

# GEO-ECONOMICS IN SOUTH ASIAN ENVIRONMENT

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Editors

**Rakesh Kumar**  
**Harjit Singh**

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# **GEO-ECONOMICS IN SOUTH ASIAN ENVIRONMENT**

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## Chapter 6

# Conflicts and the Politicisation of Trade: Implications for Economic Cooperation in South Asia

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### Abstract

Despite regional cooperation through the South Asian Association for Regional Cooperation (SAARC) and sub-regional mechanisms, South Asia remains perhaps the least integrated region primarily characterised by conflicts than cooperation. Inter-state disputes, for instance between India and Pakistan, negatively influence South Asian regionalism and related matters such as economic cooperation. There are many occasions when bilateral tensions have led to the closure of borders, for instance this is the case of ongoing India–Pakistan relationship and previously happened when India closed its border with Nepal, and Pakistan with Afghanistan.



Consequently, the movement of goods, services and people have been severely impeded, leading to marginal economic cooperation in South Asia. Bilateral or regional agreements that aim to promote economic cooperation through free trade agreements often face obstacles and are frequently shelved or abandoned altogether. The persisting tensions between India and Pakistan further hinder regional cooperation. This has been witnessed in the case of SAARC becoming an ineffective regional organisation. This chapter examines how bilateral conflicts have influenced the politicisation of trade in South Asia by focusing on the dynamics of conflict and cooperation. By enhancing our understanding of these relationships, this chapter contributes to a better understanding of the relationship between conflicts and economic cooperation in South Asia.

**Keywords:** Conflicts, trade, South Asia, regional cooperation, economic cooperation.

## 1. Introduction

The South Asian region, home to over 1.9 billion people and a combined GDP ranking among the world's largest because of India's GDP (World Bank, 2023), is recognised for its significant economic potential. Given the region's shared cultural and historical ties, there have always been high expectations associated to the potential of regional cooperation. This was particularly the case when Bangladesh proposed a regional organisation in the early 1980s. The proposal was welcomed by other states and the South Asian Association for Regional Cooperation (SAARC) was founded in 1985 with the following seven member states: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. According to Anbumozhi and Kalirajan (2020), cooperation can have many shapes and forms, such as policy coordination, shared infrastructure and inter-regional trade. In South Asia, there are some initiatives like SAARC and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). As it has been previously assessed, regional cooperation in South Asia is low compared to other regions like Southeast Asia (Ahmed, 2013; Asian Development Bank, 2023). There is no shortage of literature on factors that have contributed to the low level of regional cooperation in South Asia, but most authors believe that interstate disputes are responsible for the lack of regional cooperation (Dash, 2008). The existing body of research on regional cooperation in South

Asia paints a complicated picture, coloured by political and religious influences, economic necessities, and security apprehensions (Kumar and Sharma, 2015). The presence of India and Pakistan, two nuclear-armed rivals, further intensifies these complexities, with their strained relations frequently overshadowing regional cooperation efforts (Yusuf, 2018). This is particularly the case of SAARC, which has failed to hold its summit, a meeting of heads of state, since 2014 because of tensions between India and Pakistan. Moreover, the politicisation of trade among South Asian countries serves as an additional barrier to potential cooperation (Bishwakarma and Hu, 2022). While bilateral trade routes have been disrupted regularly, India had accorded a most favoured nation status to Pakistan in 1996. Despite New Delhi's demands, Pakistan never reciprocated by according an MFN status to India. In the wake of bilateral tensions following a terrorist attack in the Indian-administered Kashmir in 2019, New Delhi decided to withdraw MFN status to Pakistan (*The Hindu*, 2019). The political issues, influenced by long-standing disputes, have been a major cause of India–Pakistan economic cooperation not meeting its potential. There have been significant fluctuations in bilateral trade that dropped from US\$830.58 million in 2019–2020 to US\$329.26 million in 2020–2021 (Kharsu, 2023). That mainly happened because of the heightened tensions following New Delhi's decision to revoke the special status of Jammu and Kashmir. In the first quarter of 2022, however, the bilateral trade increased to US\$1.25 billion during April to December 2022 compared to US\$516.36 million during 2021–2022 (Kharsu, 2023). While some level of bilateral trade is always ongoing, frequent fluctuations have been a major cause of the two countries not meeting the full potential of bilateral trade, estimated to be US\$37 billion per annum by the World Bank (Basu, 2018, xvi). Even with a promising increase in bilateral trade in 2022, the two neighbours are far behind from meeting the actual potential of bilateral trade that requires depoliticisation of trade.

This chapter examines the above-mentioned challenges, investigating the impact of conflicts on the politicisation of trade and other facets of economic cooperation in South Asia. The chapter begins by examining the present state of economic cooperation in the region, exploring intra-regional trade patterns and evaluating the initiatives of SAARC and BIMSTEC. Subsequently, it focuses on the influence of conflicts on both bilateral and regional cooperation, citing recent historical events to underscore these conflicts' implications. In doing so, this analysis seeks to enhance

understanding of the intricate dynamics between conflicts and regional economic cooperation in South Asia.

## 2. Regional Cooperation in South Asia

Since the 1980s, several regional bodies have been established to foster economic cooperation among the countries of South Asia. SAARC and BIMSTEC are two key examples of these regional bodies.

Established in 1985, SAARC comprises of eight South Asian nations, with the primary objective to accelerate economic and social development in member states through joint action in mutually agreed areas of cooperation (Bishwakarma and Zong-Shan, 2021). Afghanistan joined as SAARC's eighth member in 2007. Since its inception, SAARC has facilitated numerous initiatives in diverse fields, including trade, agriculture, rural development, science and technology, culture, health, population control, drug offences and terrorism (*Dawn News*, 2007). One of SAARC's flagship initiatives is the South Asian Free Trade Area (SAFTA), established in 2004 with the aim of reducing tariffs to enhance free trade among member countries (State Bank of Pakistan, n.d.). However, despite some initial progress, SAFTA's potential has been limited by non-tariff barriers, protectionist policies and political conflicts between member countries (Iqbal and Nawaz, 2017). BIMSTEC, established in 1997, brings together five nations from South Asia (Bangladesh, Bhutan, India, Nepal and Sri Lanka) and two from Southeast Asia (Myanmar and Thailand). While overlapping with SAARC and the Association of Southeast Asian Nations in terms of its mandate, BIMSTEC offers an alternative regional framework that bypasses the often-strained India–Pakistan relations that have hampered SAARC's progress (Ali and Medhekar, 2022). BIMSTEC focuses on 14 sectors of cooperation, including trade and investment, transport and communication, energy and technology, led by different member nations (Rahman and Grewal, 2017). While both SAARC and BIMSTEC have achieved varying degrees of success, their efficacy as vehicles for regional cooperation has been hindered by a host of issues, including political disagreements, security concerns and the lack of an enforcement mechanism for agreements. Nevertheless, they continue to be vital platforms for dialogue and cooperation in South Asia (Madhur, 2023).

Economic cooperation in South Asia is a crucial subject given the region's potential to reap substantial benefits from increased intra-regional trade and integration. According to Koyuncu (2022), the total

trade of BIMSTEC countries with the world was estimated at around US\$2.7 trillion. However, intra-regional trade accounted for just a fraction of this amount, estimated at approximately 5% of the total trade, compared to regions like the European Union or the Association of Southeast Asian Nations (ASEAN), where intra-regional trade forms a significant portion of the total trade, averaging around 60% and 25%, respectively (World Bank, 2023). The relatively low levels of intra-regional trade in South Asia can be attributed to a host of factors, including high tariff and non-tariff barriers, poor transport connectivity, political tensions and inadequate trade facilitation measures (ADB, 2023). Nevertheless, the potential for enhanced intra-regional trade is immense. Research from the Asian Development Bank (2023) suggests that with the removal of trade barriers and improved connectivity, intra-regional trade in South Asia could exceed billions of dollars (approximately US\$100 billion) per annum, almost doubling the current figures. Despite these challenges, it is encouraging to note that South Asian countries have been engaging in policy initiatives to boost regional economic cooperation. Through regional bodies like SAARC and BIMSTEC, these countries have made attempts to foster regional integration and improve intra-regional trade, but the full potential of these initiatives is yet to be realised and more focused efforts are needed to overcome the challenges and harness the region's immense potential for economic cooperation.

SAARC and BIMSTEC have undertaken various initiatives to boost regional economic cooperation. One of the key initiatives under SAARC is SAFTA, which came into effect in 2006. SAFTA aimed to reduce customs duties on all traded goods to zero by the end of 2016, offering significant opportunities for increased trade within the region. However, despite initial enthusiasm, SAFTA has had limited success due to various factors such as the existence of sensitive lists (items exempted from tariff reduction), non-tariff barriers and a lack of effective dispute resolution mechanisms (Iqbal and Nawaz, 2017). Another SAARC initiative is the Agreement on Trade in Services, signed in 2010, which aims to liberalise the services sector within the region, but this has also failed to meet its targets (Kaur, Khorana and Kaur, 2020). In contrast, BIMSTEC, with its more sector-specific approach, has led several initiatives in sectors like trade, investment, transport and energy. The BIMSTEC Free Trade Agreement (FTA), under negotiation since 2004, aims to boost intra-regional trade by eliminating tariffs. However, it has faced delays due to unresolved issues around tariff reduction schedules, rules of origin and

non-tariff barriers (Bhattacharjee, 2018). In terms of transportation, the BIMSTEC Motor Vehicle Agreement is an ambitious project that aims to enhance connectivity and foster economic development in the region, but its implementation has been delayed due to concerns related to regulatory and infrastructural issues (Palit and Tieri, 2019). Unlike SAARC however, BIMSTEC is not facing political challenges and therefore has more potential to expand economic cooperation involving countries from South and Southeast Asia.

### 3. Conflict and Cooperation

Understanding how conflicts affect regional cooperation is important for examining the complexities in South Asia. A significant body of literature has explored these dynamics, particularly focusing on the influence of disputes, disagreements and hostilities on collaborative efforts. One common observation in these studies is that conflicts, by instigating mistrust and hostility, create obstacles to cooperation (Ahmed, 2013; Putnam, 1988). Ongoing disputes often inhibit the ability of nations to trust each other and work together on shared goals. As Adler and Barnett (1998) argue, conflicts disrupt the establishment of 'security communities', where states engage in dependable expectations of peaceful change. A strand of literature further illustrates how conflicts can lead to the politicisation of economic interactions. Studies by Mansfield and Pollins (2001) and Gartzke and Li (2003) note that political tensions and hostilities can interfere with economic relationships, leading to scenarios where economic decisions become intertwined with political considerations. This has been identified as a significant issue in South Asia, where trade and other forms of economic cooperation have been affected by political disputes (Ahmed, 2013). Conflicts not only influence bilateral relations, but they also affect regional dynamics. The institutional framework of regional cooperation often gets hampered by conflicts among member states (Buzan and Waever, 2003). Kydd (2007) further notes that conflicts, by fostering an atmosphere of uncertainty and mistrust, can lead to a security dilemma where states engage in mutually detrimental defensive measures. The literature presents an intricate picture of how conflicts affect cooperation, emphasising the need for conflict resolution as a precondition for fruitful cooperation (Wallensteen, 2015). Applying these insights to South Asia reveals the multifaceted challenges to regional cooperation

and provides a framework to explore potential pathways to conflict resolution and enhanced cooperation.

Some literature on regional cooperation in South Asia provides a nuanced understanding of the challenges and prospects faced by the region. It reveals how historical conflicts, political tensions and economic disparities have shaped inter-state relations and impeded cooperation in the region. A key observation made by numerous researchers is the persistent tensions between India and Pakistan overshadowing regional cooperation (Yusuf, 2018; Ahmed, 2013). Due to historical disputes and ongoing hostilities, these two nations have often been at odds, affecting the efficacy of regional platforms such as SAARC (Cohen, 2013). Another crucial aspect that the literature highlights is the politicisation of trade and economic cooperation. The preferential granting of MFN status or the imposition of trade sanctions has often been influenced more by political considerations than economic rationale (Iqbal and Nawaz, 2017). Furthermore, non-tariff barriers have often been used as instruments of political strategy, thus obstructing regional trade (Thomas and Marandu, 2017). However, the literature also points out certain positive strides. There have been some successful sub-regional efforts such as BIMSTEC, which offers an alternative cooperative framework that circumvents the Indo-Pak rivalry (Bhattacharjee, 2018). The organisation focuses on various sectors of cooperation, leading to some fruitful outcomes, particularly in areas like energy, transport and communication (Palit and Tieri, 2019).

Conflicts have long been a defining characteristic of South Asia's political landscape. The region, home to several diverse ethnic, religious and linguistic communities, has a complex history marked by territorial disputes, religious tensions, political disagreements and armed conflicts. The most prominent conflict in the region is the enduring rivalry between India and Pakistan, marked by three major wars, numerous border skirmishes and constant political tensions since their independence in 1947 (Cohen, 2013). The conflict over Jammu and Kashmir remains a persistent source of tension, with episodes of violence often derailing diplomatic relations and regional cooperation efforts. This has been particularly the case since India's revocation of Kashmir's special status in 2019. Pakistan continues to object to India's decision. On the other hand, India continues to criticise the inclusion of the disputed Jammu and Kashmir territory in Gilgit-Baltistan in the China-Pakistan Economic Corridor — a flagship project of China's Belt and Road Initiative. Also, New Delhi

has been blaming Pakistan for cross-border terrorism and most recently such allegations have been responsible for not only further damaging bilateral relations but also regional cooperation via SAARC (Agarwal, 2022).

### 3.1. *Conflicts and economic cooperation*

Conflicts, regardless of their nature or location, tend to disrupt trade between countries. Often, physical infrastructure such as ports, roads and railways become inaccessible or are directly damaged during conflict, leading to reduced trade volumes. This disruption can be particularly damaging for perishable goods, which rely on swift transport. The closure or damage to trade routes also necessitates the use of alternative, often longer and more costly routes, which increase costs for businesses and consumers (Anderson, 2011). Conflicts often deter both domestic and foreign investments. Investors usually seek stability for their investments, and conflicts introduce a level of risk and uncertainty that can discourage investment. This can slow economic growth, particularly in developing economies, which rely heavily on foreign direct investment (FDI). A decrease in investment can also limit the potential for technology transfer and skills development, further impacting the long-term economic prospects of a region (Busse and Hefeker, 2007). Conflicts can impede infrastructure development, often a key aspect of economic cooperation. Infrastructure such as roads, bridges, ports and electricity grids can be directly damaged in conflicts, necessitating costly repairs or reconstruction. Additionally, the insecurity created by conflict can delay or prevent the implementation of new infrastructure projects, hindering economic development and cooperation (Collier, 1999). Conflicts can obstruct efforts towards regional integration. Tensions between countries can slow down or derail negotiations for regional agreements such as free trade agreements or customs unions. The lack of trust caused by conflict can also lead to countries imposing protectionist policies, which hinder the free flow of goods and services that is integral to economic integration (Mansfield and Reinhardt, 2003). Conflicts also lead to the diversion of resources from development to security concerns. Countries in conflict often allocate significant resources towards defence and security, which could otherwise be used for economic development. This diversion of resources perpetuates a cycle of low development and high conflict (Collier *et al.*, 2004).

As mentioned earlier, conflicts often result in disruptions to trade. For instance, the conflict between India and Pakistan has led to frequent trade blockades. When tensions escalate, borders are closed, and trade is severely affected. During these periods, imports and exports between the nations come to a standstill, leading to shortages of certain goods and causing economic strain. At the bilateral level, conflicts have resulted in trade disruptions and barriers. A significant manifestation of this is the frequent closure of borders between conflict-ridden states. For instance, the Wagah–Attari border crossing between India and Pakistan, a critical artery for bilateral trade, has seen sporadic closures due to political tensions, resulting in massive disruption of trade (Nayyar, 2019). The issue of MFN status has also been highly politicised in the region. Under World Trade Organization (WTO) rules, a country is expected to give MFN status to another country unless they both are part of a free trade agreement or are developing nations. India granted MFN status to Pakistan in 1996, but Pakistan has not reciprocated due to the ongoing conflict over Kashmir, further stunting bilateral trade opportunities (Iqbal and Nawaz, 2017).

Conflicts also deter bilateral investments. Political instability and uncertainty can discourage businesses from investing in neighbouring countries, stymieing opportunities for economic growth and development. This can be seen in the relatively low levels of FDI within South Asia compared to other regions (Rahman and Grewal, 2017). Bilateral conflicts can impede efforts to improve infrastructure connectivity, a key factor for facilitating trade. For example, disagreements over transit rights can hamper the development of regional transportation networks, affecting not just the conflicting countries but also landlocked nations that rely on these networks (Sahoo *et al.*, 2010). Conflicts among member states often obstruct the path towards greater regional economic integration. For instance, the tensions between India and Pakistan have consistently impeded the progress of SAARC and other regional economic cooperation initiatives (Agarwal, 2022). On a regional scale, conflicts have led to the postponement or cancellation of important regional summits, impacting the progress of regional cooperation initiatives. The SAARC summit is a key example. The 8th SAARC Summit, which was initially scheduled to be held in 1991 in Colombo, Sri Lanka, was indeed postponed due to tensions between India and Sri Lanka. The backdrop to this postponement was the ongoing Sri Lankan Civil War and the controversy surrounding



the presence of the Indian Peace Keeping Force (IPKF) in Sri Lanka. The strained relationship between the two nations led to India's reluctance to attend the summit, resulting in its eventual postponement until 1992 (Sridharan, 1996). The 19th SAARC summit scheduled to be held in Islamabad in 2016 was cancelled after India, followed by Bangladesh, Bhutan and Afghanistan, pulled out citing an escalation of cross-border terror attacks. No subsequent SAARC summit has been held since then as of 2022, underscoring the hindrance conflicts have posed to regional cooperation (Agarwal, 2022). The inability to hold SAARC summits has obstructed decision-making on regional economic cooperation, as key decisions in SAARC are made through unanimity at the summit level. Furthermore, it has intensified calls for alternatives to SAARC, such as BIMSTEC, further fracturing regional cooperation. The impact of conflicts on SAARC serves as a stark reminder of the potential hindrances to regional cooperation in conflict-ridden areas (Bhattacharjee, 2018).

Trade patterns in South Asia indeed reveal a stronger orientation towards the outside world rather than intra-regionally. This trend is primarily due to the similarities in the structure of these economies, especially in terms of their agricultural sectors, which limit the potential for intra-regional trade under the traditional theory of comparative advantage (Nayyar, 2019). However, there are areas of significant potential for intra-regional trade that remain unexplored due to political constraints. A prime example is the automobile industry. India, with its well-established automobile manufacturing sector, could potentially be a significant supplier for countries like Pakistan. According to a study by the World Bank in 2021 (Kathuria, 2018), India's auto-parts could compete in terms of price and quality in the Pakistani market, potentially leading to substantial cost savings for Pakistan. Conflicts in South Asia have had a significant impact on bilateral cooperation, particularly in the domain of trade. Despite the economic potential, trade relations have often been marked by border closures, trade sanctions and the suspension of transport links (Nayyar, 2019). A vivid example of this is the aftermath of the Pulwama attack in 2019, when India imposed a 200% customs duty on Pakistani goods, effectively halting bilateral trade (News Desk, 2019). Conflicts have also disrupted bilateral cooperation between other countries in the region. For instance, tensions between Nepal and India led to the unofficial Indian blockade in 2015, which severely affected Nepal's economy (Karki, 2022). These examples demonstrate that political conflicts can cast a long shadow on economic relations in South Asia,

posing significant challenges to bilateral cooperation and regional integration.

The most impactful bilateral conflict on regional cooperation is the India–Pakistan rivalry, which has frequently stalled the progress of SAARC. A key example is the continual postponement of the SAARC summits due to tensions between the two nations, hampering the decision-making process as SAARC operates on the principle of unanimity (Cohen, 2013). Furthermore, disagreements between India and Pakistan have often led to the failure of proposed regional initiatives such as the SAARC Motor Vehicle Agreement and SAARC Regional Airline Agreement (Palit and Tieri, 2019). The Indo-Pak conflict has also indirectly affected other bilateral relations within the region, resulting in a ‘ripple effect’ that hinders regional cooperation. For instance, Afghanistan’s ties with Pakistan have been strained due to Afghanistan’s then closeness to India, which had complicated regional dynamics (Yusuf, 2018). Furthermore, bilateral conflicts have often led to a spillover of tensions into regional platforms. For example, the 2015 border blockade between India and Nepal soured relations and affected their cooperation in regional forums (Karki, 2022).

Land trade between India and Pakistan has faced numerous restrictions due to ongoing political tensions. The Wagah–Attari border crossing, one of the few land routes between the two countries, has been intermittently closed during periods of escalated conflict, significantly disrupting trade. This lack of consistent access impacts sectors like agriculture, where the timely export of perishable goods is critical. Furthermore, this has led to indirect trade routes where goods are often routed through third countries like UAE and Singapore, escalating costs and causing inefficiencies (Nayyar, 2019).

Tensions between India and Pakistan have reached new heights in recent years. The political stance has prioritised national security over economic cooperation, resulting in a considerable reduction in bilateral economic activities (News Desk, 2019). In the wake of the Pulwama terror attack in February 2019, the Indian government made it clear that India would not engage in any dialogue with Pakistan until it took definitive action against terror groups operating from its soil. At the inauguration of the Kartarpur Corridor in November 2019, Prime Minister Modi stated, “The opening of Kartarpur Sahib Corridor before the 550th birth anniversary of Guru Nanak Devi Ji has brought us immense happiness.... May the Kartarpur Sahib Corridor prove to be a bridge of harmony and

peace” (Modi, 2019a). Although this gesture was a positive development, the broader context of Indo-Pak relations remained marred by conflict and tension, affecting the potential for broader economic cooperation. Meanwhile, Pakistan has consistently emphasised dialogue as the only way forward. The then Pakistani Prime Minister Imran Khan, in his speech at the 75th United Nations General Assembly in September 2020, stated, “Peace and stability in South Asia was threatened by irresponsible policies of the Modi Government.... The only way forward was dialogue” (Khan, 2020). Despite this, the on-ground reality of cross-border terrorism and lack of trust between the nations continued to hinder meaningful progress in bilateral relations, including economic cooperation.

In August 2019, following the abrogation of Article 370 by the Indian government, which revoked the special status of Jammu and Kashmir, Prime Minister Modi said, “A new era has begun for the people of Jammu and Kashmir and Ladakh with the revocation of Article 370.... We want to build a new Kashmir, a powerful Kashmir” (Modi, 2019b). This move escalated tensions between India and Pakistan and had a significant impact on the already strained bilateral relations. In response to India’s decision to abrogate Article 370, then Pakistani Prime Minister Imran Khan said in a public address, “We will fight it [the issue of Kashmir] at every forum. We’re thinking how we can take it to International Court [ICJ] ... to the United Nations Security Council” (Khan, 2019). This reflected Pakistan’s strategy of internationalising the Kashmir issue, which further complicated the prospects for peaceful resolution and meaningful bilateral or regional economic cooperation. Interestingly, a one-off exception to the stringent land trade restrictions was made when Pakistan allowed India’s aid to Afghanistan to transit through its territory in late 2021. This decision, though isolated, suggested a potential thawing of relations and demonstrated the influence of regional dynamics on bilateral relations (Shahzad, 2021). The underlying lack of trust and unwillingness to engage with each other continues to hinder economic cooperation between India and Pakistan, underscoring the politicisation of trade in the region and the impact of conflict on economic activity.

Regional dynamics of South Asia continue to change because of state fragility facing some countries and external dynamics. After 20 years of the US-led NATO mission in Afghanistan, the Taliban took over in August 2021. Since then, Afghanistan has entered a new phase of instability as the new Islamic Emirate of Afghanistan has not been recognised by any state. While it still remains a member of SAARC, there will be no meaningful

cooperation unless the new Taliban regime receives international legitimacy. While several states, including India and China, have found ways to cooperate with the Taliban, Pakistan's relationship deteriorates as the Taliban are harbouring anti-Pakistan terrorists of the Tehrik-e-Taliban Pakistan (Ahmed, 2022). Already bilateral hiccups have led to regular border closures and border skirmishes between Afghanistan and Pakistan (Ali and Yawar, 2023). Adding to this complexity in terms of evolving regional dynamics is China's increasing influence in the region. Through the Belt and Road Initiative (BRI), China has initiated major infrastructural projects across the region, including in Bangladesh, Maldives, Pakistan and Sri Lanka, and this worried India, which views South Asia as its sphere of influence. New Delhi is also against the China–Pakistan Economic Corridor that goes through the disputed Jammu and Kashmir territory in Gilgit–Baltistan (Ahmed and Sheikh, 2021).

## 4. Conclusion

South Asia, with its vast economic potential, has long been expected to experience substantial levels of regional cooperation. However, this vision remains largely unfulfilled via SAARC, as inter-member conflicts continue to dominate the region's landscape and the region is exposed to new geopolitical dynamics in the shape of the Taliban's takeover in Afghanistan and China's BRI. Despite efforts by organisations like SAARC and BIMSTEC, political disagreements, historical rivalries and security concerns have hindered the path to meaningful cooperation. This chapter examined the intricate dynamics between conflicts and regional economic cooperation in South Asia, with a particular focus on how conflicts have influenced the politicisation of trade. Bilateral conflicts between countries in the region have disrupted or closed vital trade routes, leading to reduced trade volumes and increased costs for businesses. Diplomatic tensions have also resulted in a decline in cross-border cooperation initiatives, with many regional agreements facing obstacles or being abandoned altogether.

SAARC and BIMSTEC, as platforms for fostering economic cooperation, have shown promise but have faced challenges due to unresolved bilateral conflicts, non-tariff barriers and a lack of enforcement mechanisms. India and Pakistan's long-standing rivalry has overshadowed the progress of SAARC and impacted regional cooperation efforts, while

other bilateral conflicts have also affected regional dynamics. The low level of intra-regional trade compared to other regions is indicative of the barriers that persist within South Asia. However, the potential for enhanced economic cooperation is immense if these challenges can be effectively addressed. Trade liberalisation, policy dialogue, infrastructure development and harmonisation efforts under SAARC and BIMSTEC have yielded some positive outcomes, but more focused efforts are needed to overcome limitations and fully harness the region's economic potential.

To enhance regional economic integration in South Asia, a concerted effort towards conflict resolution and depoliticisation of trade is required. Regional organisations like SAARC and BIMSTEC are not suitable for this purpose as they are also victims of politicisation. Also, SAARC was created with the intention to avoid political issues. Hence, it is unlikely that SAARC or BIMSTEC will engage in any mediation. This role is the mandate of the United Nations that could push India and Pakistan to engage in dialogue to pave the way for more cooperation in South Asia.

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