

## Myth of South Asian Economic Integration: An Analysis

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### Abstract:

South Asian Region is currently intertwined with different clashes at the international level; intended to be an active partner of groups based on economic cooperation. Amid the war on terror, internal conflicts, regional issues, and communal violence, every state is confronting challenges in the way to create an economic bloc. Poverty is a single common factor making the lives of millions of South Asians difficult gradually. The region adds up to almost one-fifth of the world's population which is so poor; that two-third of it consists of a community that has no chance for quality education and health. South Asian regional integration was designed as the European Integration model to yield long-term benefits. South Asian leadership had a vision of utilizing cooperation as evidence for the growth, progression, and economic uplifting of society. This has not been so fruitful as it was thought. Evidence is collected from various studies and comparative analysis.

Key words: India, economic integration, trade Liberalization, internal strife, South Asia, SAFTA

### INTRODUCTION

The strategic location of South Asia is quite significant in many ways. Two important states of the region i.e. Pakistan and India have great importance; the former is surrounded by India, Afghanistan, China, and Iran, whereas the latter is bordering six states. India is located west and northeast of the Bay of Bengal, whereas Bangladesh at the orifice. Nepal is situated in the north of India, and its landlocked status makes it a natural prey to the Indian sphere of influence. Sri Lanka; an island country situated south of India faced the trouble of the Tamil Elam Movement for decades. Another landlocked country Bhutan is situated in the northeast of India. India surpasses Pakistan in many fields like geographical area, population, and technological advancement, and India being a regional power, expresses its might. India utilizes its influence directly on small states of the region including Afghanistan which was once considered the battleground of the Pakistani establishment during the Soviet Wartime. Keeping in mind the regional influence and power of India, India had the responsibility to play its role in strengthening peace stability, affinity, and brotherhood by removing hindrances in business (Sahoo, 2017).

The most important area of development is economic cooperation and integration. The region of South Asia is poverty-ridden having gloomy and dark economic features. South Asian Association for Regional Cooperation (SAARC) appeared to be an association of countries that were desirous to advance the common prosperity of South Asians and improve the living standards of the population at the individual and aggregate levels. Evidence supports the argument that there are different

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levels of discussions between regional powers that block the cooperation and confidence-building process for trade and exchange of economic indicators. Different studies suggest that various factors play their role in the development of regionalism such as closeness, homogeneity, useful interests, regular risk recognition, similitude in outside approach introduction, acknowledgment of vital power in the locale, and strategic hegemony (Islam, 1988).

SAARC members started trade agreements on an inter-state level but extra-regional trade settlements are also affecting regional cooperation. After judging the intentions of India towards regional integration, Pakistan observed that India only wanted to be the regional “policeman,” and has little to no interest in regional cooperation. As a result, Pakistan moved ahead with the biggest project of the region, namely, China Pakistan Economic Corridor (CPEC). India on the other hand, moved towards Iran as well as other Middle Eastern states for Maritime agreements at a greater pace. One basic threat is the implementation of the Uruguay Round and the latter is the implementation of the World Trade Organization’s rules (Nguyen, 2019). As a result, regional cooperation remains a better choice for preferential trade positions.

The economic cooperation or intra-regional trade has increased to a significant level since the signing of South Asian Free Trade Agreement (SAFTA) (), one and a half-decade ago which is appreciable, but not up to the expectation. There has been strong and sustained disbelief on the sustenance of the regional harmonious trade system due to internal conflicts and poor performance in terms of the economy. It is worth mentioning here that South Asian intra-regional trade has been improving since the implementation of the South Asian Preferential Trade Area (SAPTA) in 1995. SAPTA in start proved to be populist and in the later rounds the most substantial initiatives were noticed, so it was believed that after signing the SAFTA the process of trade liberalization would be triggered to a high extent in the region.

After being signed by the South Asian states unanimously and being implemented since July 6<sup>th</sup>, 2006, in which various levels of customs tariffs have been reduced. According to the terms of the agreement, in the first wave, the three major states ie India, Pakistan, and Sri Lanka reduced custom tariffs since January 2008 and other states ie Bangladesh, Bhutan Maldives, and Nepal too reduced the custom tariffs by 20 and 30 percent, respectively. The second phase was completed from 2008 to 2013.

There are three groups of scholars having different kinds of opinions on SATFA optimistic, pessimistic and moderate. An optimistic group of scholars says that SAFTA is very attractive and monetary gains are essential for the region (Pigato, 1997). The pessimists believe that SAFTA might be a troublesome choice since it can prompt trade diversions. The moderates see that small states can get more potential gains from SAFTA, whereas the preferential trade liberalization process is an awesome choice (Srivastava, 1995).

India Pakistan relations are plagued with trouble since partition. Kashmir, which is a bone of contention between India and Pakistan. Kashmir is proving to be one of the longstanding unresolved disputes between India and Pakistan, whereas India is strengthening itself with its hegemonic ambitions. In the same way, small states of the region like Nepal, Bhutan, and Sri Lanka are trying their best to keep themselves protected from big-brother’s interference in their matters (Anbumozhi & Kalirajan, 2020).

Despite these facts, the South Asian states have started to move forward, and it can spur the process if Pakistan and India learn something better for ending mutual distrust. The only way forward is the development of transnational communication links and enabling the region to become more attractive for trade and investment. Indicators suggest that the South Asian states import specific goods from the outside world at higher prices than that of the prices they can get from within the region. It can change the export graph and bring in raw materials at a lower cost. There are other challenges as well, for example, analysis by various economists state that SAFTA might not provide a better state of affairs in the region efficiently (Jayatilleke, 2003).

Analysis of different studies and states of South Asia suggest that member states of SAFTA have less potential for trade and they can make the decision together to increase the trade. So the reduction of tariffs might not be the only solution, engagement of three states of the region ie Pakistan, India, and Sri Lanka could result in a reduction of tariff, and could increase the interstate trade.

### **METHODOLOGY AND QUESTIONS**

Most studies state that political issues of South Asia are a major hindrance in achieving the goal of smooth cooperation leading to integration. No state has ever tried to explore the causes of failure to achieve goals of economic cooperation. The present study aimed to explore them in essence. The existence of strong religiopolitical differences is taken as a major hindrance in South Asian Economic Integration as a premise for the current research effort (Faisal, 2019). Regional integration during the current political scenario is not feasible until intra-state and regional disputes based on religion; border security and internal harmony are not resolved. Researchers in this regard have adopted a deep study approach of disputes, challenges, and opportunities of regional integration, with special acknowledgment of religious-political challenges keeping in mind the limitations in research as well. Problem-solving and depth analysis approach has been used for the current study. Following are the research questions for the current research effort: What are the challenges to economic integration? What are the psycho-religious, ethnic, and territorial challenges to the existence of regional integration of South Asia? What is the future of the trade liberalization process? What are the areas where South Asian integration might not be as good as other regional arrangements?

### **LITERATURE REVIEW**

Looking into research studies on the subject one can easily define that how regional integration is possible and why states cease to be sovereign, why they mingle voluntarily and merge with their neighbors in terms of the economy while acquiring new attributes for conflict resolution. They mean it for the fact that loss of certain authority over the benefit of gaining more economic benefits (Pangestu & Armstrong, 2018). New economic block emergence is a new trend, where one can easily distill the pros and cons of this activity. The most prominent economic blocks are European Union (EU), North American Free Trade Area (NAFTA), Association of Southeast Asian Nations (ASEAN), Common Market of the Souththern Cone (MERCOSUR), and others that have limited success including SAARC, etc. Additionally, European economic integration has certain important lessons to be learned. Regional integration has its dynamics. (Liu, 2019).

Viner (1950) coined the idea to examine the role of regional integration based groups on welfare and also came up with the concepts of trade creation & diversion. Viner also made assumptions of

zero demand and supply elasticity. Various scholars also attempted to make it a relaxed setting of the zero supply elasticity. The resultant factor of such studies states that if trade creation and expansion exceed diversion, regional integration shall be a prominent factor to promote welfare and vice-versa.

Bhagwati (1993) while writing on regionalism and multilateralism used the terms of building blocks in regional reference for trade and economy. He clarified that regionalism is a discriminatory attribution whereas regional block formation is a building in nature as it promotes multilateralism. Adding to that he said that if it obstructs multilateralism, it is a stumbling block. Mohanty stated that in case of trade diversion is employment spin-offs occur, they may lead to successful arguments for blocking trade (1991).

In the case of the EU, Greece, and Portugal which are relatively less developed, have gained as much as Netherlands and Germany which are relatively developed. The second lesson is a strong interplay of economic and political forces in regional economic cooperation (Khan, 2004). Studying exclusively the world trade organization (WTO) is also fundamental due to its expanded scope and practicability. Krugman & Obstfeld (1998) are of the view, that multilateral negotiations involving several countries are growth-oriented. It creates an accelerated process for dispute settlement & a legal framework for the liberalization of trade in services.

The above example set certain preconditions playing their role in promoting a successful integration process. Far ahead to the thought of signature on agreement and freeing the economies, it involves integration without geographical proximity, steady economic growth, similar political systems and conditions, supportive public opinion led by enthusiastic leaders, cultural homogeneity, internal political stability, similar experiences of socialization, compatible forms of government and economic systems, similar levels of military preparedness and economic resources, common threat perception, etc (Krugman & Obstfeld, 1998).

Sabhan is of the view that from Mughal times there had been a road network, which needs to be reconstructed. If rebuilt, it can be more beneficial for transit and trade provided that political nature impediments are removed. However, it is feared that South Asians also have to lose their part of sovereignty in their decisions to have fruits of economic integration. It is very difficult, but not impossible. Hossain and Kibria (1999) are relatively more optimistic in terms of availability of cheaper raw materials and low transportation cost which can be helpful in positive exploitation of available resources and creating centers of trade in South Asia.

Racine (2002) found that four points are hindering South Asian economic cooperation. First, security dilemma, second is Pakistani stance over the issue of Kashmir, the third factor according to his perception was "pro-status quo constituencies" meaning the role of armed forces in Politics and the last one issue of independence. Keeping in view the scenario of Indo-Pak border and territorial disputes, Matin-ud-Din points out that threats to frontiers and security of the state may be political, cultural, ideological, or strategic in nature having everlasting impacts and be dealt with intensive care. Resultantly an atmosphere of teamwork is created easily.

## **REGIONALISM IN EUROPE AND NORTH AMERICA**

It was the then French Foreign minister Robert Schumann who developed a plan for a shared market for Coal and Steel in May 1950. A major purpose of this plan was to bring France and Germany on the same page for controlling the production of coal and steel and to avoid future issues. It was a successful plan in the eyes of Robert Schumann. Six countries including France, Germany, Belgium, the Netherlands, Italy, and Luxembourg signed the treaty for European Coal and Steel Community in 1951 thus creating the first supranational economic institution. With a lot of failures and successes Europeans made it possible to achieve the goal and formed European Union on January 1, 1993, finally. Till 2017, the organization moved faster but was challenged by Br-exit.

Canada, Mexico, and the US played vital role in the enhancement of trade and removal of trade barriers (Jayatilleke, 2003). NAFTA is the result of extensive teamwork and networking of the three nations which also amalgamated their markets while setting an example for other regions of the world. NAFTA grew out of one of the major agreements between Canada and the US signed on January 1988. The agreement became effective on January 1, 1989. It came into its current position in 1992 when Mexico confirmed to join the free trade area. As a result of this agreement, the transportation sector got a lot of improvement whereas the agreement stated that states had to liberalize trade. A major portion of the trade of Canada with the US and Mexico started to take place under NAFTA. For this purpose thirty trilateral committees and groups got birth to facilitate trade and investment. Every step towards good results is challenging but in the case of NAFTA burden was doubled due to a lot of paperwork (Krugman & Obstfeld, 1998).

### **SOUTH ASIAN REGIONALISM AND PSYCHOLOGY OF REGIONAL POLITICS**

One of the interesting facts about SAARC is the shared history of being colonized by imperial power. Secondly, the military factor is very much important in one way or the other in SAARC states. Categorically speaking, there are open hostilities whereas bilateral problems do exist tampering with the region's peace and harmony. Third, the internal challenges faced by these states, the ethnonational issues with the central governments, respectively (Naazer, 2018-b). The tradable items among regional states include agricultural and manufactured goods. Agricultural products include fruits, vegetables, spices, rice, nuts, cotton, tea, and fish. Manufactured items include yarn, textile, fiber, carpets, and garments. Some scholars also include a third list consisting of leather, pearls, jewelry, iron, scrap, stone, synthetic items, etc. The overall volume of regional trade increased every decade despite problems (Naazer, 2015).

Few other differentiating issues of the region include religion, culture, and other issues. India and Nepal are Hindu states, but India opted to show its commitment to be a secular democratic state while Nepal is the regions' only Hindu state. Each state of the region is diverse and anxious about politico territorial consolidation (Chadda, 2000). South Asia is a fragile region in term of cooperation; a small incident in the region can stop any cooperation process altogether. SAFTA situation is still in problem due to power politics between India and Pakistan. It led to a confusing environment that spur Sri Lanka and India to sign a bilateral trade agreement. Sri Lanka after being entangled in issues is also working on negotiations with Pakistan. India Pakistan can pave way for integration by cooperation, whereas previous experience has been so much disturbing due to fear, jealousy, and suspicion (Hossain & Kibria, 1999).

Looking into the internal matters of the regional states, a contrasting picture appears. The regional poverty index is very high, plagued with extremism, terrorism, and poverty while failing to address original issues of the masses like pure water supply, availability of toilets, and food security. A clear divide of religions exists in the region like Hindu, Muslim, and Buddhism, which in one way or the other create issues among the practicing state. Talking constitutionally, including India there is no strong secular democratic state in South Asia. Yet India is the cause of multiple disputes in the region. Apart from having many border issues with the regional states, India and other states are facing separatist movements. Such important states of the region, entangle in so many issues make integration further complicated in South Asia.

India and Pakistan are two major powers of the region and arch-rivals of each other. This opposition is normally toned down whenever there is international stress for peaceful co-existence. For Sri Lanka and Nepal, India is a dangerous elder brother. India having deep penetration in Nepalese affairs of the state (Naazer, 2018-a).

For relative gains in the region, Sri Lanka ever makes effort by supporting Pakistan and other states. Sri Lanka and Pakistan also paid the price in this regard. Pakistan helped Sri Lanka to get rid of Tamil terrorism against the Sinhalese population and in later years Sri Lankan Cricket team was attacked in Lahore. It was also reported that India or Tamils might be behind this attack (Naazer, 2019). Any practical help from Pakistan towards Nepal is impossible in defense and military training terms or power-building agenda. Yet Nepal makes effort for this purpose. Nepal and Bhutan have a common destiny of being sandwiched between India and China. Bhutan due to its size and being encircled by the Indian sphere of influence; and resultantly it depends on Indian advice.

Bangladesh is a special case study in various terms. It was the part of present-day Pakistan. Bangladesh soon after its separation from Pakistan realized that it had to be more independent rather than dependent on India. On the other hand, it could not afford to be with Pakistan i.e. seeking or giving support to Pakistan due to internal issues that hinder cooperation between the two states. Despite all these factors, Bangladesh made efforts to pursue independent domestic and foreign policies. The Maldives is a small island state that has to keep peace and a harmonious relationship with India as it cannot afford any type of dispute in the region.

### **Market Integration in South Asia: Goals and Realities**

SAARC members had divergent interests and goals towards regional cooperation. India from the onset was interested to move forward for market integration whereas other countries wanted to pursue political objectives and cooperation in functional areas. Especially Pakistan and Bangladesh had apprehensions towards market integration and wanted to move in a gradual and cautious manner owing to their smaller markets and being lagging behind India in terms of industrial and economic development. At the time of creation of SAARC four out of seven founding members were categorized as the Least Developed Countries (LDCs). Only India, Sri Lanka and Pakistan was not included in this list. Nonetheless, there were several political and economic causes that prevented regional countries to move towards market integration (Naazer, 2015). The major breakthrough was, however, made in 1993 when regional countries signed South Asian Preferential Trade Agreement (SAPTA) that became fully effective in 1995. The progress on trade liberalization under

SAPTA remained slow that always frustrated Indian ambitions. It prompted New Delhi to look elsewhere and as such it pursued Look East policy in mid 1990s. Under this policy, India pursued close trade and economic ties with Southeast Asian states. It also pursued economic cooperation and trade linkages with under alternative regional groupings such as Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC). Meanwhile, India strove to convince SAARC members for conclusion of South Asian Free Trade Agreement (SAFTA). Indo-Pakistan tense relations and military coup in Pakistan, however, delayed the process till 2004 (Naazer, 2015).

The milestone agreement (SAFTA) was signed on January 6, 2004, during 12<sup>th</sup> SAARC summit. Indian Prime Minister Atal Bihari Vajpayee had paid a visit to Islamabad to attend the summit which had previously been postponed due to Indian refusal to attend it. India had caused its postponement because Pakistan was not willing to move forward on trade liberalization. Only after Islamabad agreed to conclude SAFTA, Indian Prime Minister decided to participate in the Islamabad summit. Vajpayee's visit signaled a breakthrough in Indo-Pakistan bilateral relations and also paved the way for initiation of the peace process between the two states (Naazer, 2017).

SAFTA was believed to be a milestone in the regional integration process as it was expected to lead towards creation of a Common Market or even South Asian Economic Union. SAFTA became effective from January 1, 2006 after rectification by the signatory states; Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka. Afghanistan after joining SAARC as its eighth member in 2007 acceded to SAFTA in 2008.

SAFTA recognized the need to giving special status and concessions to the LDC members (Afghanistan, Bangladesh, Bhutan, the Maldives and Nepal). The measures provided to pursue these objectives included: provisions for smaller initial tariff reduction and longer implementation periods as compared to non-LDC members (India, Pakistan and Sri Lanka); provision for a longer list of sensitive products exempted from trade liberalization commitments than non-LDC states, and; greater flexibility in the continuation of quantitative or other restrictions.

The trade liberalization programme provided a different time schedule for tariff reductions for LDCs and Non-LDCs. SAFTA was to be fully implemented in a period of 10 years during which members were to abolish restrictions on regional trade in a phased manner. It was to be completed in two phases. In the first phase to be completed by January 2008, non-LDC members agreed to reduce tariff rates to 20 percents while LDC members had to reduce tariff rates by 30 percent. The agreement stipulated to reduce tariff rates to 0-5 percent in second phase; i.e. by January 2013 (India and Pakistan), January 2014 (Sri Lanka) and January 2016 (Afghanistan, Bangladesh, Bhutan, the Maldives, and Nepal).

SAFTA was based on seven core elements which included: a) trade liberalization programme; b) rules of origin; c) institutional arrangements; d) revenue compensation mechanism; e) technical assistance for LDCs; f) safeguard measures; g) consultations and dispute settlement procedures. The members agreed to prepare and maintain a negative (sensitive) list to order to safeguard their vital domestic products in their mutual trade. Pakistan, however, decided to liberalize trade with India under a positive list approach. However, it announced to conduct trade with India under a

positive list approach in 2011. SAFTA included provisions regarding LDCs, trade concessions, direct trade measures, non-tariff and para-tariffs, rules of origin, etc.

SAFTA aimed to increase regional trade and economic development through enhanced and fair competition, elimination of trade barriers, expansion of market and reaping the benefits of economy of scale, attracting of foreign direct investment, and ensuring equitable gains to all members. It was estimated that regional trade will increase manifold that would usher into an era of progress and prosperity, help eliminate poverty and raise the standard of living of the people of the region, which was the main goal of initiating integration process in South Asia.

Many scholars and researchers were, however, not optimistic about the the feasibility or whether SAFTA can actually be operational or implemented due to hostile political climate, lack of will to commit to regional cooperation, lack of trade facilitation measures and the supply side issues. It is up to Pakistan and India to resolve their conflicts for the benefit of not only themselves but also the rest of the region. India was seen as the bigger economy and expected to be a play leading role in promoting growth in the region. Trade facilitation measures and the joint cooperation of members was required to eliminate the supply side problem of capacity, information share and facilitation of businesses across the borders.

Despite its potential to transformation politics and economics of the regional states, several apprehensions were expressed regarding success of SAFTA or its sincere implementation by the member states. For many analysts the success of the SAFTA mainly rested on the nature of the regional political environment, relations among the member states especially the two big member states, India and Pakistan. It was feared that the strained political environment would obstruct prospects of meaningful regional cooperation and trade liberalization process among SAARC members.

SAFTA has not helped to significantly increase regional trade in South Asia. Though India signed bilateral trade arrangements with most of the SAARC members as well as concluded alternative regional trading arrangements but overall volume of regional trade could not be increased. Most of the SAARC members showed resentment over their growing trade deficit with India and latter's unwillingness to give their products free access to Indian market. The growing Indo-Lankan trade relations suffered serious set back due to Indian protectionist policies adopted mainly on the pressure of domestic interest groups and political lobbies. The failure of SAFTA to realise its goals has shattered the dream of creation of an economic union or even a common market in South Asia.

India was expected to play a leading role in regional integration in South Asian but these expectations could not come true. India being the largest member state occupying about four-fifths regional landmass, population, production and trade etc. needed to show generosity and large-heartedness towards its smaller neighbours. Pursuance of narrowly defined national interests, appeasement of domestic interest groups, short sighted electoral and political considerations by ruling parties in New Delhi prevented India from playing its role needed to make South Asian regionalism successful.

The smaller members too gave political considerations precedence over economic cooperation and trade liberalization that could have stimulated growth and prosperity in the entire region. Strong nationalism, anti-India feelings and bilateral problems with New Delhi prevented smaller members



to overcome their unwillingness to promote trade liberalization in South Asia. Political instability, unrest, and insurgencies - occasionally supported by a neighbouring country, also inhibited meaningful cooperation among the regional countries. Insurgency in Afghanistan and Indo-Pakistan competition rather proxy war in the war torn country besides their blame game of sponsoring cross-border terrorism also deteriorated the prospects of economic cooperation and trade facilitation in the region.

Regional countries gave precedence to their extra-regional linkages over promoting cooperation in the region. For instance, New Delhi believing that "SAARC needed India more than India needed SAARC" focused more on building its economic and trade linkages with countries of Southeast Asia, Indian Ocean Rim and Gulf region than trade facilitation with its South Asian neighbours. India also discounted regional integration projects such as Iran-Pakistan-India gas pipeline projects either on the American pressure or to appease Washington for the sake of winning latter's heart to sign a nuclear deal under a strategic partnership agreement with the US. Pakistan too promoted its economic and trade ties with China and Gulf states giving less importance to SAARC or SAFTA. Pakistan even refused to liberalize trade with India on a negative list approach till 2011 mainly due to outstanding problems, especially the issue of Jammu and Kashmir with New Delhi. Pakistan also intended to solidify its economic and trade linkages with members of Economic Cooperation Organization and to use the grouping as a counterweight to Indian domineering role in South Asia. Bangladesh and Nepal too tried to enhance economic and trade linkages with China and other countries at the cost of regional cooperation and trade liberalization in South Asia.

### **The Troublesome State of Affairs**

The challenges and radical threats to the possibility of regional integration can be categorized into four broader areas; one Border Dispute, the second ideology of intolerance, three water disputes, and last but not least international power conflicts of interest in the region. Looking into the border disputes, it has always been learned that they are a source of trouble and wars-like situation among the bordering nations. In the post-colonial environment, the problem mainly resulted from ill-defined borders. Looking into the map of the region it is clear that except few many states border India. Regional cooperation is always threatened by disputes; among them, the oldest is indeed the Kashmir dispute.

Kashmir is a very complex issue raising all kinds of concerns and disputes under discussion. Kashmir has territorial, boundary, political, religious, and human rights violation areas. Pity political gains, military interest, and party politics of India have kept the issue unresolved for the last seventy years. Fai (2004) is of the view that two major dimensions have played their role in this regard; one is the involvement of India and Pakistan being nuclear powers and second is the rise of China as a world power and making huge level of investment in the region especially India and Pakistan (Fai, 2004).

Politicians take the territorial issues very seriously due to two reasons; one, as a challenge to the territory, and second; political gains. Solutions for these problems are to be made on a give and take basis because there might be a positive-sum game. On the other hand, the emotional attachment of the people with each inch of disputed territory making it difficult for the tiniest compromise. Replicating this on the South Asian region, it is a well-known fact that any rational settlement

without any international organization or big third party is not possible. Water disputes, increasingly pose threat to regional peace and security. Interestingly India is again a major party in water disputes; India versus Bangladesh, India versus Nepal, and finally India versus Pakistan.

All these four states are heavily dependent on water resources due to their base in agriculture. One of the dangerous aspects is India's neglecting the water issue and setting up dispute settlement mechanisms for the parties involved. The troublesome environment between India and Pakistan arises because Pakistan is very much dependent on water and India has major control over these resources; resultantly it gives birth to a more conflictual situation. Such disputes are harmful to the prospects of peace and stability for involved parties and the region on the whole (Condon, 2009).

## **CONCLUSION**

The issue of South Asian Economic Integration can be evaluated by understanding the answers to the questions. Thus, a bit deeper insight into the impact of the factors i.e. challenges, or opportunities can give impetus for future research as well.

*The first* question related to the idea is to identify the challenges to economic integration. If one looks at the terms of comparison of various involved factors, the resultant factor is the importance of the existence of the free trade area. Whereas domestic challenges are so deep-rooted, such as the common man is always denied its rights by the ruling elites that defy the very purpose of the process of economic integration. Taking the example of India, one comes to know that a larger part of internal conflicts is erected around economic disparities and a massive increase in population. From this level, the conflicts have gained a deadly pattern that aims to crush other castes and religions. Differences in the minds of people (as stated above) are manipulated by various political groups for their respective gains in the form of increasing vote bank and area of popularity. Pakistan faces the same fate due to its strong Islamic character and poverty-ridden economic infrastructure. Moreover, the Kashmir dispute and human rights violation against Muslim Kashmiris are constantly creating trouble in initiating an integration process and leading it to success.

*The second* question pertains to the various idiosyncratic factors that challenge the cooperation and regional integration, "what are the psycho-religious, ethnic and territorial challenges to the existence of regional integration of South Asia?" The answer to this question is not abstract. Religious, ethnic, caste, and territorial problems constitute a web that starts from internal politics and crosscuts the region while hindering all the cooperative measures attempted by the lovers of peace and prosperity. Continuing with the example of India, we see that religious fanatics have gone to the extreme and Hindu-Muslim, Hindu-Sikh and Hindu-Christian riots have been the order of Indian polity. Corruption, uncontrolled manner of politics, disregard for the constitution are the factors faced by Pakistan to create a harmonized polity, which also hampers the cooperation and integration process of South Asia.

Psychological and idiosyncratic constraints are the main causes behind Indian hegemonic designs and practices, India-Bangladesh, Indo-Pakistan, and Bengali-Pakistan problems. The balance of power problem between India and Pakistan is a concrete example in this case. Political differences with special reference to religion are the main hindrance, and they can impede cooperation among

regional states. But the way of normalization of territorial disputes and managing the tourism industry can be helpful to have a fresh start for total gains.

*The third* question pertained to the future of the trade liberalization process? First of all, South Asians must conform to the codification of the system and assessment of their capabilities. Then they should move to the harmonization of standards. Disregard to the religiopolitical challenges, there might be a challenge of quality; high tech industry, etc. Differences in the relative level of technological development may be a barrier to integration. But the introduction of new technologies can solve this issue easily.

*The last* question apprehends about the particular areas where South Asian integration might not be as good as other regional arrangements. Under NAFTA, the US, Canada and Mexico had to remove all restrictions on trade and investment in 15 years. But unexpectedly they did it in less than half of the targeted time frame. While contributing factors were the trade negotiations of the 1980s, the high-tech industry, strategic proximity, and fewer cultural constraints. In the case of environmental debates, NAFTA has gone far better than any-one and in this particular area, the South Asian region cannot be better for anyone. Additionally, their demands for human rights, civil justice, and non-interference in other's matters are the salient features that are less found in the South Asian region. In the case of South Asia, every non-LDC state interferes into other matters, and long-running border, security, and other disputes create an environment of mistrust.

SAARC, the mother institution of SAFTA is very old but with a powerless Secretariat and concentration of powers in the hands of the Standing Committee, consisting of foreign secretaries of member countries, the Council of Ministers, and the Annual Summit Meeting. The offspring i.e. SAFTA is directly affected by the SAARC and its Secretariat. Instead, the Secretariat needs to be empowered on the guidelines of the European Commission and the ASEAN Secretariat. Secondly in the area of Human Rights and Women Rights, there is neither description found in the SAARC charter nor SAFTA depicted the imperatives while forcing the Human Rights Code or a Regional Court. The mere talks for the South Asian Parliament and South Asian Union are nothing without a description of the Human Rights Code and a Special Court for Human Rights with special reference to the traditional and cultural constraints.

The study concludes that active cooperation by SAARC member states would enable them to have better target markets for export-oriented items. SAFTA did represent a small portion of the regional trade whereas its transition to SAFTA did occur but almost all of the issues are on paper. It is not only economic pressure that hinders the process of integration but attitudes of the people do impact the reign of terror. Terrorism and intervention in other state's affairs is the cause of this economic stress and resulting in low motivation and productivity. Eventually, the individuals do not trust the ability and power of the state for the protection of their rights. Various other sectors like health, education, economy, learning capabilities, and tendencies towards life are affected by terrorism. South Asians have to separate internal politics for the future of the region.

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