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If SAARC Stumbles: Go for Sub-regional Alternatives

By Pradumna B Rana

Synopsis

The SAARC continues to stumble along in its difficult path to forge regional integration. South Asian countries should instead go for bilateralism and sub-regionalism targeting East Asia.

Commentary

SINCE ITS inception in 1985, the effectiveness of the South Asia Association for Regional Cooperation (SAARC) – comprising Afghanistan, Bangladesh, Bhutan, India, Nepal, Maldives, Pakistan, and Sri Lanka - to promote economic integration in South Asia has been questioned. One of the biggest impediments to SAARC's progress has been the continued conflict between nuclear-powered India and Pakistan.

This time around, because of repeated announcements by the Indian Prime Minister Narendra Modi of the need to reinvigorate relations with neighbouring countries, there was hope that some positive results would come out of the recently concluded 18th SAARC Summit held in Kathmandu on 26-27 November 2014.

Modi's efforts

Modi's first day in office after his election in May this year was dedicated exclusively to bilateral meetings with the leaders of the SAARC countries. His first state visit was to Bhutan and then to Nepal. During his visits abroad and even when engaging domestic audiences, Modi had stressed the need for increased regional cooperation.

Nepal's Foreign Minister Mahendra Bahadur Pandey had noted that the Kathmandu Summit was taking place in the changed context of India's new "Neighbours First Policy". It was reported that Modi wanted to make South Asia a viable counterweight to China, which has made sweeping inroads in the region.

In the run-up to the Summit, three agreements were reportedly supposed to be signed dealing with cooperation on energy, easier access for motor vehicles, and railways. While the energy agreement was to enable cross-border trade in electricity and create a seamless power grid across South Asia,

the motor vehicle agreement was to allow vehicles of SAARC countries to ply in neighbouring countries for transportation of cargo and passengers. The rail agreement was to enable low-cost and energy efficient transportation within the SAARC region.

It was hoped that the signing of these three agreements and their successful implementation would reverse the declining trend of regional economic integration in South Asia, which is among the least integrated regions of the world.

In 1947, when Pakistan and India became independent from British rule, more than half of Pakistan's imports came from India and nearly two-thirds of its exports went to India. At that time, trade among South Asian countries accounted for around 20% of their total trade. Today it stands at a mere five percent.

But, as in the past, once again conflict between India and Pakistan took centre-stage and only one of the three agreements was signed. Firstly, Pakistan and several other SAARC members had sought to give a greater role for observers, particularly China, in the eight-member grouping. This was dismissed by the Indian side saying "we need to deepen cooperation among SAARC members before we try and move horizontally".

Secondly, the Pakistan side was unwilling to sign the three agreements because "internal processes" had not been completed. It was only under pressure from his colleagues during the retreat on the last day that Pakistan Prime Minister Nawaz Sharif relented and signed the framework agreement on regional electricity connectivity, the details of which have yet to be worked out.

Way ahead

In Kathmandu, a frustrated Modi remarked that regional integration in South Asia would go ahead "through SAARC or outside it, among all of us or some of us". South Asian countries should listen to him and go for bilateralism and sub-regionalism outside the SAARC. These approaches could be more successful in enhancing economic integration in South Asia than multilateralism under the SAARC.

A case in point is bilateralism between India and Nepal which was fruitful for Nepal despite the stalemate on regional issues at the Summit. In the sidelines of the Summit, the US\$1 billion credit that India had promised to Nepal was operationalised. Hydropower cooperation between India and Nepal was enhanced by the signing of a power development agreement of the Arun III power project and public bus services between various Indian and Nepalese cities were flagged off.

A co-author and I have argued that sub-regionalism in South Asia should be market-led and target East Asia, its largest market. South Asian countries need to implement the second round of their "Look East" policies to link themselves to production networks in East Asia. Such policies would not only lead to higher economic growth in the concerned countries, they would also reinvigorate economic integration in South Asia.

Revisit Look East policies

A second round of "Look East" policies should comprise the following moves by the South Asian countries:

- First, complete the economic reform programme that they began in the 1990s mainly in the areas of governance and institutional reforms;
- Second, improve their information, communication, and technology systems to coordinate supply chains efficiently;
- Third, reduce logistics costs as this is a key determinant of their competitiveness; and
- Fourth, support the proposed Trans-Himalayan Economic Corridors to connect South Asia, with Central Asia, and East Asia in a seamless manner.

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is the appropriate institutional framework to support the above policies because it connects South Asian countries (except Pakistan and Afghanistan which are not members) with several East Asian countries (Myanmar and Thailand).

In a survey of Asian opinion leaders that we conducted, four out of five leaders felt that BIMSTEC, which is presently chaired by Nepal, should play a more active role in promoting regional connectivity and integration in Asia.

As China steps up efforts to forge trade and connectivity with Central and Southeast Asia, the South Asian countries will need to pursue bilateral and sub-regional arrangements to promote their own integration. They should not wait for SAARC as time is not on their side.

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