

Identifying new opportunities and new modalities for fostering Regional cooperation in South Asia¹

Ishrat Husain

Individual South Asian countries have made a lot of progress in raising the living standards of their population, reducing poverty, improving social indicators and integrating themselves into the world economy. However, the region as a whole has regressed from 1947 as far as regional economic cooperation is concerned. There are many reasons for this unfortunate development but the asymmetrical dominant power of India which forms 80 percent of the population and GDP of the region, lingering political tensions between India and Pakistan and Trust deficit among the countries are among the main contributory factors. Intra-regional trade has remained stagnant at less than 5 per cent of the total trade in the last 30 years. Studies have concluded that due to low transportation costs, cultural similarities which influence taste and cause profitable complementarities to emerge and low transaction costs, the economic benefits of liberalising trade between India and Pakistan outweigh costs. Despite this, the trade between the two neighboring countries has remained negligible. Regional trading arrangements have made a huge difference in North America, Europe and East Asia, but they have not, so far, been successful in South Asia. The attempts to revitalize SAARC and SAFTA will stimulate trade and growth as it unleashes competition' that lowers domestic prices, enables achieving economies of

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scale and acquiring new technology. Historically South Asia which was a unified market with strong transportation links connecting East to West until 1947 had one quarter of trade taking place within the region. It has dwindled to 6 percent as national boundaries have become barriers for trade flows and exchange of goods and services . Tariff and non tariff barriers have deprived the region from reaping the advantages of proximity, low transportation costs, cultural similarities which influence taste and cause profitable complementarities .

South Asia is today the least integrated region in the world. In contrast, East Asia and the Pacific's intra-regional trade has risen to 52 percent. Even Sub Saharan Africa carries out twice as much intra-regional trade as South Asia. Cross-border investment is negligible and while there is an overall liberal environment for foreign investment flows, there are a lot of formal and informal restrictions for flows originating from within the region. Common historical and cultural heritage would have, in other parts of the world, induced ease in the movement of the people, educational exchanges, access to each other's media and cultural resources, sharing of scientific and technological knowledge and other forms of cooperation but none of this has happened in South Asia. With rising purchasing power in the hands of an expanding middle class the three countries would be in a Win –Win situation if they decide to open up their economies to promote regional trade, investment and educational and scientific exchanges.

Pakistan and India missed an opportunity for normalizing trade between the two countries and then strengthening South Asia Free Trade Area when India and Pakistan had reached an agreement in early 2014 . Pakistan had agreed to grant Most Favoured nation status to India while India had agreed to phase out its negative list from SAFTA in one year. India also removed some of the items of importance to Pakistan from the negative list. The Pakistani Cabinet had to ratify the agreement but because of the impending general elections in India it was decided to postpone the ratification until after the elections. That occasion has never arisen although nine years have elapsed since then as the incoming Government in India showed indifference to the bilateral agreement reached with the previous Government or in the revival of SAFTA. Had this agreement been reached the picture of South Asian economic cooperation would have been vastly different from what we are observing today. For example, I would predict that Punjab in India and Punjab in Pakistan, Assam, and Sylhet, Bangladesh and Northeastern states of India, Northern Sri Lanka, and Tamil Nadu being geographically so contiguous would have derived substantial benefits from the operationalization of SAFTA. . Natural contiguous corridors that link Bangladesh with West Bengal and Assam, Pakistan Punjab with Indian Punjab, Haryana and Delhi, Rajasthan with Sindh can lower the cost of production by sourcing cheaper raw material and reconfiguring the supply chain from neighboring sub regions across the borders. Consumers benefit from proximity as food storage occurring in a country can be easily met by bringing in the commodities from the countries producing surplus much faster and lower costs than anywhere

else from within the country. . Fluctuations in agriculture production do provide intra-regional trade as a strong buffer. When there is shortage of onions in India, Pakistani Punjab can supply within two hours compared to the expensive shipments from the rest of the country or overseas and vice versa.

Other complementary areas for promoting regional trade are trade facilitation and non tariff barriers. Trade facilitation across the borders within the region has been hindered by issues of Phyto Sanitary, health, environmental standards, quality testing, considerable delays in custom clearance, lengthened travel times and higher transaction costs. Truck crossings, where they are even allowed, take several days and allegations of unnecessary harassment by the border officials are rampant. Nontariff barriers had in fact diverted normal trade flows to informal or border trade or routing through third countries such as Dubai and Singapore raising costs to end-user.

I am an eternal optimist and despite these set backs I would propose going forward in four areas of cooperation which are mutually beneficial to the people of all the countries in the South Asia region.

First, We should build on the success of South Asia Economics Students meetings that have been regularly taking place in different countries for the past decade or so. These meetings have transformed the participating students into ambassadors of goodwill for the region as they dispel many of the apprehensions and misplaced perceptions about each other's country. After all, many South Asian families studying and working abroad

are among best of friends and hold social and cultural gatherings together. Exchange between students, faculty, think tanks should be encouraged as it would lay the foundation of better understanding among the future leaders of these countries.

Second, Indian movies and singers are quite popular in Pakistan and were regularly invited to perform at weddings and other public events . Pakistani dramas were quite popular in India and there was a dedicated TV channel which used to show these dramas regularly. Pakistani actors were invited to take part in Indian movies. Such cultural exchanges which have become dormant should be revived along with India- Pakistan Cricket matches. These matches in the past have brought the people of the two countries together and a lot of bon homie was shown to each other. Visas for Religious tourism such as Sikh , Hindu and Buddhists visiting their shrines , gurdwaras, and temples in Pakistan and Pakistani pilgrims visiting Ajmer Sharif and Nizam Uddin Aulia should be liberally granted. This soft power would gradually evaporate the seeds of prevalent mistrust. Connectivity through access to internet and cross border voice and data access would also help in this regard.

Third, the biggest challenge for the next 20 to 30 years for our region is coping with climate change and its consequences for agriculture, food production and energy supplies. Over 300 million people in South Asia have no access to electricity while past pattern of growth is typically associated with carbon emissions. How South Asia can balance its energy needs and growth while addressing global warming is a serious dilemma

for policymakers. A recent World Bank study² on the impact of climate change on South Asian countries provides an authoritative account of what we can expect in the coming decades. The study postulates that the imperatives of climate change and policies adapted to contain carbon emissions may slow progress toward many development goals, such as eradicating poverty, combating communicable diseases and ensuring environmental sustainability. Geography coupled with high levels of poverty and population density has rendered South Asia especially vulnerable to the impacts of climate change. High population levels translate into increased resource demands on an already stressed and largely degraded natural resource base. With an estimated 500 million people subsisting on less than \$1.25 per person a day, even small climate variations can cause irreversible losses and tip a large number of people into destitution. The region spans a variety of climate zones, including arid deserts, parched rangelands, freezing alpine mountains and humid tropical islands. The projected impact of climate change will be heterogeneous, suggesting that there can be no one-size fits-all approach to building climate resilience across South Asia. Responses will need to be customized to specific risks and circumstances. Indeed, over 50 percent of South Asians – more than 750 million people – have been affected by at least one natural disaster in the past two decades. The human and economic toll has been high, with almost 230,000 deaths and about \$45 billion in damages. The region shares common geological formations and river basins, leading natural hazards to frequently transcend national

² World Bank

boundaries. With climate change the frequency and incidence of such natural disasters is projected to increase. The monsoon is the most significant climate event in the region's economic calendar. It carries over 70 percent of South Asia's annual precipitation in a brief four-month period. A buoyant monsoon heralds bountiful harvests and financial security, yet when monsoons fail – or are excessive – suffering and economic loss are widespread. If climate projections are indicative of future trends, the risks associated with water related climate variability are likely to worsen. The Himalayas are a vital life-sustaining resource for South Asia, supporting the approximately 1.5 billion people who live directly in the floodplains of its many rivers – the Indus, Ganges, Brahmaputra and Meghna. With rising temperatures, the ice mass of the Himalayas and Hindu Kush is retreating more rapidly than the global average posing an unprecedented threat to water supplies, lives and economies in the region. With melting glaciers, flood risks would increase in the near future. The floods in Pakistan in August 2010 and later even more fierce in 2022 that caused a major devastation to human lives and property are a preview of the damage that extreme climatic events can bring about. In the long term, in absence of replacement for the water provided by glaciers, water shortages could result at an unparalleled scale. Reduction of yields for major crops by as much as 20 percent and an even sharper decline in agricultural incomes are part of the worst-case climate scenarios for the region as well as a growing scarcity of water. Avoiding this future will necessitate balancing more variable water supplies with the accelerating demand for water and would require significant adjustment to

the region's agriculture. South Asia also has long and densely populated coastlines with many low-lying islands. In the severe climate-change scenarios, sea-level changes could pose an existential threat, potentially submerging much of the Maldives and inundating 18 percent of Bangladesh's total land – directly impacting 11 percent of the country's population. Saltwater intrusion from sea-level rises in low-lying agricultural plains could lead to food insecurity, further increase the prevalence of water related diseases and reduce freshwater supplies. Many of the region's primary cities, such as Chennai, Cochin, Karachi, Kolkata and Mumbai – the engines of regional growth – are located on the coast and threatened by rises in sea levels. The immediate impact of sea-level rises would be felt in coastal communities and ecosystems but the ripple effects could be felt beyond borders if there is a largescale displacement of populations in the densely inhabited coastal areas and erosion of protective coastal ecosystems Climate change agenda and carbon emissions are a great threat to water-food-energy nexus for all the three countries.

As the water basins transcends national boundaries integrated management of these transboundary basins has to be given the highest priority. Indus basin treaty between India and Pakistan has worked reasonably well for the last six decades and wars and tensions have not hindered the progress. Similarly, despite political differences and problems there is an urgent need to strike a linking arrangement on water sharing as it impinges upon the survival of these countries' population.

Finally, cooperation in containing Pandemics and Public health hazards is another area where the countries can benefit. Health risks do not stop at the national territorial boundaries of the nations as they are contagious. Regional rather than national approach can prove to be helpful. India had developed vaccine for COVID 19 which it supplied to many countries . Other countries in the region do not have such facilities. Future preparations should therefore take into account the possibilities of sharing among the countries. Similarly, air pollution in Delhi and Lahore are interlinked and can be tackled through joint efforts by the two countries. Early warning systems for pandemics can be set up and kept activated..

The conferences and seminars such as this South Asia Economic Summit are a good example of cooperation among the think tanks of the countries in the region. These are being held regularly in different countries. I would propose that other professionals such as Management experts, scientists , finance experts , universities should also establish similar institutional arrangements and hold such meetings and interchanges regularly. Our governments should not only facilitate but also provide funding for such events.