

Regional integration and peace in South Asia:

An analysis

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Abstract

The process of economic integration has been taken as panacea for conflicts. It has brought historically rival countries under one umbrella in Europe and South East Asia. The concept ‘economic integration’ leads to peace is not workable in every possible setting, however. By taking South Asia as an example, this article will make an endeavour to answer the question whether economic integration is conducive to peace. Despite attempts to bring countries together through the process of economic integration – neither peace nor the process of economic integration itself has been fully realised in South Asia due mainly to inter and intrastate conflicts. The article traces the process of evolution and prospects of peace through regional economic cooperation in South Asia and argues that the legacy of state formation in South Asia to some extent pre-empt any sort of regional cooperation. Political strife’s rooted on the religious and cultural belief surrounding the countries of South Asia show somewhat uncompromising picture for the full-scale of integration in the region and hence the peace thereof. The article ends by concluding that main dilemma behind functioning integration and durable peace through integration in South Asia is overoptimistic at least in the present settings.

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Introduction

The growth of regional economic cooperation arrangement is one of the major developments in the world political economy after the Second World War. The formation of regional integration has been greatly successful in bringing historically hostile countries together. The factors that push countries closer are both economic and political but economic factors have always prevailed over the political ever since the formation of nation states – the classic example is the states in the European Union and the South East Asia where economic dimension have brought long time foes in the same dais.

The present international economic situation, characterised by stagnant growth, recessionary conditions and protectionist tendencies in the developed countries has seriously underpinned the economic growth in developing countries.² The worsening terms of trade, acute balance of payment crisis and debt burden on developing countries have further crippled the potential economic growth of these countries. Therefore current world economic conditions underscore the need for a greater economic cooperation among the developing countries.

The term 'economic integration' encompasses broad areas of socio-political, economic and cultural links with nations joining together in a forum generally belong to one or several regions.³ The Association of South East Asian Nations (ASEAN), European Union (EU), North American Free Trade Area (NAFTA) are few examples of such integration. The degree of economic integration ranges from preferential trade arrangements (PTA) to free trade area (FTA), customs union (CU), common market (CM) and economic union (EU).⁴

Economic cooperation among South Asian nations is not a new phenomenon. The quest of economic integration however, remained inhibited by the colonial heritage of these countries. Their economic links often remain vertically tied to the metropolitan world. Lateral links even with immediate neighbours have either never existed or have atrophied over the years. Patterns of development among the countries have been competitive rather than complementary so that current prospectus for trade among them is limited.⁵

Whether economic interests will drive South Asian countries toward greater cooperation and durable peace? If so, what is the potential for the growth of regional economic integration? Given the decades of mutual hostility and mistrust, to what extents South Asian countries are able to achieve economic interdependence? What about the possibility of having Free Trade Area (SAFTA) by 2006 as expressed by the leaders in the 12th SAARC Summit, which was held in Pakistan in January 2004. These questions require a thorough understanding of the domestic political and economic dynamics of the South Asian countries. This paper will discuss prospects of peace in South Asia through economic integration. For this, first of all the paper will give an overview of regional cooperation in South Asia through the mechanism of South Asian Association for Regional Cooperation (SAARC). An attempt will also be

² Kanhiya Lal Chawla, *Economic Cooperation among developing countries (with special reference to SAARC)* (Jaipur, RSBA Publishers, 1991), p.1.

³ Moazzen Hussain, Iyanlur Islam, Reza Kibra, *South Asian Economic Development: Transformation opportunities and challenges*; (London, New York, Rutledge, 1999), p.145.

⁴ Ibid. p.146

⁵ Rehman Sobhan, 'Regional Economic Cooperation in South Asia' in Pradeep K. Ghosh, ed., *Developing South Asia: A Modernisation Perspective* (Westport, Connecticut, London, Greenwood Press), p.268.

made to explain the domestic political and economic dynamics of South Asian countries to underline the existence of impediments and opportunities for the expansion of regional cooperation activities in South Asia. Finally, the concluding part will address on the overall predicaments of peace and economic integration in South Asia.

1. Evolution of regional cooperation in South Asia

It was in 1980 that the late President of Bangladesh Ziaur Rahman first proposed institutionalisation of regional cooperation in South Asia.⁶ Several factors such as political; economic; security and potentiality of mutual economic benefit through regionalism seemed to have influenced President Ziaur Rahman's thinking about establishing regional organisation in South Asia⁷. The smaller countries of the region (Nepal, Bhutan, Maldives and Sri Lanka) promptly accepted the proposal of regional cooperation however India and Pakistan were sceptical initially. The reason was the proposal's reference to the security matters in South Asia. Indian policy makers also feared that Ziaur Rahman's proposal for a regional organisation might prove an opportunity for the small neighbours to regionalise all bilateral issues and to join with each other to 'gang up' against India.⁸ Pakistan assumed that it might be an Indian strategy to organise other South Asian countries against Pakistan and ensure a regional market for Indian products, thereby consolidating and further strengthening India's economic dominance in the region.⁹ Nevertheless SAARC was finally established in 1985 comprising Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka and held first Summit in December same year in Dhaka where Charter of the South Asian Association for Regional Cooperation as signed.¹⁰

What can be said about the SAARC is that both economic and security concerns are predominant factors and have equally contributed towards its establishment. It was a demand of the time to contain South Asian states free from the cold war rivalry and have their common voice in the troubled world. Also leaders of South Asia have felt the need of economic integration - particularly the smaller states in order to explore the extant natural resources for their mutual benefit. Besides interests of the South Asian states and contemporary political environment led the establishment of

⁶ Kishore C Dash, *The Political economy of Regional Cooperation in South Asia*, *Pacific Affairs*, (Vol. 69, No.2, Summer 1996), p.186.

⁷ Firstly change in the political leadership in the South Asian countries and demonstration of accommodative diplomacy by the new leaders; secondly Ziaur Rahman's need for Indian support to legitimise his *coup d'état* regime; thirdly, an acute balance of payment crisis of almost all the South Asian countries, which was further aggravated by the second oil crisis in 1979; fourthly failure of the North-South dialogues and increasing protectionism by the developed countries; fifthly publication of an extremely useful background report by the Committee on Studies for Cooperation in Development in South Asia (CSCD), identifying many feasible areas of cooperation; sixthly assurance of economic assistance of multilateral cooperative projects on sharing water resources of Ganges and Brahmaputra by the United States President Jimmy Carter and British Prime Minister James Callaghan during their visit to South Asia in 1978 and seventh the soviet military intervention in Afghanistan in late December 1979 resulting in rapid deterioration of the South Asian security situation (S D Muni and Anuradha Muni, *Regional Cooperation in South Asia* (New Delhi: National Publishing House, 1984), pp. 29-31)

⁸ Dash, *The Political economy of Regional Cooperation in South Asia*, p. 187.

⁹ W. Howard Wiggins with F. Gregory Gause, III, Terrence P. Lyons, and Evelyn Colbert, *Dynamics of Regional Politics: Four Systems on the Indian Ocean Rim* (New York: Columbia University Press, 1992), p.132; Thomas Perry Thornton, 'Regional Organisation in Conflict Management', *The Journals of the American Academy of Political and Social Science*, Vol. 518 (November, 1991), p. 136.

¹⁰ First Declarations of the South Asian Association of Regional Cooperation, 7-8 December 1985, Dhaka, Bangladesh.

SAARC, without any international pressure to do so. SAARC, therefore, came into being primarily as a response to the domestic political and economic needs of the South Asian countries. Consequently, SAARC's future growth lies more on the domestic political and economic dynamics rather than international factors.¹¹

2. Objectives and principles

The objectives, principles and general provisions, as mentioned in the SAARC Charter are to promote the welfare of the people of South Asia to strengthen cooperation with other developing countries; to strengthen cooperation among themselves in international forums on matters of common interests; and to cooperate with international regional organisations with similar aims and purposes.¹² It aims to accelerate the process of economic and social development based on respect for the principles of sovereign equality, territorial integrity, political independence, non-interference in the internal affairs of the Member States, and mutual benefit and is seen as complement to the bilateral and multilateral relations of its Members States.¹³

The formation of SAARC is a major diplomatic breakthrough in South Asia but its slow progress and modest achievements over the years have evoked different reactions among different people. To some it is merely a talking shop, which can provide nothing more than a lip service to the various issues of peace and development in the region. To others it may be a panacea to the region's problems but its existence certainly has provided an opportunity for the policy makers, administrators and experts to meet regularly and hold informal dialogues on important regional issues such as security, trade and transport, social development and etc. This practice of in-formalism and behind-the-scene discussions among the political leaders has contributed to the beginning of confidence-building process in South Asia. Additionally, the ratification of SAARC Preferential Trading Arrangement (SAPTA)¹⁴ in 1995 and decision to create SARRC Free Trade Area (SAFTA)¹⁵ by 2006 - the date on which all seven SAARC countries cut tariffs and ease foreign trade among themselves as identified by Inter-Governmental Expert Group (IGEG) has generated optimism about the relevance of SAARC in promoting regional economic cooperation in South Asia. SAPTA, which was aimed to reduce tariff and other impediments in order to streamline and more free flow of trade within the region in order to move into SAFTA. This agreement is an umbrella framework of rules providing for step-by-step liberalisation of intra-regional trade. It envisages periodic rounds of trade negotiations for exchange of trade concession on tariff, para-tariff and non-tariff measures.¹⁶ Under this arrangement SAARC countries were committed to

¹¹ Dash, *Pacific Affairs*, The Political economy of Regional Cooperation in South Asia, pp. 188-89

¹² Charter of the South Asian Association for Regional Cooperation at <http://www.saarc-sec.org/>

¹³ Ibid.

¹⁴ Agreement on SAARC Preferential Trade Arrangements at <http://www.saarc-sec.org/sapta.htm>. Fourth SAARC Summit meeting held in Islamabad in December 1988 that specific areas be identified where economic cooperation might be feasible immediately; guided by the declared commitment of the Heads of State or Government of the Member Countries at the Sixth SAARC Summit held in Colombo in December 1991 to the liberalisation of trade in the region through a step by step approach in such a manner that countries in the region share the benefits of trade expansion equitably; subsequently, a draft agreement on SAARC Preferential Trading Arrangements (SPATA) was signed by the council of Ministers in Dhaka on 11 April 1993 during the Seventh SAARC Summit, upon the recommendation of CEC.

¹⁵ Formation of South Asian Free Trade Area is the long-term objectives of SAPTA. See Agreement on SAARC preferential Trading arrangements (SAPTA) at <http://www.saarc-sec.org/sapta.htm>

¹⁶ Agreement on SAARC Preferential Trade Arrangements at <http://www.saarc-sec.org/sapta.htm>.

establish preferential trade arrangements among themselves, which in fact is a positive response for the enforcement of economic integration in the region. What remains to be seen, though is 'peace' in the region through full economic integration and free trade.

However, an analysis of the expectations which each of the countries had from the association bring out certain important aspects. Firstly, though regional cooperation *per se* are the stated objectives of forming and joining the association, it is seen that each of the countries had a specific agenda – primarily political with regard to the association. Their own perceptions, their countries national interests and its place in the region influenced these political agendas which shows that the approach was to a certain extent negative and regional cooperation was not the primarily motive for joining the association. As a result, since its inception, SAARC remained, for along time, a somewhat defunct political organisation.

Needless to say, during last couple of years SAARC has taken important steps to expand cooperation among the member countries in the core economic areas due mainly to the force of globalisation and economic liberalisation within many of the SAARC countries. Two particularly significant aspects of this development have been the formation of the World Trade Organization (WTO) and the rising vehemence of the Association of Southeast Asian Nations (ASEAN).¹⁷ Ananya Mukherjee Reed argued that the 'new' regionalism in South Asia is almost entirely a product of the contradiction of globalisation, which increases competition on the one hand, and need for the collaboration on the other; institutional structures, in and of themselves, cannot generate solutions to problems that emanate out of historical processes and structures; and feasible strategies for cooperation in South Asia require the mobilisation of non-state actors, especially firms and groups undertaking various social movements.¹⁸

3. Integration of South Asian Nations

The formation of SAARC is a landmark step taken by the leaders of the region. The main rationale behind was to develop a congenial environment through summit diplomacy where all nations could interact peacefully with each other, cultivate sustainable peace and promote mutual economic well being by harnessing available resources in the region through the process of economic integration. Nevertheless, after 19 years of establishment, neither South Asian nations have been able to push the process of integration into full swing nor the organisation itself has become viable that could promote peace and harmony or prevent conflicts in the region.

Paradoxically, South Asia has been into the international limelight in the recent years. Former President Bill Clinton described South Asia as the most dangerous place on earth¹⁹ on the eve of two emerging antagonistic nuclear powers. This has been accompanied by a vigorously renewed interest in studies pertaining to patterns of cooperation and conflict among the major South Asian Countries. The main contention here is that South Asia is still in the process of evolving as a 'region' due to two basic factors. Adequate degree of complementarity of interests has not yet been achieved among the South Asian states and the almost perpetual preoccupation with

¹⁷ Ananya Mukherjee Reed, 'Rationalisation in South Asia: Theory and Praxis', *Pacific Affairs*, (Vol. 70, No.2, Summer: 1997), p.235.

¹⁸ Ibid.

¹⁹ Maleeha Lodhi, 'Viewpoint: Security Challenges in South Asia' *The Non-proliferation Review*, (Summer 2001), p. 118.

intra-state conflict and crises leaves individual states with scarce time or resources to work toward regional solutions.²⁰

Therefore, it would be useful to elaborate upon these two points and outline the broad parameters of this study. Basically, a region can be defined on the basis of certain specific indicators that confirm its existence. A set of countries in close geographical proximity with each other can be categorised as a 'region' when, first and foremost, they share a certain commonality of (national) interests. These interests could incorporate a whole gamut of social, economic, political, cultural, historical, and other factors, secondly, this set of countries should be sufficiently enlightened so as to understand the significance of placing cooperation above conflict in the conduct of inter-state relations. This should also be bolstered by a collective desire to come together on a common plank to create some lasting mechanism for regional cooperation.²¹ What makes this argument such a significant is that these factors bind people together through social and cultural exchanges due to shared commonality, which ultimately helps countries to extend the same spirit at the state level.

But above mentioned sentiments are more or less lacking among the South Asian states. Such a lack of 'region-ness' in South Asia can also be understood in terms of another related phenomenon, that is, the persistence of myriad of social, economic and political problems practically in each and every South Asian state. And such intra-state problems are often either the cause or consequence of inter-state disputes and misperceptions as well. Thus, there emerges an inextricable connection between the internal and external relations of South Asian states with patterns that are further complicated by what has been succinctly explained as the pursuit of order, welfare and legitimacy.²² It is therefore that since the formation of SAARC the pace of integration among the South Asian nations have not been satisfactory. Political and religious tensions run all time high in the region.²³

The World Bank's South Asia regional unit has commenced a study on the subject and identified four conditions that significantly bring success in integrating a region particularly to become FTAs among a group of nations. First, the World Bank identifies that the pre-FTA tariffs should be high; second, the members of the FTA should be important trading partners before entering into an arrangement. Third, there should be complementarity in demand. Fourth, the difference in economic structure should be based on the 'true' competitiveness of the countries involved. This means that arrangements with countries that have substantially different factor endowments are superior to those with similar endowments.²⁴

South Asia hardly satisfies any of the above conditions except the first, in the case of forming a possible South Asian Free Trade Area. South Asian countries trade little with each other but trade much with other nations of the world including, particularly with North America, Europe and Group of Eight (G8) countries.²⁵ The G8 includes much of NA and Europe. The composition of each country exports to these regions is almost similar, with the overwhelming share accounted for by ready-made garments. The trade between South Asian countries is more competitive than complementary.

²⁰ Monica Bhanot, 'Challenges to Regional Cooperation in South Asia: A New Perspective' *Online Journal of Peace and Conflict* at http://www.trinstitute.org/ojpcr/toc2_3.htm; (Issue 2.3, August, 1999)

²¹ Ibid.

²² Ibid.

²³ Religious tensions between Hindus and Muslims in India have sparked off infamous violence in the state of Gujarat, India in 2002 where approximately more than 2000 persons were killed.

²⁴ Srinivasan et al. (1995) p. 36 cited in *South Asian Economic Development: Trade and Economic Development*, p. 147

²⁵ Ibid. p.147.

India's trade (import plus export) with NAFTA and the EU comprises more than 42 percent of the total in 1994 and by contrast with the countries of the South Asian region is no more than 10 percent of the total.²⁶ Under these circumstances, it is unlikely to maximise gain out of South Asian PTAs.

4. Dynamics of intra and inter-state conflicts in South Asia

There is no single particular factor/reason as main cause of conflict in South Asia. It is embroiled in many issues and provides a disappointing picture in every social, economic and political context. This is due to the fact that South Asia is almost perpetually plagued by various inter and intra-state conflicts and crisis stemming from the lackadaisical approach of the ruling elite toward resolution of such problems which are based on narrow considerations of caste, religion, ethnicity, language, community, and the like. This distorts the national integrity/unity and the overall order situation of the affected state (s). In other words, the persistence of multifarious problems, both within and between the South Asian states hampers the sustenance of an environment wherein basic essential needs of the common man are fulfilled.²⁷

Furthermore, South Asia is an area of tremendous political complexities. States like Pakistan and Bangladesh have been largely ruled by authoritarian military rulers. India, per se faces several unresolved issues that stem from internal as well as external sources. These include ethnicity, border disputes, separatist demands, terrorism and subversive activities, communalism, religious problems and so on. All these issues flout the basic ideals of nation building in India, that is, the ideals of democracy, secularism, socialism and federalism. Moreover, the very fact that myopic sub-national interests are considered prior to the socio-economic and political well being of the country as a whole is detrimental for the development of genuinely democratic policy. No wonder the perpetuance of these problems prevent India from becoming a 'nation' in a true sense of the term, which adversely affects the imperatives of order, welfare and legitimacy.

In Nepal, for example, the series of democratically elected government failed to produce any better result than the old royal regime due to widespread corruption and crisis of governance.²⁸ The political fundamentalists such as Maoists and mainstream political parties are posing major threat to democracy in Nepal. In addition to creating law and order problems, increased human rights violations and a heavy reliance on security forces have undermined the question of legitimacy of governance in Nepal.

Moreover, the problem of civil violence in recent years has emerged as a more serious security issue than the problem of inter-state warfare in South Asia. India has been variously preoccupied with quelling separatists and religious conflicts such as in the state of Punjab and Kashmir (an issue that remains contentious between India and Pakistan), for the separatists, Mizoram, Assam, and Nagaland (Eastern India) for an autonomy and in Gujrat, Mumbai and other parts have certain religious, ethnic, psychological and economic underpinnings.²⁹

²⁶ Ibid.

²⁷ Monica Bhanot; 'Challenges to Regional Cooperation in South Asia: A New Perspective' *Online Journal of Peace and Conflict* at http://www.trinstitute.org/ojpcr/toc2_3.htm; (Issue 2.3, August, 1999)

²⁸ Before 1990 Nepal had absolute monarchical system and ruled under the partyless system called 'Panchayat'

²⁹ Religious tensions between Hindus and Muslims in Gujrat and Mumbai are always high. For example, Mumbai was rocked by religious violence in 1993 whereas Gujrat in the January of 2002.

Sri Lanka has also had its own set of problems. Democracy in this tiny island-nation remains overshadowed by the civil war emanating from Tamil-Sinhalese ethnic conflicts. These conflicts in Sri Lanka have pushed successive governments on the brink of collapse. Ruling elites in Sri Lanka failed to reform economic policies due to polarised political debate.³⁰ In Pakistan, the society faces sporadic bursts of violence derived from ethnic, sectarian and religious differences in its diverse community. For instance, conflict in the Sindh province between ethnic Sindhis and those residents who migrated from India following partition has made the province, especially its capital Karachi, ungovernable. Conservative religious elements are also very powerful in Pakistan leading to tensions and conflicts over religious differences, which has also played a major role in sustaining the Indo-Pakistan altercations over Kashmir. Religious orthodoxy is evident in Bangladeshi society manifesting itself in attacks on women's groups, prominent non-governmental organisations (Bangladesh Rural Advancement Committee and the Grameen Bank), and the intellectuals (like Taslima Nasrin).

Similarly Bhutan and Maldives – the two smallest members of the SAARC also have their own arrays of internal problems. The emerging internal political problems in Bhutan and the fallout of attempted coup in Maldives in 1987 have varying affects in uniting the country for the cause of development. All this can largely be attributed to the fact that political and governing institutions in most of the South Asian countries are weak while the political parties themselves lack vigour, organisation, discipline, and commitments. Taken individually, each of the South Asian states suffer from some kind of instability and consequently projects varying intensities of human deprivation.

5. *Inter-state conflicts*

South Asia is one of the 'critical regions with complex security' in the world primarily due to the fact that most of the South Asian states are engulfed with varying degrees of conflicts and disputes. Inter-state conflicts in South Asia probably are highest compared to any other regional blocs. Bilateral relations are defined by antagonism and mistrust. The differences between India and Pakistan over Kashmir, between Sri Lanka and India over the nationality of Tamilian, where Sri Lanka accused India, especially state government of Tamil Nadu for supplying arms and providing trainings to the Tamil terrorists in its Southern areas are only two of the most outstanding examples in this regard.³¹ The problem between India and Nepal on open border and the Indo-Nepal treaty of peace and Friendship of July 1950.³² Dispute between India and Bangladesh over illegal migration from the Chittagong Hill Tracts (CHT) and the demarcation of boundaries involving fertile islands and enclaves and also in sharing the water of river Ganges.³³

³⁰ The political debate is primarily centered on the issue of Tamil separatist movement and Sinhalese (two ethnic groups of Sri Lanka). The ethnic issues have pushed Sri Lanka into the brink of civil war for nearly twenty years, which has not yet been solved despite the international mediation.

³¹ Zaglul Haider, Crises of Regional Cooperation in South Asia, *Security Dialogue*, (Sage Publications: 2001, Vol.32 (4) p. 427

³² The Treaty of Peace and Friendship between India and Nepal is a major point of debate between India and Nepal as it completely ignores Nepal's right to decide anything on its own sphere. Some academicians of international law believe that the treaty itself was illegal because it was signed by the caretaker prime minister of Nepal in his final retreat from the state affairs just to appease Indian rulers.

³³ Monica Bhanot: ³³ Monica Bhanot; 'Challenges to Regional Cooperation in South Asia: A New Perspective' *Online Journal of Peace and Conflict* at http://www.trinstitute.org/ojpcr/toc2_3.htm; (Issue 2.3, August, 1999)

The final hasty retreat of the British Raj and the ensuing bitterness generated between the ruling elites of the two major south Asian states gravely disrupted the traditional complementarities and cohesion. Indeed, the legacy of state formation in South Asia bestows a unique complexity to the entire region. Thus, some of the contentious issues that inhibit cooperation in South Asia include those resulting from colonial legacies, issues of political and ideological character, issues of strategic conflict and military balance, issues that arise from the spill-over effect of internal conflicts and turmoil in a given country on its neighbours and issues that arise out of resource and developmental conflicts. The most pronounced security dilemma, however, stems from escalating arms race in South Asia, particularly between the two military powers – India and Pakistan. These disputes among countries further complicate the scenario and have created a lot of problems among the leaders for friendly talks. This situation defies confidence building measures (CBMs). They are meant to address precisely this kind of situation in the region and obstructs any sort of operationalisation of Free Trade Area or much talked South Asian Free Trade Area (SAFTA).

Similarly the cultural diversity based in languages, religions and ethnicities is another factor that disabled region to unite. Rather it frequently exerts a negative impact on inter-state relations in South Asia due to religious differences. For example, Pakistan's deep commitment to create an Islamic state and Bharatiya Janata Party's (BJP's) commitment to make India purely a Hindu state are two of this kind of school of thoughts that hampers state making in South Asia. The area is characterised by countries with widely differing political systems – democracies, military dictatorships and monarchies. Though most of the South Asian states have emerged with shared colonial pasts, similar political experiences, common social values divergences, however, are still significant. India and Sri Lanka are said to have performed better than other functioning democracies with varying degrees of success. Pakistan and Bangladesh, at the beginning of the 1990s witnessed a sweeping democratic transition in their domestic scenarios. But in a long-term perspective, both have yet to institutionalise democracy and confirm the capability of the political system to keep the military out of politics.³⁴ Nepal's transition to democracy is at the crossroad following the Maoist movement.³⁵ Bhutan retains the authority of monarch as the dominant institution while the Maldives has yet to experience multiparty political systems.

Divergences are also manifest in values and principles followed in governance and statecraft. The Indian political system has been professedly a blend of democracy, federalism, secularism, and until its global collapse, socialism. Bangladesh and Pakistan are Islamic states where the influence of religion runs very high as an instrument of political profiteering rather than indicator of prevailing public opinion. Maldives is an Islamic society with relatively lesser influence of religion in politics. Nepal remains under Hindu influence while Bhutan and Sri Lanka are Buddhist societies. Not surprisingly, a leading scholar of South Asia remarked that 'South Asia

³⁴ Democracy has been suspended in Pakistan since the General Pervez Mushraff took over power in 1999 by dismissing the elected government and in Bangladesh the continuous infighting between two main political parties - Bangladesh Awami League and Bangladesh National Party has always shaken democracy

³⁵ Nepal fell under the grip of Maoist movement in 1996 and since then more than 10000 people have been killed in the insurgency.

presents as different political order and powers structures as one seldom finds in any other geo-political region of the world'.³⁶

Almost inexorably, South Asian nations, despite their apparent adherence to the ideal of nonalignment, have pursued extremely dis-consonant foreign policies. Consequently, the major global powers have played their roles in aggravating the intra-regional cleavages of South Asia. Finally, India's overwhelming regional preponderance creates certain basic insecurities and sharp differences between India and its neighbourhood. All these aspects have created a multitude of problems for the South Asian region. These problems collectively boil down to a crisis of legitimacy, welfare, and order in the affected area.

The troubles in South Asia, its endemic tensions, mutual distrust and occasional hostilities are largely considered products of the contradictions of India's security perception with that of the rest of the countries of the area. India's neighbours perceive threats to their security coming primarily from India whereas India considers neighbours as an integral part off its own security system.³⁷ The pre-eminence of India in the South Asian power configuration given its geography, demography, economics, and ecology is something about which neither India nor its neighbours can do nothing but accept. But the image of India in South Asia is that of a power that demands habitual obedience from its neighbours. Thus, the main theme of this doctrine is that South Asia is to be regarded as an Indian backyard. No wonder then, that there has always been certain psychological misgiving on the part of the smaller states about their all-powerful neighbour India.

This has also been the main cause of failure of the SAARC to evolve as true regional bloc. As it is, serious misgivings about the SAARC developing into a vehicle of purposeful and effective cooperation among the member countries are created by the history of the subcontinent, which has been replete with conflicts and discords. On top of this, since its inception in 1984 there have also been serious differences among member countries over the aims and functioning of SAARC.³⁸ Such differences have been pronounced in verbal bickering in several SAARC meetings. This is in the face of the fact that closer social, economic and cultural ties (the espoused ideals of SAARC) are considered the one and only hope for building regional cooperation efforts in South Asia in the coming years. Indeed, increasing rationalisation of world trade and the fluidity of the emerging global system has increased trade within each trade blocs and those countries that do not belong to any trade blocs are likely to be the losers.³⁹ This also provides a strong rationale for sustaining the SAARC vis-à-vis future trade prospects of South Asia.

³⁶ Rajan Mahan, 'The Nature of South Asian Region: Assonant Affinities, Dissonant Diversities' in Kaushik Mahan and Rampant (eds.), *India and South Asia*, (New Delhi: South Asian Publishers, 1991), pp. 24-5. Also see Iftekharuzzaman, 'The Nuclear Issue and Instability in South Asia: A Bangladesh Perspective', in P R Chari, Pervaiz Iqbal Cheema and Iftekharuzzaman (eds.), *Nuclear Non-Proliferation in India and Pakistan: South Asian Perspectives*, (New Delhi: Manohar Publications, 1996), pp. 153-54 for a detailed argument.

³⁷ It is because India has been constantly undermining the territorial sovereignty of smaller neighbours by occasionally involving in border encroachment and seizing the land. This incident is evident in the case of Nepal as she shares 1700 KMS of open border with India. Whereas India blames its small neighbour as a security threat, its dilemma that a country who shares 1700 kms of open border with such a giant country does not express any threat but India consider Nepal as a threat just because it links to China by road.

³⁸ The main point of debate hinges on the Charter of SAARC which does not allow bilateral issues to be discussed at the regional level summit diplomacy

³⁹ B S Shreekantardhya, 'Globalisation of Indian Economy: Strategies and Constraints', in S. Murty, *The Changing Indian Economic Order*, (New Delhi; Indus Publications, 1993), p. 151. Also see Pran

The failure of SAARC arises precisely out of the effort to use the institution to focus attention away from serious disagreements within the member countries and establish some arrangements despite these disagreements.⁴⁰ India, which is a key player in the region has continuously followed a repressive and suppressive policy in the name of cooperation and has flexed its military might on the relatively smaller countries in the region.⁴¹ Unless an institution comes to possess the ability to harness (or at least moderate) such play, it can only play a marginal role in promoting regional growth.⁴²

The assumption that peace can be achieved through SAARC without addressing the political problems of the region has neither been able to cultivate peace nor to invigorate the SAARC process successfully. Though since its very inception it has been regularly able to hold Summit meetings but there are interruptions in between owing mainly to intrastate conflicts between the member countries.⁴³ Also the political economic explanations for SAARC's historical trajectory (that is, slow movement in the five years before economic liberalisation and somewhat increased pace after 1991 and the activities are now nearly stalled was due the members refusal to deal with bilateral issues, especially through the SAARC forum.

6. The future of economic integration in South Asia

Can SAARC lead to an economic union through SAFTA ? There is a strong desire at the public level to form South Asian Union (SAU) like the European Union, which may help enormously in bringing peace and prosperity in the region. The recent statement made by the outgoing Indian Prime Minister Atal Bihari Vajpayee on introducing South Asian Union having an ultimate potential of introducing envisaged open borders, mutual security cooperation and even a single currency in the region is laudable. None is opposed to the concept of South Asian integration, and even Pakistan cautiously avers the ultimate hope expressed by the Prime Minister, Atal Bihari Vajpayee, for open border, free trade and common currency in South Asia.⁴⁴ European experience of integration has practically falsified the claim that such integration could be against the interests of smaller nations. It has also proved the fact that even historically rival countries can work together. The rivalry in South Asia compared to European Union is insignificant and very new. It is because more than half a century ago South Asians were living under one umbrella though there were petty principalities within the states where Hindus were ruled by Muslims and vice versa and never erupted war between the states whereas same does not exist in the case of EU. Nevertheless, the existing animosities among South Asian nations can

Chopra, 'SAARC and the Asymmetry Issue' in Poona Wignaraja and Akmal Hussain (eds), *The Challenges in South Asia: Development, Democracy and Regional Cooperation*, (New Delhi: Sage Publications, 1989) for a detailed discussion.

⁴⁰ The Charter of the SAARC does not allow to discuss bilateral and contentious issues but its always because of these issues SAARC Summits have been interrupted and failed to evolve as a true bloc. It seems that SAARC should consider bilateral and contentious issues to be discussed for its long life.

⁴¹ Carrot and stick theory has been the main mantra of Indian cooperation in the region.

⁴² Zaki, 'Recent Developments in SAARC and Prospects for the future', 1997

⁴³ The 11th Summit was interrupted because of military coup in Pakistan and hijacking of Indian airlines plane from Kathmandu. Due to attack in the Indian parliament in 2002 by the Islamic militant, which India considers Pakistan behind the scene.

⁴⁴ Zia Iqbal Shahid 'Enlarged EU to support single currency, open borders in South Asia' at www.jang.com.pk/thenews visited on 15/06/04

easily be sorted out if leaders of the region express genuine desire to bring about peace in the region.

The potentiality of regional integration in South Asia nevertheless is not promising compared to the European Union. To some extent SAARC lacks minimum requirements to be a case of successful economic union. First of all there are dissimilarities in every respect from the model of political systems, economic policies to the way of life such as culture and religion. In addition to this, there is a developed country like India and to some extent Pakistan as well, powerful enough to play role in the world affairs whereas Bangladesh, Bhutan and Nepal are underdeveloped and need help from developed countries like India and Pakistan. To our dismay, despite India's looming power in the world it has however failed to lead South Asia mainly due to its rivalry with Pakistan and unresolved issues with other smaller countries.

Among SAARC countries, India happens to dominate the economic scenario. Once again, India's hegemony is a lurking fear in the minds of other SAARC members. Hence, they are generally hesitant to commit themselves to cooperate in hard-core economic areas. Experts suggest that India can assist most of the other SAARC members in their development efforts by virtue of its diversified industrial base and relatively skilled manpower.⁴⁵ But in reality, attempts to use SAARC as a platform from which to launch joint industrial or manufacturing ventures threatens the smaller states with further integration into India, while India itself remains reluctant to allow access to what is still an essentially protected domestic market. Pakistan has continued to restrict Indian trade because of strategic considerations, especially involving investments by private Indian firms that might displace Pakistani firms from lucrative markets or more problematically, from emergent third markets in Central Asia.

Moreover, most of the SAARC countries continue to remain primarily agricultural in nature and depend upon the developed world for their exports and imports of both manufactured as well as semi-manufactured products. The resources of the governments in SAARC countries are almost perpetually under severe strain in view of the ever –increasing need for social amenities for the expanding populace. This also cuts into the funds originally allocated to various developmental projects. Therefore lack of adequate financial resources is considered to be one of the major constraints in building the industrial and semi-industrial base of already strained economy. The unavailability of enough funding has to some extent adversely affected in making technical committees and regional resource centres of the SAARC more effective which could have otherwise helped to develop the manufacturing and industrial base in the region.⁴⁶

The acute similarity of resource endowments (including the quality and capabilities of human capital) as well as non-convertibility of the currencies of the region has historically rendered regional trades unattractive. The SAARC economies export to and import from the exact same countries, and trade in the exact same commodities. It

⁴⁵ For example, Nepal and Bangladesh could benefit in textiles and plastic products while Bangladesh and Pakistan could substantially improve iron and steel production with a little cooperation from India. Sri Lanka and India can also cooperate in exporting tea to the rest of the world through a properly evolved set of guidelines.

⁴⁶ There is a provision of having technical committees and regional centres in the SAARC Charters that look after sectors such as agricultural, transport, social development etc (See SAARC Charters for details at [www. http://www.saarc-sec.org/](http://www.saarc-sec.org/) . Ibrahim Hussain Zaki, 'Recent Developments in SAARC and Prospects for the future,' *South Asian Survey*, 1:1, 1994, p.2. Also see Vernon Hewitt, *The New International Politics of South Asia*, (Manchester and New York, Manchester University Press, 1997), p. 223.

is crucial that one country be able to provide markets and technologies that would otherwise not be available to the smaller countries.

The regional trade analysis within the countries of South Asia has shown that South Asian trade is no more than 10 percent of the total trade between any parts of the nations.⁴⁷ There are many reasons for such a low outcome but the major reasons is 'closed door' trade policies adopted by these countries since gaining independence in the late 1940s. Almost fifty years of restrictive trade policies, particularly among themselves were mainly due to the apprehension that India – large nation in the region could swamp the markets of smaller nations under the liberalised regime. Despite having said in the Charter 'to accelerate economic growth' in South Asia, the process of limited economic cooperation only kicked off in 1991 after six years of the establishment of SAARC⁴⁸. The decreasing trend in the inter-state trade among SAARC nations nonetheless has severely impaired the prospects of economic future of the region through integration. It has diverted the existing capital outside of South Asia Furthermore during the 12th SAARC summit in Islamabad the leaders of South Asia reiterated their commitment to form South Asian Economic Union (SAEU). If formed which will pave the way for more ambitious – but entirely achievable – goals such as a Free Trade Area, an Economic Union, open borders, and a common currency for the region. As President Pervez Mushraf said, 'we must expand SAARC charter to discuss bilateral issues at the regional level.there can be no development in the absence of peace, there can be no peace, so long as political issues and disputes continue to fester'⁴⁹. Therefore, unless the SAARC Charter is amended to allow to discuss bilateral issues at the regional level all these attempts, however, are far from reality, forget about forming South Asian Economic Union or free trade area. So the problem with SAARC to evolve as a full-fledged 'regional entity' that can cultivate peace in the region somehow lies with it's lose formation of Charter.

The incidents in the region following the Kargil fallout and coup in Pakistan are not favourable for the further enhancement of integration process. The irregularity in hosting SAARC summits heralds' bleak future for any type of viable integration in the region. Because of this, SAPTA is unlikely to yield the situation to which it was loosely modelled an economic self-help area like the ASEAN. It was expected that the possibility of transformation of SAPTA into SAFTA but looking at the current situation in the region one could easily predict that SAARC could never achieve its full potential unless major political differences between members are settled.

7. Peace and economic integration: an analysis

Economic cooperation yields peace and prosperity if the differences among the member states are put aside. Current level of cooperation in South Asia, however, is manifested by historical legacy of state formation as said earlier; economic well-being and the size and power of individual states. The spontaneous Indo-Pakistan tensions have put a damper on any kind of activities to increase the pace of economic integration and bring about peace in the region. It seems that powerful nations of South Asia are not interested to accelerate economic integration towards its stipulated goals. Hence 'unless there is a dramatic change between India and Pakistan relations

⁴⁷ South Asian Economic Development: Trade and Economic Development, p. 148

⁴⁸ It was only when SAPTA came into plance in order to form SAFTA

⁴⁹ President Pervez Musharraf's statement reported on 'can Safta lead to South Asian economic union ? by M Aftab 19 January 04

and they commit their genuine interest chances of SAFTA coming into action are very low, let alone the prospects of peace.

South Asia also holds the dubious distinction of lacking economic incentives for regional cooperation. History shows that regional economic integration can be successful only if the countries concerned establish a commonality of political purpose. The driving forces behind regionalism should be to forge closer links between historical rivals to prevent the occurrence of wars. As in the case of France and Germany who fought three titanic wars between 1871 and 1945 but were able to thaw differences through EEC. The Cold War gave western European nations another urgent reason to bind economically together to gain strategic strength. Finally, basic EEC rule was that only democracies could become members (which meant that Spain, Portugal and Greece did not qualify until they discarded their dictatorships in the 1970). This drives home the point that political harmonisation must precede economic harmonisation. The same pattern is evident in the ASEAN, which was formed as a political grouping to oppose threat of Communist expansion from Vietnam and China. This helped bring together ASEAN members that were otherwise dogged by political disputes. These factors hardly exist in South Asia.

It is common phenomenon in international relations that a small neighbour had to live under fear when its large neighbour has 'expansionist' policy and there are unresolved and complicating factors in their relations. This is particularly true in the case of South Asia as India continuously shows her hegemonic flavour towards her small neighbours rather than being regarded as 'Big Brother'. Bhutan and Nepal are continuously living under this threat of becoming next Sikkim⁵⁰ and bilateral disputes are especially acute with each and every country at any given. To some extent India also sees SAARC as a forum for ganging up to withstand Indian hegemonic pressures, which is just an illusion. To create a sense of 'easiness' among her neighbour, the former Indian Prime Minister I K Gujral adopted a doctrine called '*Gujral Doctrine*'⁵¹ as a tool of conflict management in the region. The Gujral Doctrine is a set of five principles to guide the conduct of foreign relations with India's immediate neighbours as spelt out by I.K. Gujral, first as India's foreign minister and later as the prime minister. Among other factors, these five principles arise from the belief that India's stature and strength cannot be divorced from the quality of its relations with its neighbours. It, thus, recognises the supreme importance of friendly, cordial relations with neighbours. These principles are: first, with neighbours like Bangladesh, Bhutan, Maldives, Nepal and Sri Lanka, India does not ask for reciprocity, but gives and accommodates what it can in good faith and trust; second, no South Asian country should allow its territory to be used against the interest of another country of the region; third, no country should interfere in the internal affairs of another; fourth, all South Asian countries must respect each other's territorial integrity and sovereignty; and, finally, they should settle all their disputes through peaceful bilateral negotiations.⁵² But in reality it has never been applied or discussed at the policy level. Indian bureaucrats were sceptical about the idea. Also once Gujral was out of power, the doctrine went with him.

⁵⁰ Sikkim used to be a small state in Northeastern part of India, which was ceded into it by force.

⁵¹ I K Gujral first became India's foreign minister and then Prime Minister in mid 1990s enunciated Gujral Doctrine

⁵² Padma Murthy, *The Gujral Doctrine and Beyond, Strategic Analysis; A monthly Journal of the IDSA, July 1999 (Vol. XXIII No. 4)*

The growing political strife and bureaucratic obstacles indicates that 'non-tariff barriers in the form of political disputes, bureaucratic delays and interference by the intelligence agencies have been obstructing trade between India and Pakistan. There are growing concern that regionalism in South Asia might end up as Pandora's box if concerned efforts are not made beyond the turmoil of political exigencies. Even the newly formed SAPTA has met with extremely limited success in promoting intra-SAARC trade.⁵³ Similarly, hopes of forming a South Asian Free Trade Area (SAFTA) considered being more unrealistic. For instance, a free trade implies to dismantling customs barriers, which means all SAARC members will have to agree on a common import policy, either formally or informally and no country will retain sovereignty over the import policy. However, it is felt that unless countries of a region enjoy considerable political harmony, they cannot possibly agree on concessions like surrendering sovereignty over their import policy.

This is particularly true in South Asia where, being the strongest – that is, the Indian economy – will tend to be dominant overall regional outcomes.⁵⁴ So, although economic cooperation and even integration is very desirable in South Asia, it calls for creating a politically harmonious subcontinent, which is an extremely formidable task. It implies settling issues like the Kashmir, sharing of land and boundaries with Bangladesh, renegotiating the 1950 Treaty with Nepal and so on so forth.

While pointing the geo-politics of South Asian countries, it is true that the legacy of state formation in South Asia has produced almost permanent set of relations that pre-empt regional economic cooperation. The political reasons behind this apathy towards regionalisation are well known and involve serious discord in which the countries of the region are entangled. The political tensions and conflicts surrounding the countries of South Asia poses a question of uncertainty and challenge the formation of South Asian Union at par with European Union that allows free movement of people; common currency and common foreign and economic policies which ultimately will sow the seeds of peace.

Conclusion

South Asia has emerged as a regional entity in the international political system with the creation of SAARC but it failed to strengthen regional cohesiveness. Regional cooperation in South Asia cannot be said to have evolved into a complete bloc in terms of 'regionalism and economic integration' due mainly to the prevalence of conflict over the desire of peace and stability. Given the historical legacy and contemporary reality of endemic conflicts and mistrust in the region, the fact that the formal cooperation process in the region has survived recurrent setbacks is testimony of resilience of the organisation. The antagonistic nature of relations with large sets of outstanding issues, low levels of intra-SAARC trade and joint economic ventures, inadequate information and infrastructure facilities; independent and largely uncoordinated economic policies pursued by each country in the subcontinent and increasing 'militarisation' and 'religionisation' of the region are all indicators of lack of 'region-ness' and herald a bleak future for any type of sustainable economic integration.

⁵³ Under SAPTA, SAARC countries have agreed on tariff provisions only on 226 objects.

⁵⁴ For further details see Ghanshyam N. Singh (ed), *The Economy of the SAARC Nations*, (New Delhi: Anmol Publications, 1993).

Notwithstanding, whatever the impetus, any new approach to strengthen relations should be administered by common economic goals and objectives in order to harness existing resources in the region for the mutual benefits of one billion people of the region. Lessons from other parts of the world (such as neighbouring Southeast Asia and the European Union) prove the fact that regional organisations have thrived mainly on cooperation in trade and economic relations. The emergence of several trading blocks and economic groupings all over the world clearly indicates that economic survival and prosperity of any nation in this increasingly competitive post-Cold War era crucially depend on their ability to successfully integrate with other economies. It must also be remembered that without any integrated economy none of the South Asian countries can ever hope to become significant global players.

The realisation of durable peace and the future of economic integration through SAARC lies on the ability and interest of South Asian leaders to resolve domestic as well as long-standing differences. But how soon and to what extent they are going to achieve success remains unclear, which will be judged through action rather than pure rhetoric of politicians promoting regional cooperation. Any realistic assessment of the prospects for the growth of economic integration depends on as how individual country address existing contentious issues and their commitment in promoting regional cooperation given the extensive heterogeneity of state formation and economic dynamics in South Asia. Complementarities in economic structure are necessary but not sufficient conditions for the development of economic relations among countries. The South Asian experience has demonstrated that political factors can cause long-lasting breakdown of establishment of economic links.

Moreover, if peace is to be achieved through integration or vice-versa a new paradigm of forward looking process needs to be employed by the South Asian nations wherein they can discuss contentious issues such as Kashmir; border problems; distribution of natural resources with freely and fairly. Despite religious and cultural heterogeneity there is no problem at the public level in South Asia – whether one comes from India or Pakistan, Hindu or Muslim they can hug each other without any problem. The centre of the problem lies with ‘politics’ of the nation states and its agencies.

Therefore it can be argued that unless these problems are not ironed out even the supposed economic integration in South Asia will not bring the peace and the process itself will remain at crossroad. The dilemma with South Asian states is that they are not ready for full scaled economic integration for the fear of either being swamped up into Indian economy due to its hegemonic behaviour or losing their sovereignty to some extent. They are also literally not ready to solve long standing political conflicts due mainly their desire to maintain supremacy one over another. At this outset, the concept that full-scale economic integration will lead peace and hence ‘peace dividend’ thereof is far from reality at least in the present setting in the case of South Asia.