



Enhancing Cooperation in South Asia

This editorial is based on [“The illogical rejection of the idea of South Asia”](#) which was published in The Hindu on 18/01/2023. It talks about the challenges with regional cooperation in the Development of South Asia.

For Prelims: South Asian Association for Regional Cooperation (SAARC), Indian Ocean Island Nations, South Asian Free Trade Agreement

For Mains: Challenges with Regionalism in South Asia, Role of India in Development of South Asia

South Asia is the southern region of Asia, which is defined in both geographical and ethno-cultural terms. The region consists of the countries of Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

India's vision of regional economic integration in South Asia is based on enhanced intra-regional trade, investment flows and regional transport and communication links in South Asia. [South Asian Association for Regional Cooperation \(SAARC\)](#) and [India's Neighbourhood First Policy](#) are the two vehicles in this process.

Culturally, there are many similarities, but there are a number of cross-sub regional challenges like political and economic instability ([Sri Lankan Crisis](#) and [Afghanistan Crisis](#)), high inflation, depleting [foreign exchange reserves](#) (**Pak's forex reserves have fallen to USD 4.3bn -its lowest since 2014**) and domestic unrest that continue to simmer in the South Asian region, which hosts around a quarter of the world's population.

What is the Benefit of Regional Cooperation for South Asia?

- **Economic Cooperation:**
 - Regionalism can lead to **increased trade and investment among countries** in the region, which can lead to economic growth and development.
- **Political Stability:**
 - Regional cooperation can **lead to greater stability and security in the region** by promoting dialogue and understanding among countries.
- **Cultural Exchange:**
 - Regionalism can **foster greater cultural exchange and understanding among the people** of South Asia, which can lead to greater tolerance and harmony in the region.
- **Infrastructure Development:**
 - Regional cooperation can **lead to greater investment in infrastructure**, such as transportation and energy projects, which can improve connectivity and economic growth.
- **Regional Integration:**
 - Regionalism can **help to integrate the economies of the countries** in the region and

make them more competitive in the global market.

▪ **Shared vision:**

- Regionalism can **help the countries of South Asia to develop a shared vision** for their future and work together to achieve common goals.

What are the Challenges with Regional Cooperation in South Asia?

▪ **Low Inter-Regional Trade:**

- South Asia's intra-regional trade is the lowest globally, constituting only 5% of the region's total trade. The current economic integration is just one-third of its potential with an annual estimated gap of 23 billion dollars.

▪ **External Influence in South Asia:**

- Smaller neighboring countries are quite predictable in seeking to balance India's influence through closer relations with external powers, in the past this was the US at the moment it is China.
- Recent Chinese actions and policies in South Asia as well as its maritime neighbours, including [Indian Ocean island nations](#), have made it necessary for India to take its neighbours very seriously.

▪ **Territorial Issues:**

- Territorial disputes in South Asia remain a challenge to the peace, stability, and prosperity of the region.
 - Of all interstate disputes, those over territory tend to be more likely to lead to armed conflict.

▪ **Inefficient Management of Global Supply Chain:**

- South Asia's international trade integration is lower than the global average, and it is way less integrated into global value chains compared to East Asia.
 - The countries have abysmally low exports due to the low productivity of many countries in this region.

▪ **Political Tensions:**

- Historical conflicts, border disputes, and ongoing political tensions between countries in the region make it difficult to foster cooperation and regional integration.

▪ **Economic Disparities:**

- Significant economic disparities between countries in the region make it difficult to establish a level playing field for trade and investment.

▪ **Different levels of Economic Development:**

- South Asia is home to some of the world's most economically advanced countries as well as some of the least developed. This makes it difficult to establish a common economic agenda.

▪ **Security Concerns:**

- The region is plagued by various security concerns, including terrorism, extremism, and separatist movements, which can make regional cooperation and integration difficult.

▪ **Small Size of Markets:**

- Most of the countries in the region are small in terms of population, area, and GDP. This makes it difficult for businesses to operate and for regional trade to thrive.

▪ **Lack of Trust:**

- Lack of trust between countries in the region is a major obstacle to regional cooperation and integration.

How India can Lead South Asia Development?

- **Boosting Regional Trade:** India can leverage regional trade, connectivity and investment, and strengthen the [South Asian Free Trade Agreement](#) as a game-changer for the region.
 - Galvanizing economic energies, which would lower barriers to intra-regional food trade and encourage regional supply chains.
- **Providing Ecological Blueprint:** South Asian countries can benefit from India's eco-blueprint by focusing on the [protection of biodiversity](#) and responding to the climate crisis. The linkage between effective governance and [sustainable development](#) also needs to be acknowledged in South Asian countries.
- **Highlight the Need of Food Security:** Regional food security is another area that India could

take a major initiative in with an eye to the future and can be an integral facilitator and component to this economic bloc for food security.

- Increasing the capacity of the SAARC Food Bank that currently stands at less than 500,000 MT.

▪ **Promoting Sub-Regional Initiatives:** India can increase the convening capacity of sub-regional initiatives such as the [Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation](#).

- The border regions can be effective partners in shaping India's regional engagement by steering sectoral regional dialogues on cross-border trade, transport and health.
- By extending necessary assistance, India can strengthen its position in the region and achieve both economic and strategic depth vis-à-vis China.

▪ **Voice of South Asia in International Forums:** To promote the interests of South Asian nations as a group, India can be the voice of South Asia in international forums. A secure regional environment will also help India reach its ambitious development goals.

What can be the Way Forward?

- **Strengthening Existing Associations:** Existing associations like South Asian Association for Regional Cooperation (SAARC) haven't been able to significantly advance regional cooperation here.
 - Delinking domestic sentiments from the economic rationale, engaging in diplomacy to allay concerns should be the way forward for South Asian countries which do have qualms about the integration.
- **Towards Self-Reliant South Asia:** Self-reliance of South Asia range from offers of freer transit trade through the region, the development of supply and logistic chains, digital data interchange, single-window and digitized clearance systems, risk assessment and minimisation measures, wider use of trade lines of credit (presently abysmally low), denser connectivity, smoother cross-border inspections.
- **People-to-people Connect:** Priority should be given to people-to-people connections and deep cultural affinities for sustained cordiality and stability. Further, focus should be given to prompt delivery of multilateral commitments for the overall development of the region.
- **Countering Terrorism:** Countries in the region **needs to improve their cooperation on intelligence sharing and law enforcement**, in order to more effectively target terrorist networks and disrupt their operations.
 - Additionally, addressing poverty and inequality, and promoting economic development and opportunities for marginalized groups, can help to reduce the appeal of extremist ideologies.

Drishti Mains Question

Discuss the challenges for regional cooperation in South Asia and suggest a way forward to increase the cooperation.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Q. Consider the following statements: (2020)

1. The value of Indo-Sri Lanka trade has consistently increased in the last decade.
2. "Textile and textile articles" constitute an important item of trade between India and Bangladesh.
3. In the last five years, Nepal has been the largest trading partner of India in South Asia.

Which of the statements given above is/are correct?

- (a) 1 and 2 only
- (b) 2 only
- (c) 3 only
- (d) 1, 2 and 3

Ans: (b)

- As per data from the Department of Commerce, IndoSri Lanka bilateral trade value for a decade (2007 to 2016) was 3.0, 3.4, 2.1, 3.8, 5.2, 4.5, 5.3, 7.0, 6.3, 4.8 (in billion USD). It reflects continuous fluctuation in the trend of trade value. There has been an overall increase but the same cannot be said as consistent rise in trade value. **Hence statement 1 is not correct.**
 - Bangladesh has been a major textile trading partner for India, with a share of more than 5% in exports and over 7% in imports. While annual textile exports to Bangladesh averages \$2,000 million, imports are worth \$400 (Year: 2016-17).
 - The major items of exports are fibre and yarn of cotton, man-made staple fibres and man-made filaments while major import items include apparel and clothing, fabric and other made up textile articles. **Hence, statement 2 is correct.**
 - According to the data, in 2016-17, Bangladesh is India's largest trading partner in South Asia, followed by Nepal, Sri Lanka, Pakistan, Bhutan, Afghanistan and Maldives. The level of Indian exports also follows the same order. **Hence, statement 3 is not correct. Therefore, option (b) is the correct answer.**
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