

🌟 / VIEWS & REVIEWS

'Political will must to make South Asian cooperation a success'

👤 Asjadul Kibria | 📅 October 16, 2025 12:00:00

Financial Express (FE): You have been a firm believer in regional cooperation in South Asia for a long time. Despite the growing geopolitical tension and rivalry in the region, do you still think that there is a possibility of enhancing the cooperation?

Ishrat Husain (IH): Yes, I do, and I think it is time for the policymakers to examine coolly and dispassionately the emerging but highly compelling reasons for burying the past and move in a new direction. It is because there are so many people who are living below the poverty level in South Asia, and it is our responsibility to try to improve their lot. We also have to find jobs for the large number of youth population in the countries of the region. But how can we find jobs if there is no growth and there are no opportunities for trade? We need to keep in mind that we can jointly try to improve the living conditions of the two billion people living in this region. We don't have to depend very much on outside help because the situation in the West is receding towards isolationism, nationalism and inward orientation. This is a challenge we must face, and my major argument is that collective political will can bring these countries together.

FE: You just mentioned that the West is receding towards isolationism, nationalism and inward orientation. Would you please explain it?

IH: The global geopolitical situation is moving away from integration liberalisation and openness towards fragmentation, protectionism and inward orientation. The biggest champion of trade liberalisation and financial

market integration is now retreating into the opposite direction. Therefore, the winds of change that propelled the developing countries to make significant gains in terms of poverty reduction, increase share in global GDP and world trade, in-flows of international capital, migration of workers and remittances and transfer of technology have slowed down. China and Europe are all engaged in near shoring, in sourcing and friendly shoring to protect their national interests to gain sustainable supply chains and national security against unfriendly and deliberate gestures of abrupt and sudden external shocks caused by disruption in supply chain. On the basis of this trend, it is imperative that the developing countries have to enter into bilateral and regional trade agreements. South Asia which is least integrated region has the highest potential as it was functioning as an integrated economic union until 1947.

FE: So, do you think the South Asian Association for Regional Cooperation (SAARC) is still relevant?

IH: I think SAARC has a great responsibility to bring all the regional countries together. As SAARC is mainly focused on economic matters, we may at least work on economic cooperation together despite many political difficulties and differences among us. Ten years ago, we had come to an agreement to revive the South Asian Free Trade Area (SAFTA) by removing the existing high tariffs and reducing tariffs within the region so that businesses can source raw materials at a lower cost and produce goods both for the domestic market as well as for the rest of South Asia. Had we succeeded in reviving the SAFTA deal a decade ago, conditions in all the countries would have been much better than they are today. We need to keep in mind that common history, administrative systems, legal structure, well connected rail road, ports infrastructure make it easy to accelerate the process of regional integration if there is a political will. All empirical studies have demonstrated that this would be a win-win situation for all the countries in the region.

Yes, I'm a great believer in SAARC. I am very happy that Professor Yunus, Chief Advisor of the interim government of Bangladesh, is a champion of reviving SAARC, though we have yet to see any progress so far.

FE: One thing we all know that there is a geo-political rivalry between India and Pakistan and it is the major stumbling block of reviving the SAARC.

IH: The tension or rivalry between India and Pakistan is not recent; it has been ongoing for a long time. Nevertheless, there was trade between the countries until 2019, amounting to billions of dollars. Now, India doesn't have good relations with China, but the bilateral trade is above 100 billion dollars. So, why do India and Pakistan have no trade? Political differences should not actually come in the way of trade and economic cooperation. Taiwan is an example. China is investing in Taiwan, and Taiwan is investing in China, even though they do not have good political relations. Politics should remain aside. Yes, each country has its own principle stand on politics. But for the welfare of the poor people in South Asia, we have to do something which really improves their conditions. Otherwise, we will remain poor. Look at ASEAN countries, East Asia, where have they gone? The war with the Americans completely destroyed Vietnam, and now the Vietnamese are exporting 350 billion dollars of goods to the rest of the world. Look at Thailand, Malaysia, Indonesia, the Philippines, Korea, and Singapore; we are lagging behind.

Moreover, the risks of climate change have already become heightened making us aware that our economic future is interconnected. As we are dependent on water flows from the glaciers as well as a rainfall precipitation, global warming is creating erratic events such as floods, torrential rains, droughts, heat waves and rising sea level. The rivers in South Asia have a common origin and their distribution between the upper and lower riparians has to be assiduously and equitably resolved so that all countries benefit from such an arrangement. It is most unfortunate that the Indus Water Treaty that has withstood so many wars conflicts, skirmishes for last 65 years has fallen prey to the May 2025 skirmish between India and Pakistan. As more sober and far reaching a response would have been to extend the scope of the treaty and include China and Bangladesh in management and distribution of water resources to mitigate the risks of climate change. The step taken by India has taken us in the opposite direction with great anxiety among the lower riparian about a likely humanitarian crisis affecting 240 million people

FE: After a couple of years of some disintegration, the bilateral trade between Bangladesh and Pakistan is reviving. So, it is opening the path of economic cooperation. Again, despite some strain in diplomatic relation, Bangladesh-India bilateral trade is growing. How do you evaluate these developments?

IH: It is a positive sign, no doubt. Now, if we have direct flights of Biman or PIA or other carriers between Dhaka and Karachi, you will get the goods which you need in Bangladesh within a few hours. Currently, we have to go through the sea route, which takes a long time. If you have a shortage of, let's say, perishable commodities like tomatoes or onions, you can fly them from Pakistan at a cheaper price.

What is needed right now is to revive the direct flights between Pakistan and Bangladesh to improve trade. Using advanced communication facilities, businessman can continue to carry out their transactions without physically

Economist Dr Ishrat Husain has had a distinguished career at the World Bank for over two decades (1979-1999). He also served as the Governor of the State Bank of Pakistan (1999-2005), Dean of the Institute of Business Administration in Karachi (2008-2016), and Advisor to the Prime Minister on Institutional Reforms and Austerity (2018-2022). He also authored several books, research papers and journal articles. Dr Husain visited Dhaka last week.

In an interview with Asjadul Kibria, he talks on South Asian regional cooperation and other issues. Excerpts below:



Ishrat Husain

being present. Through video or Zoom conferencing, you can have all kinds of real-time meetings and remotely sense what is really happening in factories in different countries. All these will help you a great deal.

FE: We know that you spent a few years in Bangladesh before the independence. Would you please tell us something about those days?

IH: Yeah, I started my career as SDO (sub-divisional officer) in Patuakhali in 1968, and then I was promoted as ADC (Additional Deputy Commissioner in Chittagong in 1969. Then I came as Deputy Secretary in the Home Department in Dhaka in 1970. But the greatest satisfaction I got in my life was in Patuakhali. At that time, in 1967, Patuakhali was completely cut off from the rest of the East Pakistan province. There were no roads connecting, and it was only the waterways in the Bay of Bengal to reach there. We used to get a lot of cyclones in Patuakhali, and the people were so poor.

The first thing I did was learn Bangla. My thought was to communicate with the people in their language. As they did not know Urdu or English, how would I communicate with them? So, I learned Bangla first. Then, instead of those people coming to Patuakhali headquarters to see me, I used to visit them in their villages and thanas to solve their problems. So, for 21 days each month, I was touring the entire subdivision, which is now a district. This meant they didn't have to spend money on hotels, transport, and other expenses, and it was a source of great satisfaction. I didn't know how to swim, and it was Agun Mukha, which is a big, fiery river, and my boat used to go up and down, and I used to pray. I've done a lot of things since then, but if I look back at how I helped those one million people, who were the poorest among the poor, solve their daily problems, I find it was a truly satisfying period in my life.

FE: You are originally from Agra and your family migrated to West Pakistan after the partition in 1947?

IH: Actually, I was born in Allahabad, but my father was practising in Agra, Uttar Pradesh, India. So when we migrated from India in November or December 1947, I was only seven years old. So I don't have a recall of what we went through. I can only remember that my father told us that we had to run away at night because the attack was coming during the night.

So we took the train with only our clothes and went to Surat, where we waited for 15 days to get the ship to Karachi. Later, I was told by my mother that I was seasick and vomiting, and when we reached Malir in Karachi, I had a lot of skin problems. It was a very tough situation for me and my family when we migrated with no resources at our disposal and difficult days ahead.

FE: Despite being a student of science, how did you switch to economics?

IH: That's an interesting question. I was a student of chemistry, and I did my master's in chemistry. When I joined the civil service, I was appointed in East Pakistan, as I mentioned already. I went back from here to be appointed as the Deputy Secretary at the planning and development department. Looking at the work, I realised I didn't know anything about economics. So, how can I carry out my responsibilities?

At that time, there was an annual scholarship programme for mid-career civil servants – one for West Pakistan and one for East Pakistan. The candidates were interviewed by a professor who had come from Williams College of the United States of America (USA). Twelve of us appeared at the interview – six from East Pakistan and six from West Pakistan. Although I didn't have an economics background, the professor selected me from West Pakistan to enrol at Williams College. AZM Shamsul Alam was selected from East Pakistan.

When I went to Williams College, my strong background in mathematics made economics much easier for me. So I topped the class even though all others were economists. I also found the subject quite interesting. When I returned to the government of Pakistan, I applied for a Ford Foundation fellowship to pursue my PhD, and in 1978, I completed my PhD at Boston University. So that's how I got transformed from a scientist. Actually, scientists don't have much to do in the government, but economists and finance people are very much sought after. That was my change in career.

FE: In your long chequered career, you have held important positions in the World Bank, the IMF and the central bank of Pakistan, along with some others. Which position did you feel was most challenging?

IH: When I became the Dean and Director of the Institute of Business Administration (IBA) in Karachi, I found that only the boys and girls from well-to-do families could afford to come and study there. IBA is one of the top quality institutions, and half of the chief executive officers of corporations in Pakistan are all graduates of the institute. It was established in 1955 by the University of Pennsylvania in the USA. At that time, I initiated a national talent hunt programme. I said that boys and girls from the poor families in the backward districts of Pakistan should also get access there. I decided to select and bring some of them, when they were doing their intermediates, at my own expense to IBA Karachi for two summers. I said that during their stay there, I would teach them how to dress up, interact with people, speak English, do math, and work on computers. I also declared that after two summers of such orientation and learning, they would take the IBA entry exam. If they succeeded, I would cover the entire tuition and living expenses and provide them with pocket money. The best moment in my life was when the daughter of a factory owner and the son of a daily wage worker, both employed in the factory, joined the class together. I was thrilled that this was my dream. My challenge was how to raise funds for these poor students so that I can afford to bring them on par with the sons and daughters of rich people.

FE: Do you enjoy Ghalib as you are also from Agra?

IH: Yes, I have read Ghalib. Although he was born in Agra, he spent his entire life in Delhi and is well known as a poet of Delhi. But my favourite poet quite distinctly is Faiz Ahmed Faiz.

FE: How do you observe the development of Bangladesh?

IH: I wrote a book which came out two years ago. It's called 'Development Pathways India, Pakistan, and Bangladesh: 1947-2022'. Till 1990, Bangladesh was not doing very well economically. Since 1990, it has really taken off and done extremely well, growing by six to seven per cent, reducing poverty, increasing investment to 30 per cent of GDP, and achieving the highest female labour force participation in the region. So that is a positive side of Bangladesh.

But the negative side is that there are unemployed graduates who are not finding jobs. While the economy is growing, jobs for educated people are not being created. So, you have 85 per cent of the labour force working in the informal sector. My advice is that you need a strategy to employ your youthful population, which is a positive asset, both in Bangladesh and around the world.

Today, the world needs IT specialists and AI specialists. They also need people with skills in masonry, welding, nursing, listening, mechanics, and paramedicine. Those are the fields for which there is a lot of demand, not only in Bangladesh but all over.

In today's world, competitiveness is defined by technology, connectivity, and data-driven decision-making. Technological advances in forms of AI, robotics, cloud computing, block chains, sensors, satellites provide an excellent opportunity for improving our Industry, agriculture, education, Health, Exchange of Students, researches, joint projects, industry-academic collaboration among the South Asian Countries can reduce the timing in the application of successful technologies to countries which do not have the capacity or expertise to absorb, assimilate or apply the knowledge by themselves. Learning from the successes and failures of each experiment conducted in larger countries that have the appetite to take risks and wherewithal to mitigate would help the less advanced countries of South Asia and their sub-regions in boosting their productivity and competitiveness. Technological penetration takes place swiftly with the economies of scale and economies of scope. A unified seamless market of 2 billion people offers an alternative opportunity. Sub regional corporation such as Bangladesh-West Bengal-Assam, Pakistan's Punjab-Indian Punjab-Haryana; Sindh-Rajasthan; Sri Lanka-Tamil Nadu would benefit because of contiguity, almost identical ecosystems, lower transport costs, complementarity in production and industrial clusters.

But we have an educational system where you go from high school all the way to college. You may have an aptitude for other areas. So the education in Bangladesh should be diversified. Everybody does not need to go to university or college. Most of them should go to technical and vocational training. And if you have good vocational

and technical training, you will earn significant remittances for Bangladesh. Your factories will also improve their productivity, and they can compete with the rest of the world. So this is my wish for Bangladesh.

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