A STUDY AND ANALYSIS OF CHALLENGES, ACHIEVEMENTS AND HURDLES FACED BY SAARC NATIONS IN TRADE INTEGRATION AND GROWTH

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ABSTRACT
The South Asian Association for Regional Cooperation (SAARC) is an economic and geopolitical organization of South Asian nations. It was established on December 8, 1985 by India, Pakistan, Bangladesh, Sri Lanka, Nepal, Maldives and Bhutan. In April 2007, at the Association's 14th summit, Afghanistan became its eighth member. It plays the role of a guiding force for the member countries. SAARC provided a platform for the peoples of South Asia to work together in a spirit of friendship, trust and understanding based on mutual respect, equity and shared benefits. SAARC nations cooperation are in the area of agriculture, rural, biotechnology, culture, energy, environment, economy and trade, finance, funding mechanism, human resource development, poverty alleviation, people to people contact, security aspects, social development, science and technology, communications, and tourism. The paper attempts to study and analyze the challenges faced by South Asian nations in Trade Integration and Growth. It also highlights the achievements and hurdles faced by SAARC Nations for regional economic integration in the region.

Keywords: SAARC nations, challenges, achievements, hurdles.

1. INTRODUCTION
SAARC is a manifestation of the determination of the peoples of South Asia to cooperate regionally and to work together towards finding solutions to their common problems in a spirit of friendship, trust and understanding. The combined economy of SAARC is 3rd largest in the world in the terms of GDP(PPP) after the United States and China and 8th largest in the terms of nominal GDP. SAARC nations comprise 3% of the world's area and in contrast having 21% (around 1.7 billion) of the world's total population. India makes up over 70% of the area and population among these eight nations. The idea of regional cooperation in South Asia was first mooted in May 1980. The Foreign Secretaries of the seven countries, namely, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka met for the first time in Colombo in April 1981 which led to the identification of five broad areas (Agriculture, Rural Development, Telecommunications, Meteorology, and Health and Population Activities) for regional co-operation. Subsequently four additional areas (Science and Technological co-operation, Transport, Postal Services and Sports, Arts and Culture) were identified for regional cooperation. The SAARC Preferential Trading Agreement (SAPTA) was signed in April 1993 in Dhaka. It paved way to the Agreement on South Asian Free Trade Area (SAFTA). SAFTA was signed by all the member states during the twelfth 'SAARC Summit' held in Islamabad.
during January 04-06, 2004, and came into force from January 01, 2006. The SAARC seeks to promote the welfare of the peoples of South Asia, strengthen collective self-reliance, promote active collaboration and mutual assistance in various fields, and cooperate with international and regional organizations.

2. REVIEW OF LITERATURE

Jacob Viner (1950) was the first one to examine the impact of regional groupings on the welfare and introduced the concept of trade creation and trade diversion. However, he made restrictive assumptions of zero demand and supply elasticities. The main finding of these studies has been that if trade creation and trade expansion exceeds the trade diversion, regional integration would be welfare promoting and vice-versa. Many international economists have come up with different definitions of integration. According to Balassa (1961), integration has been said to progress through the freeing of barriers to trade (trade integration), the liberalization of factor movements (factor integration) the harmonization of national economic policies (policy integration), and the complete unification of these policies (total integration) (Balassa, 1976). Kitamura (1966) however criticizes these definitions on the grounds that they conform to the principles of classical economic doctrines but do not apply to the present day market economies, which are characterized by a considerable degree of state intervention, and apply even less to developing and to socialist economies. Pinder (1968) proposed to define economic integration as both the removal of discrimination as between the economic agents of the member countries, and the formation and application of co-coordinated and common policies on a sufficient scale to ensure that major economic and welfare objectives are fulfilled. His definition was criticized by Vajda (1971) for its excessive generality. Ahsan Abdul, 1987 in his paper pointed out the variety of scopes to develop the working of SAARC. And finally come to the statement that "No doubt SAARC was established in the back ground and full knowledge of the existing differences among some member states, one will have to wait and see if it can charter new and more substantive course in economic and social co-operation within without an improvement in mutual confidence and understanding. Vamvakidis (1998) in one of the early attempts tried to answer the question whether regional trade agreement held any impact on growth. His empirical evidence showed that there was a case for smaller economies entering into such arrangements with larger economies for growing faster.

3. CHALLENGES FACED BY SOUTH ASIA IN TRADE INTEGRATION AND GROWTH

South Asia has made good progress on liberalizing trade regimes and cutting tariffs since the early 1990s when most of the countries started with reforms. The countries have also undertaken considerable industrial deregulation and other structural reforms. The governments and the private sector recognize that strong exports are critical for overall economic growth and export-led growth has become a key thrust in each country. Each country has been integrating with the global economy, as evidenced by the significant increases in the merchandise trade [(exports plus imports)-GDP] ratios.

In 2005, Bangladesh, India, Pakistan and Sri Lanka recorded strong export growth to the United States and the European Union markets.

3.1. Countries must continue with reforms
South Asian governments recognize the need to implement additional reforms and address significant constraints to ensure that trade supports growth and benefits the poor. South Asia remains the most highly protected region in the world. It lags behind in opening up to foreign competition and in attracting foreign direct investment. It is also the least integrated region, where intra-regional trade accounts for only 5% of the countries’ total merchandise trade.

Protection levels, reflected in the significant tariff peaks and dispersed protection levels, are considerable in India, Pakistan, and particularly in Bangladesh. Serious behind-the-border constraints to private activity in infrastructure, economic governance, financial sector, labor and land markets, and trade logistics impede productivity growth and hurt export competitiveness in all countries. Examples of these constraints include insufficient and unreliable power supply, inhibiting red tape, limited access to financing by SMEs, inflexible labor market due to rigid labor laws and regulations, poorly defined property rights, inefficiencies at customs, and limited inland transport capacity.

3.2. Liberalizing trade has become challenging
Continuing with trade reforms has become more complex because of concerns of how these reforms will affect employment, income distribution, poverty and vulnerability. India is focused on WTO negotiations on agricultural trade policies, and there is strong interest in services.

In Sri Lanka, successive governments have focused on liberalizing the manufacturing industry but have excluded agricultural products from such initiatives. Various interest groups in Bangladesh oppose further reforms, arguing that trade liberalization has been too fast. The country also has to adjust to the abolishment of the textile and clothing (T&C) export quotas, instituted January 1, 2005.

India and Pakistan are better positioned to deal with the intensifying global competition in the T&C export markets, while Bangladesh, Nepal, and Sri Lanka need to improve their competitiveness more aggressively.

3.3 Multilateral and regional initiatives
On the global level, India, Bangladesh, and Pakistan have become active in the multilateral trade negotiations associated with the WTO Doha Development Round, playing leadership roles as speakers for other developing countries. While South Asian countries have made significant progress in integrating with the rest of the world, intra-regional trade remains very low. The reasons for this low level of trade include protectionist trade regimes, which discriminated against trade among larger neighbors; continued conflict between India and Pakistan; and transport and trade facilitation constraints.

Since the early 1990s, the countries have attempted to increase cooperation and trade among themselves, without significant results. In 1993, members of the South Asian Association of Regional Cooperation (SAARC) – Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka – signed the South Asian Preferential Trade Area (SAPTA) Agreement, which became operational in December 1995. The countries should seek to increase intra-regional trade in goods and services, investment, and development of supply chains. They should also seek to increase cooperation in the areas of harmonization of product standards and customs procedures, and in travel rules and facilities.

Recent worldwide proliferation of preferential trade agreements (PTAs) has spurred South Asian countries to do the same, and they have begun negotiating their own preferential free trade agreements.
3.4 The World Bank’s assistance strategy for trade
The World Bank has responded to the countries’ recent acceleration in trade reforms and complementary structural reforms by adjusting its country assistance strategies (CASs) and regional programs. The Bank has increased and diversified its trade-related support activities: trade reports and policy notes, technical assistance in capacity building and training, and financial support for the reform initiatives.

The Bank also supports the countries’ initiatives to boost regional cooperation and intra-regional trade through analytical work and technical assistance to the South Asian Association of Regional Cooperation (SAARC) Secretariat

4. ACHIEVEMENTS/ROLE OF SAARC
SAARC has made tremendous improvement owing to the interaction and cooperative efforts being put in by the member states. The progress and development of SAARC during the recent years can be looked at under the following headings:

4.1 Substantial Increase in Cooperation Since the formation of SAARC in 1985, the level of cooperation among the member countries increased substantially. SAARC was established with the objective of improving the living standards of the people, cultural and regional economic growth and increasing cooperation with other regions of the world. During the recent years, realizing the importance of regional cooperation and development, SAARC members have now created a sense of accelerating regional economic development and they advocate revival of the organization by moving from just the issuance of declarations to practical implementation of the plans and policies to turn this weak region into a potentially developed one.

4.2. Economic and Trade Discussions For the success of SAARC, economic and trade cooperation is very much important and in fact the first thing to be focused on for the development of South Asia. During the 1990s, SAARC discussed the Preferential Trading Area (SAPTA) among the member countries which was materialized in the shape of Free Trade Agreement which is now known as South Asian Free Trade Area (SAFTA). According to this agreement, the tariff reduction plan was chalked out and since 2006, this reduction had been carried out in two phases i.e Pakistan and India pledged to put tariffs on all the goods down to twenty percent within two years and all other countries to thirty percent within three years.

4.3. Increase in External Support/Cooperation with Observers It is worth mentioning that being a poor region, SAARC countries cannot develop each and every aspect of their economies alone. They are in need of support and assistance in capital, resources, education and technology from the more developed regions and individual countries. One of the positive points in the recent years has been the interest of the other developed countries in SAARC who want to provide help in social and economic fields. The member countries have reached the conclusion during the recent years that they would welcome any assistance from the observer countries and being observers, USA, Japan, China, South Korea, Iran and EU are willing to provide support e.g Japan has clearly offered help in social infrastructure development and disaster management, China offered donation to South Asian Development Fund and the recent support has also come from China to run the China-South Asia Business Forum. SAARC has established institutionalized arrangements for cooperation with a number of other regional groupings and international and regional organizations. SAARC has also been in the process of making agreements and MOUs with other regional and international
organizations like United Nations Development Programme (UNDP), International Telecommunications Union (ITU), United Nations Conference on Trade and Development (UNCTAD), United Nations Drug Control Programme (UNDCP), Asia Pacific Telecommunity (APT), United Nations International Children Education Fund (UNICEF). This external support gives a boost to the aims and objective of SAARC to move forward for the better future in the social and economic fields and it is also a good opportunity for the members to develop inter-state cooperation within South Asia.

4.4. Social Cohesion among Member Countries/People to People Contacts

One of the most significant objectives of SAARC is to increase people to people contacts. Though in the presence of large scale institutional set up, it is quite difficult to create an environment for open social interaction but during the recent years, the member countries have realized the importance of this aspect of cooperation and as a result of this thinking, SAARC has tried to undertake a program of well-connected South Asia and that can be possible when people are closed together for which some initiatives have been taken like:

- SAARC chairs, Fellowship and Scholarship Schemes
- SAARC Youth Volunteer Programme
- SAARC Visa Exemption Scheme
- SAARC Audio-Visual Exchange Programme
- South Asian Festivals
- Association of SAARC Speakers and Parliamentarians
- SAARC Law (Association of legal communities of the member countries)
- Cooperation of Non-Governmental Organizations
- SAARC Chamber of Commerce and Industry
- SAARC Scheme for Promotion of Organized Tourism
- SAARC Documentation Centre

Moreover, the civil societies in the member countries of SAARC are also trying to create more communication networks between scholars, writers, journalists, academicians, retired civil and military officials. The success of Track II diplomacy between Pakistan and India is also one of the aspects influenced by this broad objective of regional development. According to Former Indian Prime Minister I. K. Gujral “I have the increasing feeling that un-official SAARC is going to be the driving force behind the official SAARC. This is some sort of „New Regionalism” which is engulfing the entire South Asian region”. SAARC has enormously developed people connectivity within South Asia.

4.5. Cooperation on Security and Terrorism

The SAARC Convention on suppression of Terrorism was signed in 1987 and later the Additional Protocol on Terrorism was signed taking into account the terrorist financing structure. This was in accordance with UN Security Council Resolution 1373. The Additional Protocol on Terrorism was adopted in 2005 after much debate and discussion on the definition of terrorism. In spite of these two important documents on terrorism, there has not been much enthusiasm to cooperate on issues of terrorist violence and funding between the member countries. Cooperation has been confined to bilateral initiatives. SAARC Terrorist Offences Monitoring Desk (STOMD), Colombo, Sri Lanka SAARC Drug Offences Monitoring Desk (SDOMD), Colombo, Sri Lanka

4.6. Focus on Youth

It is a fact that in most of the developing countries, youth is ignored. Although youth forms an important part of development for any nation but still they are not consulted to while
taking important policy decisions. Given the sensible bracket of age within which young people fall, they are highly risk taking and in case of no opportunities for progress, they even become the cause of governments fall. SAARC members have all an increasing rate of the young population and they must be made the center of attention which SAARC has considered upon. The SAARC Youth Award is awarded to outstanding individuals from the SAARC region. The award is notable due to the recognition it gives to the Award winner in the SAARC region. The award is based on specific themes which apply to each year. The award recognizes and promotes the commitment and talent of the youth who give back to the world at large through various initiatives such as Inventions, Protection of the Environment and Disaster relief.

4.7. Poverty Eradication As one of the poorest regions of the world, it is one of the most important priorities of SAARC to give attention to this main objective of poverty alleviation. The total population of SAARC eight members is over 1.6 billion and forty percent of this population is living below the poverty line. The illiteracy rate is about or even more than 50 percent. The task is not very easy but with conviction and vision for stable regional cooperation, this aim can be achieved. The seventeen SAARC Summit in 2011 accorded the highest priority to the alleviation of poverty in South Asia and decided to strengthen the Independent South Asian Commission on Poverty Alleviation (ISACPA) which was established in 1991 consisting of eminent persons from member states to conduct an in-depth study of the diverse experiences of member states. The strategies for poverty alleviation were suggested as:

- Social mobilization,
- Access to education, safe drinking water
- Health services
- Nutrition
- Policy of agricultural development
- Labour-intensive industrialization
- Human resource development.

4.8. Financial Cooperation The Meetings of the Finance Ministers of SAARC is an important feature of SAARC agenda. Till now, four Meetings of the Finance Ministers of SAARC have been held in Pakistan (July 11, 2006), India (September 15, 2007), Maldives (May 14, 2009) and Bhutan (August 24, 2010). The First Meeting of SAARC Finance Ministers confirmed the establishment of an Inter-Governmental Expert Group on Financial matters including development of the roadmap for achieving the South Asian Economic Union (SAEU) in a phased manner. The Member States are in the process of exchanging Concept Papers in the area of finance. A SAARC Expert Group on Development of Capital Markets in South Asia was also held at the SAARC Secretariat on December 27, 2011 as recommended by the SAARC Finance Ministers. Sixth meeting of Inter-Governmental Expert Group on Financial issues took place at SAARC Secretariat on 23-24 April, 2013. The Seventh informal meeting of SAARC Finance Ministers took place in New Delhi on May 3, 2013 and Progress is being made in the positive direction regarding financial cooperation while considering and opening new doors for cooperation.

4.9. Integrated Programme of Action (IPA) The IPA is an important programme of the SAARC process and includes 12 areas of cooperation, each being covered by a designated Technical Committee. The Secretary-General reports to the Standing Committee on the progress in the enforcement of IPA. The Standing Committee also reviews the institutional mechanisms and the functioning of the Technical Committees, their mandate and also evaluating the role of the Secretariat. The various committees working under IPA are as follows:
The regional organization role has been increased in this globalization time. The interdependence of nations has been increased. SAARC is the world’s biggest organization in term of population, it has 22 percent of total population. If SAARC member help each of its member country economically then poverty and illiteracy can easily be reduce. SAARC members have to take example, how European Union and ASEAN are succeeding in its goal. Now it is clear that economic development will take place when globalization and regional help take part in this. In SAARC summit 2009 which was held in Islamabad it was decided that till 2012 South Asia Free Trade Area (SAFTA) will take place. But there is no more progress yet. Small nation are worried about that SAFTA will help only big nations. But it is not true. Sri Lanka export to India has been increased 135 percent per year. If we compare it in terms of India is only 32 percent. India trade to Bangladesh and Pakistan is not increased due to many regions.

5. CONSTRAINING FACTORS /HURDLES IN THE DEVELOPMENT OF SAARC

SAARC was established before 26 years. On the time of its establishment SAARC is facing many problems which are, no doubt, not allowing South Asian cooperation to develop. Some of these hurdles can be described as:

5.1. Inter-state Disputes in South Asia One of the major hurdles in the way of cooperation among the SAARC members is the mistrust, mutual security perceptions and hostility. All the members of this organization feel in one way or another threat to their political, economic and territorial stability from the neighboring countries. They are still entrapped in the historical conflicts of colonial rule and the disputed environment after the departure of Colonial Masters i.e loss of property, lives, identities and communal violence. There are always high risks that any time the efforts for cooperation can suffer due to communal and terrorist threats.

5.2. Fear of Indian Domination Another most important cause of SAARC failure is that there is a fear of India’s hegemonic role in the region. Indian desire to participate in the decision making process of the region as a leader has caused concerns among the neighboring countries particularly Pakistan, Sri Lanka and Bangladesh. The political, diplomatic and security concerns felt by the member countries of SAARC in South Asia has obstructed any positive development among the member countries.

5.3. Civilizations Clash Professor Samuel Huntington has mentioned in his book “The Clash of Civilizations” that SAARC has been a failure because according to him the countries belonging to organizations like EU etc they belong to same culture but SAARC countries are those whose
cultures are different. India and Pakistan are enemies of each other, they fight on minor things, and then how can these two countries support each other in one organization. No country in the region is having any feeling of belongingness with the other state.

5.4. Unstable Financial Positions The weak financial position of the member countries has also created an uncertain future for this organization. This weak financial position is reflected in the trade imbalances among the member countries. The SAARC members are financially and economically not very much developed. This thing is not conducive for the economic integration of South Asia. Most of the member countries export similar products and in that too, India plays a major role. This situation encourages the least developed countries to go for aid demands/arrangements and extra-regional trade which is not favorable for the regional economic interaction. The member countries of SAARC are not complementing each other but they are competing in fact. Mutual trade is very low. The lower level of intra-region trade in South Asia has made the objective of this organization a failure.

5.5. Asymmetry between India and Member Countries There is economic, technological and demographic imbalance between India and other member countries of SAARC. India being larger in size, economy and possessing high technological infrastructure dominates other members. India accounts for more than three quarters of the regional GDP and technological infrastructure and two third of the global exports of the region. The smaller countries in South Asia feel uncomfortable about their trade relations with India because under the current tariff structure. India runs a large trade surplus with her neighbors. Also, India’s volume of informal trade with most of its neighbors is quite enormous. All south Asian countries look up to India to share its huge markets due to its size and location, where 80% of the intra-regional trade in south Asia is to or from India. India blames the failure of SAFTA on Pakistan but it is not true at all because SAFTA requires Pakistan, India and Sri Lanka to bring their duties down to 20%. Moreover, India is attached to all the other member countries geographically as she is in the middle of the region and others are on the periphery. It can be said that without India, other member countries cannot move ahead as India links all the members together.

5.6. Lack of Trust among the Member Countries There is also lack of trust among the member states of SAARC which does not auger well for future development of this regional organization. They still live in the cobweb of history and mutual rivalries and mistrust has caused them enormous damage already. The elites do not trust each other mainly because of their nationalistic feelings, vested interests and inter-state disputes. In the presence of such disputes, this regional organization cannot be hoped to be developed on stable footing.

5.7. Exclusion of Contentious Issues from SAARC Charter The charter of SAARC itself has some self-imposed anomalies as its charter has the provision of not discussing the contentious and bilateral disputes. On the one hand, it asks for increased cooperation and exchanges and on the other hand, avoids negotiations on bilateral disputes. The charter also requires that all the decisions will be taken unanimously which becomes quite difficult. This clearly shows an unstable inter-state relationship towards equal participation in policy making for South Asian people. It can be said that the charter itself denies the true purpose of the organization. In such kind of conditions, it cannot be said to be developed on sound basis.

5.8. Different Political Systems All the South Asian countries are having different kinds of political systems which is also the reason for the failure of SAARC. South Asia has not been a strong democratic region. Like in India there is democracy, in Pakistan there is transitional democracy, kingship in
Nepal and presidential system in Sri Lanka. Most of the countries have remained unstable. The dispute between the two countries i.e. Pakistan and India over Kashmir issue has never let these two countries to go well together and set aside their differences on the SAARC forum. Apart from this, India is having disputes with rest of the member countries like Pakistan, Bangladesh, Bhutan, Nepal and this thing has not helped SAARC objectives to be achieved.

5.9. **Lack of People to People Contacts** The contact of the people with the Association is zero as well as with the people of the member countries. They do not know when was the Association made and what was the purpose behind it. In such a kind of scenario, how can they join together to help their own states solve their problems.

5.10. **Lack of Strong Infrastructure** South Asian countries share some common features as well like cheap labor, low incomes, low value added commodities and comparative advantage in some commodities like tea and garments etc. The intra-regional trade cannot be successful in such conditions where the trade and economic structure and industrial infrastructure is similar. Almost all the member countries are not very strong economically and instead of intra-regional trade, they search for other markets globally.

5.11. **Pathetic Condition of South Asia** About 300 million people of the South Asian region lack basic facilities and it is the most deprived region in terms that more than 340 million people lack safe drinking water. More than 840 million are without good sanitation and 400 million go hungry every day. SAARC is the most militarized place in world; its two countries Pakistan and India are spending 30 billion dollars on their defense expense. Afghanistan, its new member is facing war. In view of these all major problems, how such an Association can successfully work.

5.12. **Some other Problems with SAARC** There are also some other constraints with the processes of SAARC which can be described as follows:
- The inability of the officials and leaders to envision the potential advantages of regional integration. In other words, we can say that the leaders have not yet made a serious and sincere cost-benefit analysis of the advantages of cooperation and damages of no cooperation.xix
- Very strict rules followed at the official level and by the SAARC Secretariat.
- Red tapeism, paper work and bureaucratic hassles at the secretariat due to which every task takes more than required time to be completed.
- Unnecessary formalities.
- Lack of political will at the leadership level.
- The condition of unanimous decision making and consensus building for the issues which can be resolved bilaterally.
- Absence of collective vision for rejuvenating the region in the face of the globalization challenge.
- Border clashes and war like situation accentuated by infiltration and terrorism accusations.

6. **PROSPECTS OF SAARC**

Though the formation of SAARC is a landmark step taken by the leaders of the region, the main rational behind its establishment is to develop a conducive environment where all nations may interact peacefully with each other, cultivate sustainable peace and promote mutual economic well-being by utilizing available resources in the region through the peaceful process of economic cooperation. Nevertheless, after more than two decades of its establishment, neither South Asian nations have been able to push the process of integration into full swing nor the organization itself has become viable enough to promote harmony and economic integration for preventing conflicts in
the region. Everything with SAARC is not gloomy. In fact, the establishment of this important organization is the proof that the regional neighbors want to achieve progress in various social, economic and security fields. We can be optimistic about the future of SAARC because both India and Pakistan are now on the way to move ahead with peace initiatives. We can hope better that this regional organization has got enormous potential in the face of changing trends. The people of South Asia cannot be ignorant of the lost opportunities for their own prosperity and welfare. Indeed, they are well aware of the advantages of closer cooperation between the nations of South Asia. It is, therefore, time to re-invent the wheel of South Asian identity through increased citizen activism, which will lead to a better environment for confidence-building among the formal elites of South Asia and in turn lead to a better South Asia.

7. CONCLUSION

Though the formation of SAARC is a landmark step taken by the leaders of the region, the main rational behind its establishment is to develop a congenial environment through summit diplomacy where all nations may interact peacefully with each other, cultivate sustainable peace and promote mutual economic well being by harnessing available resources in the region through the peaceful process of economic integration.

The success of SAARC institutional arrangements will rest on identification and pursuit of the core projects which could yield tangible results. These projects can be easily identified in the area of trade facilitation, removal of barriers, improvement of regional transport, removal of transit restrictions, opening up of port facilities and promotion of trade in energy in a comprehensive way, comprising regional grids for electricity, Hydropower, and gas pipelines. Cross-border transactions must be depoliticized and pursued purely on economic terms.

A SAARC Brand needs to be created. SAARC and regionalism in South Asia require the intensity of an article of faith and an optimistic, problem-solving predisposition. Nevertheless, after 21 years of establishment, neither South Asian nations have been able to push the process of integration into full swing nor the organization itself has become viable enough to promote peace, harmony and economic integration or prevent conflicts in the region. The political tensions and conflicts surrounding the countries of a South Asia pose a question of uncertainty and challenge to the formation of South Asian Union at par with European Union that would allow free movement of people; common currency and common foreign and economic policies which ultimately will sow the seeds of peace.

SAARC countries need to put in place adequate physical infrastructure in place which hampers their global competitiveness even in those sectors where they have revealed comparative advantages. Although major SAARC countries are better synchronized in terms of their GDP cycles, trade integration continues to be low due to high level of protectionism existing among the SAARC countries than the rest of world. In this context, successful outcome of SAFTA could play an important role in strengthening trade ties within the region. India needs to develop policy approaches that take into account the political and economic complexities of SAARC. The physical and soft connectivity among the SAARC countries needs to be developed and strengthened. Trade integration needs to be expedited through faster implementation of SAFTA. In order to achieve the objectives, the SAARC would have to evolve into a full-fledged ‘regional entity’ that can cultivate peace in the region.
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