JETIR.ORG ISSN: 2349-5162 | ESTD Year : 2014 | Monthly Issue
JOURNAL OF EMERGING TECHNOLOGIES AND INNOVATIVE RESEARCH (JETIR)
An International Scholarly Open Access, Peer-reviewed, Refereed Journal

Globalization and Regionalization in South Asia: An Overview of SAARC

Mohd Shahwaiz
Assistant Professor
Department of Humanities & Social Sciences
Integral University, Lucknow

Abstract

The era of the twenty-first century is different from earlier centuries as far as the greater connectivity and interdependence among countries are concerned. Since the dawn of globalization, the state has been unable to restrain itself from being involved in international politics. It has been observed that the trend of globalization established after the Second World War had a tremendous impact on the course of world politics, and economic and social structures. Under the new world order, the nation-state system is said to have started decaying. It has also been observed that the world system became so overburdened that it had to create space for regional arrangements. Globalization is reluctantly persuasive and indisputably a complex phenomenon that has varied impacts not only on economies but also on political, social, and cultural. It has been observed with the help of prominent studies that the countries which are on the path of globalization achieve higher growth and greater reductions in poverty than those who abstain from this process. Indeed, to sustain high growth is difficult without globalization. Regional arrangement invites countries to get together and cooperate in political, economic, and social areas by which they realize the benefits of globalization. Regional cooperation brings many of the same benefits as multilateralism but on a smaller scale. This paper analyzes the evolution of the regional arrangement in South Asia and how the wave of globalization realized the necessity to aggregate the interest of the states of the region. In addition, this paper also aims highlight the opportunities & challenges for regional economic integration in the Asian sub-continent.

Keywords: **Globalization, Regionalism, South Asia, Regional Trade**

1. Introduction

Change is a fundamental, undeniable, and inevitable phenomenon of the world. ‘Globalization’ and ‘Regionalization’ are two popular metaphors, but seemingly at odds or differing from each other, which have captured the contemporary scenario on the nature and trajectory of the world economy. The metaphor of regionalization holds the prospect that the world economy is increasingly defined by the regions that heavily claim self-reliance to themselves. But actually, they are more competitive and divergent, and also interdependent on a regional basis. Under this section, geopolitics predominates over economies. In contrast, other metaphors were considered more benevolent but not least in power, and highly liked metaphor ‘globalization of economic order. This metaphor rests on the belief that the world has entered into a new era where the global order is based on rational economics and it has been conquered over the irrational, old-fashioned, international politics of the power

struggle. However, both views are meeting at the same juncture that emphasized the new world economic order established after the Second World War led new acknowledgment to the world political economy, symbolizing the new standards and norms that regulate under the hegemony of the United States of America. These two metaphors also intersect with each other in terms of the arrangement and method which is replacing this hegemonic order (Waters, 1995).

The regionalization metaphor implies that the trend of a balance of forces in the world political economy that constitutes 'multilateralism' is withering away and has been substituted by a global American hegemony, as far as the system based competing regional blocs are concerned, each is dominated by a regional hegemon. On the other hand, globalization entails that there is a general shift underway where markets and firms are more relevant than states, and the hegemony of one or few is even unnecessarily justified for the existence and sustenance of the world economic order (Waters, 1995). Both globalization and regionalism can be assumed as the two swords on the battlefield as one prospect is going to intersect rather than parallelize or correspond with the other as far as the above view is concerned.

Globalization and regionalization can be considered as the dual processes or the two sides of the same coin related to the global structure transformation. But it cannot be concretely generalized or confidently predicted as the outcome of which is certainly not dependent upon linear development. Social forces have become more contentious under these two processes which question and challenge the stability of the traditional and very idea of knitting the framework of an interstate system of sovereign states that came into existence under the historic treaty of Westphalia in 1648. In this way, both processes seem to play a role into, whether in rebuilding or ruining, the post-Westphalian world order. Citizens are an integral part of the states with their rights and obligations at prior concern to them, and a world without such observation was supposed to be anarchy where rights and obligations are obscure. Rationalists of post-Westphalian have opined that the nation-state eventually proved insufficient in providing security and welfare to its citizens, and to recover this deficiency they must have come into the interaction of translational machinery between global and regional (Hettne, 1998).

Undoubtedly, the international political economy has become more interdependent and the world trading system is being threatened by a growing tendency towards regionalism, raising controversy as to whether regionalism, going on in a sinister way, will win over multilateralism. Industrial nations defending greater liberalization or globalization are seen in some way polarizing the world economy through competing fortresses or regional blocs. There is a paradoxical situation regarding the essence of globalization over regionalism and vice versa. Keeping in mind the complex relations between globalization and regionalization, the case of South Asia is one of the prominent ones that brought up another regional integration during the same period. The process of regionalization in South Asia has been considered a remarkable initiative that aimed to foster greater economic, political, cultural, and social integration among states of the region. South Asia includes countries like India, Pakistan, Bangladesh, Nepal, Bhutan, Sri Lanka, Maldives, and Afghanistan. Its shared history, cultural ties, and geographic proximity make this region significant and potential for regional cooperation. However, regional integration has suffered due to numerous factors that hampered the unity and integrity of the South Asian region.

This paper highlights the relations between globalization and regionalism in South Asia. The regional arrangements that have taken place in the post-Cold war era or the age of globalization are the creation of globalization itself or a response to it. If these regional arrangements are one of the tools carrying out the global process in every corner of world geography, then how it has proved beneficial for the regions. And to what extent it proved a failure in case of South Asian regional economic integration needs to be investigated.

2. Globalization and Regionalism: Two Dominant Forces of the Twentieth Century

People's view rarely matches to each other whenever they talk about globalization and the regular variants have been meted out to them regarding its sources, consequences, and its existences even in contemporary world politics (Panagariya, 1999). The term globalization comes from English, as the base of the word, "globalization" which refers to the emergence of an international network belonging to an economic and social system (Harper, 2001). Since the coinage of the concept, globalization has inspired numerous interpretive definitions and it has a history going back to the great commercial and imperialist movements throughout Asia and the Indian Ocean (Hopkins, 2011).

Globalization produces a variety of processes in which the social interactions across political, economic, cultural, and geographic borders have been rapidly increased (Held & McGrew 2000). Under s result of this process, activities and events have possessed more potential than ever before as they take place in one sector of the globe and may affect the rest of the world. In addition, some also hold the view that this process is nothing more than the encouragement of technological development, or the campaign in favor of the deregulation of financial markets (Cerny, 1994).

Regionalism, like globalization, is seen as contentious and imprecise in its meaning. Firstly, a region is not only confined to a geographical unit rather it has extended to a social system, where cooperation over the matters of security, economy, and culture can be well organized (Tanaka, & Inoguchi, 1996). Though, there is a distinction between "old regionalism" and ''new regionalism'' defined and explained by Bjorn Hettne. For him, the existence of regionalism, during the period of the Cold War, has been referred to as "old regionalism", while the emergence of regionalism in the modern era looked like 'new regionalism' (Hettne, 1998). The NATO and the Warsaw Pact are both fingertip examples of old regionalism as they were more forced than voluntary regional agreements. New regionalism, on the other hand, has looseness in regional coherence and regional identity as compared to security and welfare. This regionalism moves forward from free trade agreements and entered into multi-dimensional character to adopt the transforming and globalizing world, and the sphere of its functioning has been widening day by day where constituent states now experience the need for cooperation in order to tackle new global challenges.

The region has been holding both material and symbolic dimensions and signifies the pattern of behavioral interdependence and unity and independence in political attributes (Van Langenhove, 2016). Regional integration is the idea that propels regional cooperation. Earnest B. Haas has defined regional integration as **'**the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectation, and political activities towards a new larger centre whose institution demands or possesses jurisdiction over pre-existing nation-states. The end result of this process of political integration as a new political community superimposed over the existing ones**'**. This combines the several states in the region in the process of collecting decision making (Haas, 1958, p.16).

In summing up, whenever a confined region has regional and social dissimilarities and faces the difficulties such as undesired transport costs, lack of connectivity, or marginalized in the sense of institutional set up with other regions, that region becomes the glaring example of innovation and self-sufficiency (Essletzbichler & Rigby, 2010). These kinds of factors automatically generate the feelings of regionalism and realize the necessity for regional integration in order to claim their independence to the rest of the world. Economic factor regarding the regional integration has been more weighted and relevant in new regionalism or regionalization in the contemporary era that finally led to the birth of numerous regional organizations i.e. EU, ASEAN, and SAARC.

3. SAARC: An Introduction

It was the time of the greatest enthusiasm for the people of South Asia when the seed of the South Asian Association for Regional Cooperation (SAARC) was laid down in December 1985. It was the effort that fetched all the states of the region at one platform and developed the regional cooperation in a more concrete way. It comprises India, Pakistan, Sri Lanka, Afghanistan, Maldives, Bhutan, Bangladesh, and Nepal. But, Afghanistan was added as an eighth member in 2007 (Dash, 2008). South Asia is a region that has been blessed with plentiful human natural resources but cursed with numerous socio-economic problems. Therefore, the founding members of SAARC made collective efforts and urged to make socio-economic development that could build and foster regional economic stability.

The birth of the blessed organization (SAARC) has given strong hope to the people of the region that their dreams of a bright future that encompasses the exclusion of poverty and insecurity and inclusion of peace and prosperity could come true. However, the members of the organization are destined to have close empathies in terms of geography, culture, and history, yet, the regional arrangement of Asia is still far away from tasting the expected sweetness of the achievement (Kumar, 2011). Because, there are several heaps of problems including ethnic, religious, economic, and border disputes. Moreover, political instability in the states and the tension between India and Pakistan are mainly pointed out as the major obstacle to the pavement of development of SAARC that throws back the organization to work well-sounded manner (Mahmood, 2000).

4. Regional Economic Integration of South Asia

The emergence of new regionalism is largely based on an economic agenda with the objectives of growing foreign trade and the integration of markets for mutual benefits. Globalization provides strength to the regional arrangement in terms of growth of trade and investment; regional actors have deliberately embraced this process (Kacowicz, 1999). In this way, SAARC has made significant attempts towards economic cooperation and integration. SAPTA and SAFTA are the two most notable decisions, having objectives of eliminating of all sorts of barriers in trade and facilitating free and fair movement of products. To promote fair competition and ensure free trade, the environment in respect of the existing economic conditions should support export both within and outside the region in order to ensure the maximum benefit; and, establishing an institutional framework to promote and expand regional cooperation (Ahmed & Bhatnagar, 2008).

Regional cooperation and integration have allowed the SAARC states to benefit from international investment, technology, and trading opportunities. All nations can be gained from the more efficient use of capital and labour, distribution of goods and services across borders, and increased foreign direct investments (FDI). There is an increment in the affordability of prices of goods and services for consumers due to a reduction in overhead costs such as transportation costs. It gives the member states of South Asia an advantage in importing the same commodity, at the comparatively low cost, and even on the less time from the nearest states. (E.g. auto tires from India supplied to the Pakistan market via Dubai). Such arrangements increase regional cooperation and integration. However, SAARC members have gotten the chance to finance free movements of goods; services; capital, and technology within the region by their local currencies along with the desired mode of payment could have been reduced pressures on foreign exchange requirements and be helpful in a balance of payment to the South Asian countries. In this way, South Asian countries have opportunities for making import substitution in intra-regional trade and enhance market accessibility with fair reasonable means (Kher, 2012).

The economic strength of any regional organization relies upon the intra-trade or maximum trade within the region. Due to the lack and uncertainty of intra-regional investment and trade among the South Asian countries, the economic interdependence among the countries has remained less over the years. In order to find the inadequacy in intra-regional trade, several factors have been observed. The South Asian states have a high rate of tariff and non-tariff barriers except Sri Lanka, which is the most responsible factor for creating obstacles in the growth of intraregional trade. Adequate transport and information links are necessary to enhance the trade within the region. Finally, leaders of the states can play a very important role by showing their willingness and complementariness to each other in the field of trade (Dash, 1996).

The trade among the members of SAARC is comparatively lower than the trade conducted from outside the region. Since the compositions of exports items of the South Asian states are of the same category while items such as petroleum and capital-intensive goods come from outside the region. No country, except India, has made significant efforts to get a comparative advantage over the others for specific items, and economic development taking place in India is confined to her resulted in irregular trade relations with her companions of SAARC. SAARC members took the initiative of pursuing import substitution policies which unfortunately could never meet with fruitful results. Moreover, the region is enriched by the labor forces but destined for poverty and scarcity of money. Thus, there is a state of more competition among the members of the organization as far as the nature of the region's trade is concerned. The growth of intra-trade is one of the most ambitious objectives regarding the economic prosperity of the region and the same has been one of the most challenging issues before the SAARC (Kher, 2012).

Multilateralism in the era of globalization is carried out by the worldwide liberalization of international relations that contributed to the molding of the new world economic order. It started when member states signed the GATT – which further transformed into a more sophisticated successor- the World Trade Organization (WTO) – related to the fields and concern widening from trade in services to intellectual property rights. However, this development is also considered one of the consequences of globalization since the position of multilateralism as a principal part of economic governance was comprehensively influenced. Winter (1991, p. 172) the agreements of the Uruguay conference that were signed by the member states were arguably not in favor of regionalization. The World Trade Organization (WTO) enthusiastically supports trade liberalization and strengthens the microeconomic forces of individual firms (MNCs and TNCs) by justifying their influence on the national government. And the WTO supports “legal-based and transparent policy toward free trade” which means domestic lobbies are not allowed to pursue trade protection policies that may challenge the major powers of the world on a regional basis to make desirable benefits. On the other hand, trade barriers made by developed countries in the name of possible protectionisms have soar export leading to growth to the developing countries and creating a situation of helplessness for the South Asian nations. It has made eventually a win-win situation for the developed world against vulnerable South Asian States. Multilateralism has been strongly affected by globalization and has become a challenge to the regional organization.

5. Conclusion

Economic growth and development have remained one of the most dominating factors behind the formation of many regional organizations. Similarly, the need for economic stability and integrity were considered as crucial aspects that helped greatly in the formation of SAARC. Undoubtedly, economic aspects like intra-regional trade, energy sector, infrastructure development, tourism, etc. could have played important role in binding South Asian countries into a powerful regional force. However, the political disputes and the feeling of distrust over regional security greatly impact the SAARC to become successful regional economic integration.

6. References

Ahmed, Z. S., & Bhatnagar, S. (2008). SAARC and Interstate Conflicts in South Asia: Prospects and Challenges for Regionalism. *Pakistan Horizon*, 61(3), 69-87.

Cerny, P. G. (1994). The Dynamics of Financial Globalization: Technology, Market Structure, and Policy Response. *Policy Sciences*, 27(4), 319-342.

Dash, K. C. (1996). The Political Economy of Regional Cooperation In South Asia. *Pacific Affairs*, 185-209.

Dash, K. C. (1996). The Political Economy of Regional Cooperation in South Asia. *Pacific Affairs*, 185-209.)

Essletzbichler, J. and Rigby, D.L. (2010). "Generalized Darwinism and Evolutionary Economic Geography", In (eds) *The Handbook of Evolutionary Economic Geography* (eds.) by Ron Boschma & Ron Martin, Edward Elgar: UK

Haas, E. B. (1958). *The Uniting of Europe: Political, Social, and Economic Forces, 1950-1957*. Stanford University Press.

Held, D., & McGrew, A. (Eds.). (2000). *The Global Transformations Reader*. Cambridge: Polity Press.

Hettne, B. (1998). "The New Regionalism: Security and Development" In (eds) *Regional Integration and Multilateral Cooperation in the Global Economy* by Jan Joost Teunissen, FONDAD, The Hague.

Hopkins, A. G. (2011). *Globalisation in World History*. Random House.

Kacowicz, A. M. (1999). Regionalization, Globalization, and Nationalism: Convergent, Divergent, Or Overlapping? *Alternatives*, 24(4), 527-556.

Kher, P. (2012). Political Economy of Regional Integration in South Asia. *UNCTAD Background Paper No. RVC5*, Geneva: UNCTAD.

Kumar, R. (2011). *SAARC: Changing Realities, Opportunities And Challenges*. Edward Elgar Publishing.

Mahmood, T. (2000). SAARC and Regional Politics. *Pakistan Horizon*, 53(4), 7-21.

Panagariya, A. (1999). The Regionalism Debate: An Overview. *The World Economy*, 22(4), 455-476.

Tanaka, T., & Inoguchi, T. (1996). *Globalism and Regionalism*. Selected Papers Delivered at the United Nations University.

Van Langenhove, L. (2016). *Building Regions: the Regionalization of the World Order.* Routledge.

Walter, A. (1995). *Regionalism, Globalization, and World Economic Order*, Oxford University Press.