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A Political Economy Perspective on South Asian Regionalism

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Abstract

The study provides a comprehensive analysis of South Asian regionalism. Although economic integration holds many benefits for developing states, in South Asia regional integration is still at an early stage. By examining the main propositions of several theories: orthodox theory, new regionalism and theories on the political economy of regionalism, the study addresses the question of whether the South Asian countries benefit adequately from a regional integration under the SAARC framework.

Many of the recent studies on South Asia attempt to capture the effects of regionalism by applying quantitative methods, utilizing exceedingly limited frameworks. The present study juxtaposes formal and informal economic, political and social aspects, presenting a multi-dimensional approach to South Asian regionalism. Hence, the study offers a political economic perspective, which is critical to the growth of existing views on regionalism and its effects on South Asian economies.

Both quantitative and qualitative analyses are used to examine primary and secondary data related to economic, political and social aspects of the study. An investigation on present strategies of South Asian economic relations is conducted by evaluating the South Asian Preferential Trading Agreement (SAPTA) and South Asia Free Trade Agreement (SAFTA). The study calculates indexes such as Export and Import Intensity Indexes, Anti-Regional Trade Bias Index and Trade Balance Index using formal data. The research also tests some of the common characteristics

of successful regional arrangements. Next, a time series regression model is used to test whether there is a significant impact of regional integration on intra-regional trade flows for three member countries in the region: India, Pakistan and Sri Lanka. The study also employs a commodity group analysis to recognize the South Asian intra regional commodity trade under 6 digit level of Harmonized System classification. A primary survey to understand the nature of informal trade and its characteristics in Sri Lanka was also conducted. Data on political and social dimensions such as issues of security and conflict for the region were extensively examined. In general, the data is framed within a literature review on existing academic material on regionalism, South Asian regionalism, political economy and other related topics.

The study finds that the SAPTA/SAFTA initiatives have had impact on trade patterns in the region, with more benefits to the larger economies. India is considered to be the net-exporter to the region. This asymmetry is reflected in the Anti-regional Biased index as well, revealing that India and Pakistan are more outside.biased in international trade. Interestingly, the regression analysis proved that with the implementation of SAPTA and SAFTA, intra-regional trade flows of member countries with partner countries have increased. This implies that regional trading arrangements have positively contributed to stimulate intra-regional trade. The top 20-commodity analysis found that the SAARC region should focus on agricultural and manufacturing commodities. The findings further suggest that Sri

Lanka would benefit from promoting tea, rubber, coconut, diamonds and gems within the region.

Importantly, the study found that when informal trade in the region is taken into consideration intra-regional trade among the SAARC members is much higher than the recorded official trade. One reason for higher informal trade may be higher regional trade impediments. The case study survey undertaken in the study demonstrates the extensive level of informal trade between Sri Lanka and India. The research also finds that due to the slow advancement and other impediment to regionalism, member countries have opted for bilateral relations. When comparing with other regional blocs the rapid movement to free trade agreements is a weakness in the existing regional integration framework.

The prevalence of various levels of conflict is identified by the study as a serious hindrance to the regionalism in South Asia. Regional cooperation may also be necessary for resolving those conflicts. Economic regionalism cannot be sustained without political dialogue and support among group members. In conclusion, it should be noted that although the study focuses on the South Asian regional framework, much of the findings of the study have wider application in regionalism in relation to developing countries across the globe.

This detailed study of economic integration under the SAARC framework with political economic perspective, is a timely need for policy and decision-making in the region. This study exposes economic, political and social aspects,

presenting a much needed multi-dimensional approach to South Asian regionalism.