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SAARC nations need compromise, shared vision

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The India Economic Vision 2022 document, which aims to double India's GDP from US\$ 2.5 trillion to US\$ 5 trillion, will impact the future roles of both India and its neighbours. Sri Lanka's Vision 2025 aims to reach US\$ 5000 per capita income, thereby attaining the status of an upper middle income nation. Bangladesh is one of the fastest growing economies, growing at 7.1 per cent, despite nearly a quarter of its population living below the poverty line. Bhutan has seen considerable economic development with a GDP (Gross Domestic Product) growth rate of around 6.8 per cent. Nepal envisions generating hydroelectricity through its 6000 rivers as a vital aspect for its economy. Pakistan, which remains pivotal for regional integration in South Asia, is likely to see substantial changes in its socio-economic and political direction in its 2025 vision with the new Prime Minister Imran Khan in 2018. The Maldives recorded a high GDP per capita of US\$ 8980 in 2017. The most serious foreign and security policy challenge for South Asia is Afghanistan's instability. It lags behind other regional nations in its socio-economic indicators, with unemployment at a high of 40 per cent. Compared with other regional groups, most South Asian countries lag well behind in socio-economic development. The disparities in living standards among these countries can be seen from socio-economic indicators such as GDP per capita, poverty, health and education indices and the Human Development Index. The most notable economic progress in the region has been in the sphere of small and medium enterprises (SMEs). However, lack of significant Foreign Direct Investment (FDI) in some South Asian countries is slowing economic growth. The need to attain self-

sufficiency in food is another significant target which the countries need to achieve. Some South Asian countries have survived on short-term borrowing, such as from the International Monetary Fund (IMF), to accelerate GDP growth to the 4 per cent – 5 per cent range. As of 2017, the IMF provided conditional loans of US\$ 1.5 billion to Sri Lanka and US\$ 6.6 billion to Pakistan. Both countries had to reduce their budget deficits on the IMF's directions and make structural adjustments by cutting down on welfare projects and leasing out economically important nerve centers on long term arrangements to foreign nations.

Even though India and Sri Lanka faced many odds initially, they have emerged as the most stable states in South Asia in the past 70 years. India is an emerging power in the world which could influence the future of the region. In spite of a global economic slowdown, the Indian economy continued with high growth and stability. Hence the idea of regional economic collaboration needs new impetus from the remaining South Asian Association of Regional Cooperation (SAARC) countries. In countries like India, Pakistan, Bangladesh and Sri Lanka, the government's political will plays a key role to jointly commit to a common economic interest. The vital factor affecting formulation of a common regional economic policy is the strained relationship between India and Pakistan.

For countries like Sri Lanka, Nepal, Bhutan, and the Maldives, entering into the South Asian Free Trade Area (SAFTA) agreement in 2004 may have helped overcome the economic disadvantages of being small nations. The main aim of SAFTA was to promote inter-regional trade to stimulate economic cooperation among member states and make these states more conducive to receive FDI. However, South Asian countries have not benefited from this agreement due to non – tariff barriers imposed across borders hindering inter-regional trade. It is imperative that neighboring countries work towards eliminating barriers for inter-regional trade and also to improve political relationships which could lead to a significant increase in intra-SAARC trade. In addition to inter-regional trade expanding, inter-regional travel is another sphere that could contribute towards building socio, economic and political linkages. Another source of development is the Ultra High Net worth Individuals (UHNWI) in the region, with India being the fastest growing country of

UHNWI. The figures for Bangladesh, India and Pakistan are respectively 17.3 per cent, 10.7 per cent and 8.4 per cent, indicating that there is scope to tap these sources for regional economic development.

To achieve their future vision plans, the eight South Asian nations face many obstacles. The future viability of individual strategies will depend on the will and capacity of the regional nations to reach a compromise for a shared future vision. Through economic diplomacy, the eight member states of the SAARC could aim to jointly act as building blocks to contribute towards socio-economic upliftment that the region sorely needs.

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