from time to time and pledges made by the leaders of South Asia countries to develop the region into a potential economic market. The intra-regional investment and trade among the South Asian countries is quite modest, and has remained stagnant over the years. Consequently, the interdependence among these countries is quite limited. The political tussle between India and Pakistan has overshadowed the objectives of SAARC and has lead to inward looking policies by the member countries impacting their economic growth and regional integration. South Asia has emerges as one of the most troubled and dangerous neighbourhood subsumed by ethnic, communal, extremist and regional strife. Various political problems that have existed between the member-states have a long history of misunderstanding and therefore to burden SAARC with resolving them will not only stymie the process of regional cooperation but also inhibit the organisation's socio-economic agenda (Pattanaik, 2004). It is important to realize by the member countries that only peaceful and stable conditions will promote growth and prosperity in the region. There is greater need to promote peace and stability in the region to achieve the objectives of SAARC i.e. rapid, inclusive and sustained growth. Following are few major issues and challenges

1) Marked Imbalance: The enormity of Indian economy and its less trade oriented approach has created economic imbalance among the member countries. Furthermore, an analysis of trade flows in South Asia indicates that the countries have almost identical pattern of revealed comparative advantage in a relatively low range of products, and bilateral trade exhibits low levels of trade complementarities (Kemal 2004).

2) Dominance of India: The size of Indian economy, its increasing trade relations with developed economies and its acceptance in major world capital as fastest growing economy with enormous trade potential has created insecurities among SAARC countries. Similarly India's initiative in promoting sub-regional groupings like BIMSTEC, SASEC, and BRICS etc has affected the effectiveness of SAARC thereby jeopardizing regional interests and economic insecurities among countries.

3) Poor infrastructure network: The lack of connectivity through ports and transport and low infrastructure integration among countries is one of the major reason impacting the economic growth and progress of the region. Kumar (2009) believes that delays in transit due to road or port congestion, and customs procedures (non-tariff barriers) raise the costs for exporters. The limitations are in both physical (lack of cargo/ship handling equipment) as well as non-physical infrastructure (excessive and cumbersome border procedures). One estimate shows that if South Asia's infrastructure capacity is increased even halfway to East Asia's level, then intra-regional trade can increase by 60 % (Wilson/Ostuki, 2005).

4) Lack of business environment: The South Asian region is one of the heavily protected regions in the world. High tariffs, procedural delays, non-tariff barriers and inward looking economic policies have made the region most difficult to trade with. In particular, South Asia ranks among the lowest (second last or 139th) among regions across the world in terms of ease of trading across borders (the last being Sub-Saharan Africa) (World Bank, 2006). This to a large extent has impacted the objectives of poverty alleviation, generation of employment, creation of basic infrastructure and improving income and standard of living of people in SAARC countries.

Prospects for regional cooperation:

South Asia region remains politically and militarily most sensitive region in the world due to nuclear powers like India and Pakistan. Regional security and emergence of aggressive Chinese economic policies provides a fertile ground for SAARC countries to engage in freer trade of goods and services and efficient use of capital and labour. The unified SAARC grouping will provide strong negotiating advantage in multi-lateral forums enhancing trade relations and FDI flows. SAARC will be in better position to address the concerns of climate change, environmental protection, water conservation and protection of biodiversity and regional ecosystem. The emergence of ASEAN and EU prompted by political and security reasons provides a clear signal for SAARC countries to forge strong and unified SAARC alliance to protect its interests from China and developed countries associations and forums.

South Asian countries depend on gulf nations for their energy needs and any impact on prices and flow of oil adversely impacts the economic growth of member nations. Port and overland pipeline connectivity from central Asian and west Asian region will provide enhanced energy security which in turn will be reflected in economic interdependence and growth. The hydropower potential is enormous which can forever change the destiny and energy needs of SAARC nations. There is need for active and coordinated steps to be undertaken by countries to tap and develop the huge hydropower potential in the region. The smaller SAARC nations are burdened by low growth, poverty, unemployment and low income affecting the overall quality and standard of living of people in these countries. Increasing inequity fuels insecurity and cross-border terrorism. Thus it is in India's interest to help improve the standard of living and reduce poverty in the smaller South Asian economies as she continues to pursue the path of high growth. India can hardly hope to remain an island of sustained economic growth if the growth impetus is not shared with or transferred to neighbouring countries (ADB, 2006).

The South Asian subcontinent has enormous potential to attract the flow of trade, commerce and investment helping the SAARC nations to build connectivity, infrastructure and energy security. India needs to share its economic gains with its smaller and poorer member countries thereby forging strong regional cooperation and occupying its regional space in immediate neighbourhood. India's multi-ethnic, religious and pluralistic society will strongly bond with its counterparts in neighbouring countries fostering friendly relations, strong political and economic bonds and securing its borders from any kind of nefarious activities

Conclusion

The SAARC Charter outlines attractive goals and objectives that are meant to promote closer economic, social, culture and trade relations in South Asia. the performance of the SAARC is below the expectations because of intra-region conflicts

and divergent foreign policy agendas. There is urgent need for composite dialogue and normalization of relations between India and Pakistan for reincarnation of SAARC. Political will for regional connectivity will decrease the level of conflict, insecurity and underdevelopment in South Asia. SAARC boasts of huge potential for promoting economic relations, trade, tourism, education, health care, agriculture, communication, human development, women issues and control of drugs and terrorism. The overall development of SAARC countries will rely upon increasing economic, political, cultural and environmental cooperation among the member nations.

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