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**MOHAMMAD TOHA**

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# **THE CHALLENGING POLITICAL ECONOMY OF THE SOUTH ASIA**

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## **ABSTRACT**

*This qualitative study examined the political and economic risks as well as challenges hampering regional integration. In addition, the study sought to explore the potential and role of SAFTA in increasing trade flows between countries in the South Asian region. The qualitative research was executed using primary and secondary research methods. Primary research was administered using semi-structured interviews performed with experts in the subject area of this research. In the context of this research, participants comprised of experts in a number of disciplines including foreign policy, international economy and international relations. Secondary research was administered using the literature-based methodology with information being collected from citation indexes and electronic databases including Ebscohost, SpringerLink, Questia, Pubget, JSTOR, Emerald, Google Scholar, Taylor and Francis, Science Direct and Sage Publications. The findings of the study suggest that SAFTA has the potential of enhancing economic integration and increasing trade flows in the region. However, to achieve it, challenges affecting the region must be first addressed in order to create an environment where SAFTA can function effectively. The challenges identified that must be addressed include the lack of comparative advantage in the region, as well as a common threat, protectionism, strained Pakistan-India relations and perennial intra-region and intra-state conflicts.*



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## **DEDICATION**

This dissertation is dedicated to my parents ,family members. A special feeling of gratitude to my loving parents, Mohammad Ali and Moriun Un Nessa whose words of encouragement and push for tenacity ring in my ears. Specially my father's hard work and life- long learner encourage me to do something special work. I also dedicate this dissertation to my many friends and also all my volunteering organization , such as NYRR,NY Cares, Asian American Lions club, 99 rise, volunteer Match, NSCS, Golden Key, AmeriCorps, American Economic Association, VFW, Amnesty International , American Red Cross Organization and Delta Mu Delta Business honor society. All of you have been my best cheerleaders.



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## **CHAPTER 1: INTRODUCTION**

### **Background**

South Asia is a geographical – geopolitical, even – entity that does not have clear borders. The term is commonly bandied about in scientific and political quarters, but it does not have clear geographical confines. There are, in a way, as many approaches to defining the region as there are scholars studying it. Whereas some believe that South Asia comprises only Bangladesh, India, Pakistan and Sri Lanka, others broaden the list to include Nepal, Bhutan and the Maldives. Sometimes, researchers consider Afghanistan as being part of the region, because it was recently accepted into the fold of the South Asian Association for Regional Cooperation, but this view is not generally accepted. One thing is sure: a uniform definition of South Asia does not exist, which may impede the research in many ways. Indeed, when using different literature sources to evaluate economic performance of South Asia as a whole, the researcher needs to be careful and make sure that different authors use the same definitions of the region. Otherwise, the researcher could face a hypothetical dilemma, when the region's GDP grew from \$1 trillion in 2010, as suggested by one author, to \$1.3 trillion in 2011, as suggested by another author, without realizing that the adduced figures are so strikingly different not so much because of the robust economic growth in the region but rather because the second author deemed Afghanistan to be part of South Asia. Anyway, for the purposes of this dissertation, South Asia – a gateway between Middle East and South East Asia – is limited to Bangladesh, India, Nepal, Pakistan, and Sri Lanka.

Alongside most of Africa, South Asia is the last populated geopolitical entity in the world wherein there is no effective regional integration institutions. A layman's explanation for the problem is that the region is too politically diverse to jelly into a coherent regional integration institution. Moreover, the region is teeming with political frustrations and economic maladies. The list of challenges to political and economic stability in the region run the gamut of importance from unreasonably high tariffs and other customs barriers to the perennial feud



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between India and Pakistan and a lack of trust among all regional states. The South Asian Association for Regional Cooperation, hereinafter referred to as SAARC and established almost three decades ago, had very limited success in helping regional powers reconcile their differences. The role of the South Asian Free Trade Area, often shortened to SAARC, has been somewhat more effective, but not as quite effective as it was originally expected. As a result, the prospect of effective regional integration persistently eludes the region. The overarching goal of the present dissertation is to describe, analyze and evaluate political and economic risks and challenges that beset South Asia and threaten or, at least, can potentially threaten the region's economic, political and social stability.

### **PROBLEM STATEMENT**

There is a problem in South Asia. Regardless of the numerous efforts undertaken by the countries towards regional and economic integration, the region has not been able to come together under a coherent regional institution, as is the case with other regions such as North America through its North America Free Trade Agreement (NAFTA). One of the major efforts undertaken in the region to bolster regional integration is the South Asian Association for Regional Cooperation (SAARC), which was established almost three decades ago, but had very limited success in helping regional powers reconcile their differences ((Chatterji & Jain, 2008; Visweswaran; 2011; Saez, 2012). This problem has negatively affected the economic development of the region as a whole as well as of the individual countries. Lack of regional integration in South Asia hampers regional trade, widens the conflict among the countries because of the historical differences, and weakens the capacity of the countries and the region as a whole to solve problems such as terrorism and poverty (Saez, 2012). Possible causes of the problem can be attributed to issues such as power asymmetry, incessant rivalry between India and Pakistan, divergent views on the region's future, the prevailing atmosphere of distrust, protectionist economic policies, and reluctance to eliminate tariff barriers; all of which impede the improvement of intra-regional economic cooperation and have a devastating toll on economic



integration in the region. Perhaps (Kuhnhardt, 2010; Saez, 2012). A study that investigates the political and economic risks and challenges facing the regions using in-depth qualitative approaches could provide a solution to this problem.

### **PURPOSE OF STUDY**

The purpose of this qualitative study was to describe, analyze and evaluate the political and economic risks as well as challenges plaguing South Asia and threaten the region's economic, political and social stability, which is essential in fostering regional and economic integration. At this stage in the research, regional integration was generally defined as the process involving at least two countries entering an agreement to work in partnership in order to achieve economic growth and development, stability and peace.

### **NATURE OF THE STUDY**

There is no doubt that South Asia is one of the least integrated regions across the world. This qualitative study examined the political and economic risks as well as challenges hampering regional integration. In addition, the study sought to explore the potential and role of SAFTA in increasing trade flows between countries in the South Asian region. The qualitative research was executed using primary and secondary research methods. Secondary research was the first stage of the research and was executed using a literature survey with information being collected from citation indexes and electronic databases including Ebscohost, SpringerLink, Questia, Pubget, JSTOR, Emerald, Google Scholar, Taylor and Francis, Science Direct and Sage Publications. Primary research was administered using semi-structured interviews performed with experts in the subject area of this research. In the context of this research, participants comprised of experts in a number of disciplines including foreign policy, international economy and international relations. Secondary research was administered using the literature-based methodology. Analysis of the data obtained from the study was done using thematic analysis in order to identify the



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factors hampering regional integration as well as the potential role that SAFTA can play in bolstering regional integration in South Asia.

Naturally, in order to be fully equipped to discuss the challenges to and prospects of economic and political integration in South Asia, it is necessary to carry out a profound and consistent analysis. To this end, sources comprising both theoretical and empirical material should be used. Similarly, it would be a folly to rely exclusively on either secondary or primary data collection methods. For the purposes of this research, both secondary and primary data were collected. To analyze the historical background of the regional situation, secondary information was abstracted from books and articles and analyzed in the literature review. Similarly, secondary data were used to outline the current state of affairs in the regions. However, in the course of this research, the author also gathered a reasonable amount of primary data to better understand the current situation surrounding political economy of South Asia.

During the process of the secondary data collection, relevant and credible sources were selected, perused, analyzed and subsequently used to complement the data that have been produced in the course of the primary data collection. The results of the secondary data collection formed the background for further analysis, for they introduced general data and pertinent figures. This study utilized the systematic review of literature, which involved searching for information from multiple sources. These sources not only present descriptive material concerning the challenges to political and economic integration in South Asia, but also provide crucial figures, explanations and visions for the further development and improvement of the current situation. Overall, secondary data were geared to the needs and purposes of the present investigation.

## **SIGNIFICANCE OF THE STUDY**

It is evident that achieving regional integration is a significant issue of concern in South Asia. With the region lacking an effective unifying institution that fosters collaboration among these countries, economic development in these countries is slowed down. Thus, there is the need to explore ways through which regional integration in South Asia can be established and



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subsequently strengthened. Issues associated with power symmetry, historical rivalry between India and Pakistan, protectionism, divergent views regarding the future of the region, and the country's reluctance to abolish tariff barriers are hampering intra-regional economic cooperation and have resulted in detrimental economic impacts for the region. Reversing this state of affairs requires understanding the political economic environment of the region. In this regard, the findings of this research are of great significance to leaders and policy makers of South Asian countries. The results presented herein articulate important recommendations can be used by governments of these countries to foster regional economic collaboration using SAFTA.

Apart from the policy recommendations, the findings of the research also provide a theoretical foundation for research regarding the enabling conditions for SAFTA to be successful given the current political and economic environment in the region. Vast literature has focused on the problems that face the individual countries in the region rather than the problems facing the region as a whole. The only regional problem that has been significant attention in literature relates to the strained relationship between India and Pakistan, although the regional implications of this strained relationship is not clear There are numerous cases successful regional integration such as North American Trade Agreement, which uses the same blue print as SAFTA. However, little emphasis has been placed on projecting a scenario whereby SAFTA will be successful including its impacts. As a result, this gap in literature must be addressed in order to develop a scenario outlining the conditions under which SAFTA can be successful. In addition, there is the need to have an understanding of how the political and economic dynamics of the region will have an impact the effectiveness of SAFTA in achieving regional and economic integration.

## **RESEARCH QUESTIONS**

The research questions that guided this study were:

Research Question 1: What are the most threatening challenges to the stable political and economic integration and cooperation in South Asia?





Research Question 2: How would things change as some countries keep circling the grindstone of violence and others persistently refuse to make concessions on the way towards establishing closer regional ties?

Research Question 3: What are the developments and transformations in the political economy of countries in South Asia?

## **HYPOTHESES**

H<sub>1</sub>: South Asia region faces significant challenges that threaten the political stability of the region as well as regional cooperation.

H<sub>0</sub>: South Asia does not have any significant challenges capable of threatening political stability and hampering regional integration.

H<sub>1</sub>: Regional integration through SAFTA is a possibility amidst the violence and reluctance to make concessions aimed at establishing closer regional ties.

H<sub>0</sub>: Regional integration under SAFTA is impossible amidst the violence and countries' reluctance to make concessions aimed at establishing closer regional ties.

## **BRIEF REVIEW OF LITERATURE**

The literature review adopts a historical perspective in order to provide a description of the political economy of the South Asia region in the course of the 20<sup>th</sup> century. The review also explores the current situation regarding the political economy of the region. In addition, the review pays a special attention on the political economy of Bangladesh as well as its stance towards in the region.

## **CHARACTERISTIC OF THE RESEARCH AREA AND PROBLEM**

It is apparent that Bangladesh as well as other countries in the region require considerable reforms before they can forge their political and economic identity effectively in order to foster economic growth and integration in the region. An inference that can be made from literature is



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that countries in the South Asian region are grappling with a myriad of internal issues, which are subsequently hampering regional integration. There have been several attempts at regional integration, with SAARC reported most success so far, despite being dismissed as ineffective. The more South Asian nations tergiversate at SAARC meetings, the smaller their chances to deepen regional integration becomes. For now, the literature review shows that the future of economic integration in South Asia and especially of SAARC remains uncertain. The association's lackluster performance has resulted in the diminishing number of publications about it. Future research is needed to understand what is going to happen to economic integration and trade liberalization initiatives in South Asia.

## **CONTRIBUTION OF THE STUDY TO THE LITERATURE**

The findings of the research also provide a theoretical foundation for research regarding the enabling conditions for SAFTA to be successful given the current political and economic environment in the region.

## **CONTRIBUTION TO THE CONTEXT OF THE PROBLEM**

The results of this investigation are of great connotation to leaders and policy makers of South Asian countries. The results presented herein articulate important recommendations can be used by governments of these countries to foster regional economic collaboration using SAFTA.

## **SIMILAR AND RELATED STUDIES**

There is agreement in literature that significant improvements have not been made with respect to achieving political and regional integration in South Asia region for the least several decades, which can be attributed to the fact that region has been largely divided for a better parts of its history. A number of issues such as power asymmetry (imbalance), unending rivalry between Pakistan and India, divergent views regarding the future of the region, the distrust between the



countries in the region, protectionist economic policies, and the unwillingness to remove trade barriers and adopt more open trade policies are impeding efforts to integrate the region.

## **GAP IN THE LITERATURE**

Vast literature has focused on the problems that face the individual countries in the region rather than the problems facing the region as a whole. In addition, little emphasis has been placed on projecting a scenario whereby SAFTA will be successful including its impacts. As a result, this gap in literature must be addressed in order to develop a scenario outlining the conditions under which SAFTA can be successful.

## **THEORETICAL FRAMEWORK**

The theoretical framework that guided this study draws upon a comparison of the prospects of SAFTA in achieving regional and economic integration amidst the challenges facing the region as reported in literature. Free Trade Agreements such as NAFTA (which has been largely successful) enhance opportunities for market integration and provides an opportunity to bolster trade agreements. To this end, it can be projected that SAFTA will bolster regional cooperation between the South Asian countries; and foster regional connectivity, which is crucial in achieving regional economic growth. The underlying thought is that the South Asian region is need of market integration in order to exploit its potential economic growth rate, and SAFTA is the first step towards achieving this objective. In addition, it can be projected that, SAFTA, just like other regional free trade agreements, is playing a crucial role in achieving trade liberalization by helping in advancing the commitment of the countries in the region towards enhanced market integration. Despite these expectations affirming the crucial role that SAFTA is poised to play with respect to fostering regional and economic integration in South Asia, it is also imperative to take into consideration the barriers likely to hamper SAFTA from achieving its objective. Some of the factors likely to hinder the effectiveness of SAFTA as reported in literature include security issues, historical differences and instability, and challenges to



achieving regional integration in South Asia. Security issues in the region are associated with the political conflicts witnessed between countries in the South Asian region. Historical differences denote the perennial intra-state as well as intra-region conflicts. Instability denoted the overall political instability evident in the South Asian region. Others include geographic dependency; the region lacking comparative advantage; the region lacking a common threat; protectionism; strained Pakistan-India relations; and perennial intra-region and intra-state conflicts. Figure 1 in the Appendix shows an illustration of the theoretical framework.

## **ASSUMPTIONS, LIMITATIONS AND DELIMITATIONS**

As any other study, this one has not been without limitations, assumptions and delimitations.

### **ASSUMPTION**

Based on the subjective nature of the research, an assumption in this study was that commentators interviewed provided their expert view rather than personal opinion regarding the issue under investigation.

### **LIMITATIONS**

One salient limitation of the current study is its small sample size. Although a small sample size may seem suitable for other types of studies, it has its inherent weaknesses, making it difficult to generalize research findings. A more diverse sample not limited could provide more insightful observations on the researched question and enable the researcher to make more solid inferences.

### **DELIMITATIONS**

Despite the general abundance of literature dedicated to the issues of political economy in South Asia, a number of problems have been largely omitted. It is necessary to note that there is a gap in literature concerning accurate typology of the challenges that South Asian counties face. Thus, far too many researchers dwell on the challenges faced by one particular country in South Asia



instead of speaking about the region as a whole. Likewise, many treatises on the political economy of South Asia are limited to a particular challenge. Hence, the need for future research that would fill in the gaps is critical. Few authors have broached the subject of how other SAARC countries implement SAFTA, which also constitutes a possible area for further research. SAARC's vapid performance has resulted in the diminishing number of publications about it. Future research is needed to understand what is going to happen to economic integration and trade liberalization initiatives in South Asia. The association's lackluster performance has resulted in the diminishing number of publications about it. Future research is needed to understand what is going to happen to economic integration and trade liberalization initiatives in South Asia. The limitations of the study will be described in meticulous detail in the subsequent chapters.

Some delimitations were also present in the study with respect to the boundaries and scope of the research. The first delimitation is that the study relied on the views of commentators from the South Asian region. Experts from other regions were considered not be well versed with the political and economic dynamics of the region, which underscores their exclusion from participating in the research. Essentially, the scope of the study is delimited to understanding the political economy of the South Asia. This is attributed to researcher interest and the fact that the region is one of the least integrated region in the world. The study also used an interpretive philosophy in interpreting data, which influenced the manner in which data was analyzed.

## **DEFINITIONS OF TERMS**

The study makes use of the terms below.

**Free Trade Agreement (FTA).** Refers to an agreement between at least two countries aiming at achieving trade liberalization and fostering economic ties.

**Political Economy.** The study that discusses how politics influences major aspects of economy as well as how economic institutions affect political processes (Secretariat, 2014).



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**Regional Integration.** The process involving at least two countries entering an agreement to work in partnership in order to achieve economic growth and development, stability and peace (Francois, Rana, & Wignaraja, 2009).

**South Asia.** It appears that there is no uniform definition of South Asia, but for the purposes of this study, South Asia is limited to Bangladesh, India, Nepal, Pakistan, and Sri Lanka. Chatterji and Jain (2008) describe South Asia as “a gateway between South East and Middle East Asia,” meaning that the region is essential to insuring greater political stability and economic prosperity on the entire Asian continent (p. 5).



## CHAPTER TWO: LITERATURE REVIEW

### INTRODUCTION

Political economy is the study that discusses how politics influences major aspects of economy as well as how economic institutions affect political processes. South Asia remains one of the last geopolitical entities on the planet wherein there is no effective regional trade agreement. Similarly, it is one of the most politically heterogeneous regions in today's world. There is no uniform definition of South Asia, but for the purposes of this literature review, South Asia is limited to Bangladesh, India, Nepal, Pakistan, and Sri Lanka. The region is beleaguered with political grievances and economic woes. Such problems as the perennial feud between India and Pakistan and a lack of trust among all regional states are tearing South Asia asunder. Notwithstanding the fact that South Asian nations established the South Asian Association for Regional Cooperation (SAARC) almost three decades ago, they still have to reconcile many differences in order to achieve closer economic integration. For example, the initiative to reduce tariffs has already become the "hardy annual" at SAARC summits.

The current literature review analyzes a variety of academic books and articles in peer-reviewed journals and mainstream newspapers to evaluate the impact of political and economic challenges facing South Asian nations on the attempts to strengthen economic cooperation in the region. Overall, there is a wealth of scientific research dedicated to the issues of political economy of South Asia. As the fulcrum of world power shifts to Asia, events unfurling in this region attract extensive coverage from the mainstream media. Whereas books provide a comprehensive analysis of the relevant data, newspaper articles enlighten the reader on the latest developments in the region. A common thread from all sources reviewed suggests that the road towards establishing regional economic cooperation in South Asia has been scattered with challenges, both political and economic. The present literature review both delves into the annals of history to describe the political economy of South Asia in the late 20<sup>th</sup> century and looks at the current



situation surrounding the topic. It pays special attention to the political economy of Bangladesh and the country's stance towards the region. Multiple sources have been used to evaluate the impact of political and economic issues facing Bangladesh as it attempts to rise to the challenge of liberalizing its trade. The literature review has shown that Bangladesh needs to continue on the path of reforms before it can forge its economic and political identity free from the trammels of circumstance and in a fashion that would generate dynamic economic growth and stimulate economic integration in South Asia. It is necessary to note that there is a gap in literature concerning accurate typology of the challenges that South Asian countries face. Many studies are narrowed to representing the challenges faced by one particular country in South Asia. Similarly, many scholars pursue the research that is limited to a particular challenge. The lacunas in the literature are described in detail in a separate section.

## **GEOGRAPHICAL LIMITS OF SOUTH ASIA**

It would be wise to start this literature review by looking at how experts define geographical limits of South Asia. Today, there are as many approaches to defining the region of South Asia as there are scholars researching it. For example, Otsuki (2007) believes that South Asia comprises Bangladesh, India, Pakistan and Sri Lanka. Chatterji and Jain (2008) broaden the list to include Nepal, Bhutan and the Maldives. Recently, after Afghanistan was accepted into the fold of the South Asian Association for Regional Cooperation (SAARC), there has been a tendency to regard Afghanistan as part of the region. Yet, the vast majority of political scientists still ignores such a definition and accords it the bar sinister. Thus, it appears that there is no uniform definition of South Asia, but for the purposes of this literature review, South Asia is limited to Bangladesh, India, Nepal, Pakistan, and Sri Lanka. Chatterji and Jain (2008) describe South Asia as “a gateway between South East and Middle East Asia,” meaning that the region is essential to insuring greater political stability and economic prosperity on the entire Asian continent (p. 5).





**THEORETICAL UNDERPINNINGS AND HISTORICAL DEVELOPMENT  
OF THE TOPIC**

Researchers agree that Adam Smith's economic perspective is one of the most applicable theories that could describe the political economy of South Asia (Hout, 1996; Saez, 2012). The sublime Scottish economist admonished that state intervention in economic activities should be minimized in order to allow natural market forces of supply and demand to regulate market activities. Thus, despite the fact that the specter of communism was stalking in the neighboring South East Asia, communism failed to take root in the impregnable South Asian nations (Saez, 2012). After the dissolution of the largest communist power on the planet, i.e. the USSR, only Vietnam and China preserved communist systems of government due to great success that they achieved under state-dominated economy. All other Asian nations, including those in South Asia, had sustained poor economic performance and decided to shift from state-dominated to *laissez-faire* economy (Hout, 1996). Yet, any South Asian country had not embraced a distinctively *laissez-faire* economy, because local governments attempted to control a certain portion of the economy to ensure equality between the affluent and the destitute. However, a short excursus into the history of the region reveals that grinding poverty and glaring inequality between the rich and the poor remained an endemic problem in the region throughout the second half of the 20<sup>th</sup> century (Visweswaran, 2011; Saez, 2012).

Contrary to Rizavi, Khan and Mustafa (2010), who believe that the tendency of South Asian nations to open their economies to the outside world was beneficial to the regional powers, Brunjes, Levine, Palmer and Smith (2013) maintain that the increasing openness of the South Asian economies was in fact inimical to the region's growth. For example, the neighboring China always sought to take advantage of the resources in the less developed countries and tap into their markets. According to Brunjes et al. (2013), China's growing trade volume with Bangladesh, Sri Lanka, Nepal, Maldives, and Bhutan grew more than five times from 2003 to 2008. However, Brunjes et al. (2013) continue, South Asia's countries suffer from a disappointing trade deficit, meaning that the cost of their imports from China considerably



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exceeds the value of their export to this country. Chatterjee and George (2012) agree with Brunjes et al.'s (2013) arguments and add that the continued dominance of China as one of the pivotal trading partners of the South Asian nations can be attributed to the to the low level of integration in the region. Despite the existence of bilateral agreements and the establishment of the SAFTA, trade negotiations have not yielded a rich harvest of results for the regional countries. Interestingly, Rizavi, Khan and Mustafa (2010), Chatterjee and George (2012), and Brunjes et al. (2013), all point to the the decades-long futility of integration initiatives in the region.

## **SUMMARY**

The political economy of South Asia can be best described using the Adam Smith's economic perspective – laissez-faire economy. The South Asian economy is also characterized by openness to countries in other regions such as China, which trades mostly with Bhutan, Sri Lanka and Bangladesh. The low level of economic integration in the region has been linked to the dominance of China as a trading partner for the South Asian nations.

## **CONTEMPORARY PERSPECTIVES ON THE POLITICAL ECONOMY OF SOUTH ASIA**

### **General Overview**

There is overwhelming agreement among scholars that numerous political and economic risks endemic in South Asia make it extremely difficult for the regional countries to develop closer economic cooperation (Chatterji & Jain, 2008; Kuhnhardt, 2010; Visweswaran, 2011). There have been several attempts to create regional cooperation arrangements in the region, with SAARC being the most successful among them. According to Kuhnhardt (2010), "SAARC is the most impossible combination of countries and political regimes, socioeconomic realities and ethnic composition, and religious and linguistic diversity that the world could possibly offer" (p. 282). Yet, not all authors agree that SAARC is an inherently efficient organization. Thus, Desai's



(2010) analysis of SAARC's performance demonstrates that "the extremely skewed balance of power within the region and antagonistic interstate relations among member states have stunted the organization's effectiveness" (p. 3).

## **CHALLENGES TO THE INTEGRATION OF SOUTH ASIAN ECONOMIES**

Many authors (Chatterji & Jain, 2008; Desai, 2010; Kuhnhardt, 2010) pay meticulous attention to political factors, which have played a crucial role in shaping South Asia's political economy and provided a fertile ground for building up South Asian political economy scholarship. Indeed, there have been plenty of potential flashpoints in this highly volatile region over the last two decades. In Sri Lanka, for example, the authorities tussled with the problem of how to rein in militants from what Kalansooriya called "the world's most ruthless terrorist group" – the Liberation Tigers of Tamil Ealam (LTTE) – until recently (as cited in Voica & Duyan, 2012, p. 1). According to Chatterji and Jain (2008), at the zenith of its power, the LTTE spread havoc across and beyond Sri-Lanka, terrorizing and killing high-profile Indian and Sri Lankan politicians. Voica and Duyan (2012) maintain that even though the country's military vanquished LTTE leader Veluppilai Prabhakaran and his inner circle in 2009, there have been attempts to resuscitate the organization.

Pakistan is perhaps the most politically unstable country in the region (Visweswaran, 2011). It is torn by sectarian strife between the Shia and the Sunni and overrun by the terrorists from the decapitated al Qaeda. In addition, the Mohajir Qaumi Movement is fomenting both sedition and secession within Pakistan (Chatterji & Jain, 2008). Saez (2012) notes that the continuous souring of the India-Pakistan relations, characterized by the perennial conflict over Kashmir and a dangerously escalating arms race, also does not augur well for the improvement of the political economy in the region. To quote the author, "controversial bilateral issues between India and Pakistan – particularly over the issue of Kashmir – would overshadow any potential collaborative endeavors that might emerge via the institutional mechanism provided by SAARC"



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(Saez, 2012, p. 16). According to Khanna (1997), “such is the animosity that even good business sense does not prevail” (p. 124). Khanna (1997) further argues that out of 90,000 tons of tea that Pakistan imports per annum a paltry 5,000 comes from India, despite the fact that Indian tea is of a superior quality and cheaper. Similarly, Pakistan imports steel products from South Korea and China at double the rates just to minimize contacts with India (Khanna, 1997).

Many analysts concur that the upsurge of Hindu nationalism and religious fundamentalism in India is also generating tensions among certain groups of people (Chatterji & Jain, 2008; Visweswaran; 2011; Saez, 2012). Nepal and Bangladesh are also teeming with political insecurity and uncertainty. In 2008, Chatterji and Jain argued that the “political and security situation in Nepal is murky and unpredictable” (p. 339). Things have not changed much since that time. Ray (2011) reckons that Nepal has been drifting rudderless politically since the abolition of the monarchical form of government in 2008. Bangladesh has also been “marred by a deep distrust between the two main political parties – the Amawi League and Bangladesh Nationalist Party” since the early 1990s (Kumar, 2013). The most recent spurt of violence came in December 2013, when the struggle between the two political coalitions and their supporters paralyzed Bangladesh and delivered a punishing blow to the country’s vital garment industry (Manik, 2013).

Given such dire political circumstances in each South Asian country and the testy relationship between the two centers of power – India and Pakistan – establishment of mutually fruitful economic cooperation in the region would seem impossible. Many analysts point to the lack of a common threat that could unify the region and persuade local states to seek closer economic integration (Kuhnhardt, 2010; Saez, 2012). Recently, China has been spreading its tentacles into every nook and cranny of the developing and underdeveloped world, but it has generally left out South Asia for some reason. Adhikari (2012) argues that China is a threat to India only, and other regional countries do not share India’s fears. Likewise, specialists agree that the power asymmetry in South Asia is a formidable challenge to augmenting economic integration in the region (Desai, 2010, Saez, 2012). Indeed, Saez (2012) notes that when SAARC was established in 1985, India accounted for 73% of the region are GDP. Today, India’s share of SAARC’s GDP



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has exceeded 80% (Desai, 2010; Saez, 2012). Similarly, 75% of all people living in member-states of SAARC are Indians (Desai, 2010; Visweswaran, 2011; Saez, 2012). The country is also outspending its neighbors in terms of military expenditures (Saez, 2012). Thus, instead of uniting against a common enemy, South Asian countries treat India with hostility and apprehension.

In addition to purely political challenges impeding the strengthening of economic integration in South Asia, there are some economic challenges as well (Chowdhury, 2005; Islam, Nag, Lama, Khanal & Kemal, 2010; Saez, 2012; Ahmed; 2013). Protectionist economic policy pursued by smaller South Asian countries is one such challenge. Ahmed (2013) opines that self-sufficiency through import substitution has long been the bedrock principle underlying economic policy of individual South Asian nations. Dash (1996) indicates that the amount of intra-regional trade in South Asia is negligible, leading to the slowed interdependence among the countries in the region. The fact that India's and Pakistan's exports are largely complementary to the imports of Bangladesh and other smaller South Asian countries put their exports at a significant disadvantage vis-à-vis those of Pakistan and India (Jain & Singh, 2008). Islam et al. (2010) agree with Ahmed (2013) and add that all attempts to increase trade within the region have emanated from India and, thus, have been perceived by smaller countries as a catalyst to enhance India's ascendancy in the region. They further argue that Bangladesh and Nepal have preferred to import goods from suppliers outside South Asia at higher cost lest cheap Indian goods should glut their markets (Islam et al., 2010). Their fears are understandable, because India has big trade surplus with all South Asian nations researched in this literature review. Similarly, small countries in the region are unwilling to accept investment from Indian firms (Ahmed, 2013).

Authors adduce a solid body of evidence to demonstrate how protectionism militates against increasing economic integration in the region. Thus, Desai (2010) points to the lack of any cooperation between India and Nepal in the sphere of electricity generation, even though there is enormous and untapped potential in Nepal's hydropower market. Yet, Nepal is loath to sell its birthright too cheaply, fearing that closer cooperation with India in this sector at this stage could kill the goose before it has laid its golden eggs, metaphorically speaking. Sri Lanka too lacks any solid economic linkages with intra-regional countries (Trivedi, 2008). According to Trivedi



(2008), “it defies all economic logic” that the country buys railway cars from the companies in Romania when cheaper and better-quality cars are available in the adjacent India (p. 19). In general, Sri Lanka prefers to deal with other overseas partners in different spheres (Trivedi, 2008). Desai (2010) avers that Pakistan has always been reluctant to boost any form of economic interdependence with India as well. All in all, a review of literature shows that South Asian states are predisposed to espouse protectionist policies *vis-à-vis* India, thereby stultifying any progress on the path towards deepening economic integration and cooperation.

## **SUMMARY**

The challenges hampering regional integration South Asia that have been identified in literature include power asymmetry, incessant rivalry between India and Pakistan, divergent views on the region’s future, the prevailing atmosphere of distrust, protectionist economic policies, and reluctance to eliminate tariff barriers impede the improvement of intra-regional economic cooperation and have a devastating toll on economic integration in the region.

## **ACHIEVEMENTS ON THE PATH TOWARDS REGIONAL COOPERATION**

Yet, despite all the political differences among South Asian countries, they managed to take a few cautious steps towards intensifying economic cooperation. The establishment of SAARC brought at least a *façade* of unity to the hitherto-fissiparous region. The aim of the SAARC is to “enhance an ambiance of mutual cooperation on the basis of a deviation from the legacy of a shared colonial heritage” (Saez, 2012, p. 15). Nevertheless, as some authors put it, the association’s trade performance, a key instrument of economic development, is also disappointing (Duquesne, 2011; Rahman, Khatri & Brunner, 2012). Even though it houses 23% of the world’s population, it accounts only for 3% of the world’s GDP, less than 2% of global trade, and less than 3% of the global investment flows (Duquesne, 2011). The share of the region’s countries in Asia’s total trade is a paltry 6% (Rahman, Khatri & Brunner, 2012). What



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is more disappointing for the architects of SAARC, intra-regional trade is responsible for less than 5% of the region's total exports and imports (Rahman, Khatri & Brunner, 2012). In other words, South Asian nations prefer dealing with their partners outside the region than with each other. Political experts of all hues agree that the contemptibly low volume of trade between South Asia's two economic engines – Pakistan and India – is the major reason the deteriorating performance of SAARC (Chatterji, M., & Jain, 2008; Trivedi, 2008; Rahman, Khatri & Brunner, 2012; Ahmed, 2013).

Analysts tend to portray the establishment of South Asian Free Trade Agreement (SAFTA) in 2006 as the culmination of South Asia's efforts to improve economic cooperation within the region (Rahman, Khatri & Brunner, 2012; Ahmed, 2013). However, as Trivedi (2008) points out, the fate of SAFTA hinges heavily on the thawing of relations between Pakistan and India. There are fears in academic quarters that if India and Pakistan fail to reach a consensus on their political disputes in the nearest future, SAARC will founder on the same treacherous shoals as its predecessor, South Asian Preferential Trading Agreement (Hussein, 2009; Rahman, Khatri & Brunner, 2012). Experts agree that such radical measures as the demolition of the tariff walls could give a powerful fillip to the closer integration within SAARC (Islam et al., 2010; Lewis, 2011). Today, most South Asian countries realize the necessity of deepening regional integration, but often shy away from making tariff concessions and reciprocating concessions made by others. Nevertheless, pursuant to SAFTA, South Asian nations shall reduce their tariffs to between 0-5% by the end of 2015 (Hussain, 2009). Thus, it appears that the future of economic integration in South Africa will depend on the willingness of the regional states to fulfill their obligations under SAFTA in the face of overwhelming political differences.

## **SUMMARY**

There have been myriad attempts to create regional cooperation arrangements, with SAARC being the most fruitful of them. Yet, most experts dismiss SAARC as ineffective. The more South Asian nations tergiversate at SAARC meetings, the smaller become their chances to



deepen regional integration. The prevailing atmosphere of suspicion and distrust also impedes the improvement of intra-regional economic cooperation through the frameworks of SAARC and SAPTA

## **POTENTIAL BENEFITS FOR SOUTH ASIAN COUNTRIES FROM CLOSER REGIONAL COOPERATION**

As observed above, experts studying the political economy of South Asia are agreed that the regional is beset with both political and economic challenges. At the same time, most researchers concur that incentives for closer South Asian cooperation are as numerous, but not all countries are ready to sacrifice their own varied priorities at the altar of regional integration. (Otsuki, 2007; Chatterji & George, 2012; Ahmed, 2013; Najam & Yusuf, 2013). Some of the stimuli are peculiar to individual South Asian countries, whereas others are common to all of them. Customs and transit procedures constitute a big concern for South Asian nations in general and Bhutan, India and Nepal in particular. Indeed, complex verification procedures on the South Asian customs cause considerable delays, thereby hampering economic progress in the region (Ahmed, 2013). For example, because of complex customs procedures, regional companies of all scales seek to bypass governmental customs procedures. Rahman, Khatri and Brunner (2012) argues that companies engage in informal trade, thereby reducing the amount of government revenues. Experts agree that higher levels of intra-governmental cooperation will help local countries harmonize their cooperation by means of, among other things, streamlining customs procedures, avoiding double taxation, encouraging arbitration, and facilitating access to legal systems (Chatterji & George, 2012; Ahmed, 2013). SAARC member-states take cognizance of the problem and have already put some efforts into solving it. For example, prompted by desire to “achieve and enhance coordination and cooperation among themselves in the fields of standardization and conformity assessment” as well as “develop harmonized standards for the region to facilitate intra-regional trade and to have access to the global market”, SAARC member-states have agreed to create a regional organization that would deal with standardization





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problems (Saez, 2012, p. 66). If the organization turns out to be effective in its basic function, it will help regional countries to alleviate the enormous administrative burden that obstructs the works of their standard-setting agencies and customs authorities (Saez, 2012).

The fact that South Asian nations will be able to set uniform standards for goods and services and later harmonize these standards with the international ones is yet another stimulus to forge closer regional relations. Kuhnhardt (2010) draws on the example of the European Union to explain this point. He argues that smaller economies of the European Union were able to enter the mainstream economic marketplace due to the implementation of common standards (Kuhnhardt, 2010). He further concludes that SAARC member-states can use the experience of the European Union as a blueprint for their own standardization reform. Experts are unanimous that the harmonization of standards will grant South Asian nations access to larger markets (Kuhnhardt, 2010). In other words, products produced in South Asia will have greater international acceptance. Rahman, Khatri and Brunner (2012) make positive estimates that the harmonization of standards has also the potential to reconcile some difference between SAARC member-states, which in its turn will give the association more clout in global affairs.

A detailed analysis of literature on the problem reveals that the improvement of regional cooperation in South Asia can be a positive equivalent of a “vicious circle”. Thus, the establishment of closer regional cooperation in South Asia will have the effect of resolving decades-old problems, which then will contribute to even broader cooperation. In addition to what has been observed in above paragraphs, Hussein (2009) surmises that closer regional integration will also lead to better transport linkages and improved infrastructure in general, which in its turn will stimulate trade? Chatterji and George (2012) echo this argument, adding that the improvement of regional infrastructure, which is possible only with the concerted efforts of all SAARC member-states, will open up other trade opportunities for the region. Just like centuries ago, when South Asia was a world emporium, improvements in the region’s decrepit infrastructure will make it one of the principal centers of commerce (Kuhnhardt, 2010). Chatterji and George (2012) maintain that SAARC member-states cannot make full use of their unique geopolitical location at the crossroads of Asia between the vibrant Southeast Asian economies



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and oil-bearing Middle Eastern nations because of the rickety infrastructure. While improvements in the region's infrastructure would come as a corollary of the regional integration, any steps in this direction on the part of individual South Asian nations will in fact contribute to the consolidation of regional integration (Hussein, 2009; Chatterji & George, 2012).

According to Islam et al. (2010), "a regional FTA [free trade area] depends for viability upon a number of factors, such as geographical proximity, advanced connectivity and other infrastructure, high trade complementarities, high pre-FTA tariffs and low non-tariff barriers, high existing intra-regional trade", and so forth (p. 24). It was shown above that the viability of most of these factors, save for geographical proximity, is limited at best. Of all these factors, trade complementarities have received the least attention in this literature review. Scholars, however, commonly point to this aspect (Paswan, 2003; Islam et al., 2010; Najam & Yusuf, 2013). They all share opinion that SAARC member-states have not been able to develop trade complementarities because of their adherence to the idea of self-sufficiency (Paswan, 2003; Islam et al., 2010; Najam & Yusuf, 2013). Because of poor infrastructure in South Asia, "trade complementarities are low," even though "the existing levels of informal cross-border trade indicate that complementarities could be rather high" (Islam et al., p. 25). Considering that, SAARC member-states are on "different rungs on the development level, their structural composition and trade baskets do not completely overlap" (Najam & Yusuf, 2013). Researchers agree that South Asian nations could augment intraregional trade and implement regional integration schemes through exploiting regional diversity and establishing complementarities in trading structures (Paswan, 2003; Najam & Yusuf, 2013). They should also pay close attention to political and non-tariff barriers (Najam & Yusuf, 2013). In South Asia, tariffs may be low, but non-tariff barriers are high (Islam et al., 2010). Islam et al. (2010) say, apropos of this, that non-tariff barriers "have been kept out of agenda in the SAPTA rounds, although there has taken place a sea change in respect of non-tariff barriers of the regional countries *vis-à-vis* the rest of the world" (p. 25).



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While most researchers concur that the creation of trade complementarities can foster intra-regional trade in South Asia (Paswan, 2003; Islam et al., 2010; Najam & Yusuf, 2013), few explain how to do it. Paswan (2003) is one of such precious authors to outline a roadmap for the creation of strong complementarities and improvement of mutual trade sustainability and, consequently, stimulation of intra-regional trade and cooperation in South Asia. Thus, according to Paswan (2003), SAARC countries should, first of all, identify the areas of complementarities as well as tariff and non-tariff barriers to the intensification of trade. On the next step, Paswan (2003) argues, they should gradually open their internal markets to explore potential complementarities (Paswan, 2003). Paswan (2003) continues that SAARC countries should “move forward towards sectorial investment through bilateral and plurilateral joint ventures” (p. 312). Most importantly, however, Paswan (2003) contends that it is incumbent on SAARC member-states to promote a trade liberalization agenda and “introduce a phased program to reduce tariff and non-tariff on a ‘product by product’ and ‘sector by sector’ basis along with other interventionist measures in the different sectors of their production structure”. Overall, researchers agree that by developing trade complementarities would enable South Asian nations to expand the production base and otherwise benefit from economies of scale.

Rahman, Khatri and Brunner (2012) state that closer regional integration will create a situation where in South Asian nations will be able to avail themselves of the increased foreign direct investment, diffusion of technology, and trading opportunities. More specifically, Rahman, Khatri and Brunner (2012) argue that South Asian countries will be able to, among other things, use capital and labor in a more efficient manner, distribute goods and services across national boundaries, and attract more investment. Subsequently, local populations will be able to receive products of better quality at lower prices (Rahman, Khatri & Brunner, 2012). Today, because of the decrepit transportation system, regional companies spend much more time and a cost than they would have to if the infrastructure was better. Townsend (2005) avers that South Asian infrastructure is so bad that it takes Indians more time to transport certain goods from Europe than from the neighboring Pakistan. Because of the poor infrastructure South Asian countries have to make detours instead of taking the direct route to import and import rules, thereby



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increasing transportation costs (Kuhnhardt, 2010; Chatterji & George, 2012). Khanna (1997) illustrates this on the example of India supplying its tires to Pakistan through Iran and the United Arab Emirates. He further argues, “unofficial trade routed through third countries like Dubai and Hong Kong has proliferated” (Khanna, 1997). Such disruptions in regional trade are caused by poor infrastructure, poisoned bilateral relations and low regional integration in general. One way or another, closer intra-regional trade and cooperation will lead to lower prices for ordinary people.

According to Hipsher (2013), the establishment of closer economic relations in South Asia would make a solid contribution to the eradication of poverty. Thus far, researchers agree that the region has fared worse economically than many other regions, because it has not been able to foster closer cooperation (Islam et al., 2010; Hipsher, 2013). As a result of slipshod economic management in South Asia, nearly 30% of the region’s population lives on less than \$1 a day (Hipsher, 2013). Taking into consideration the fact that the region is home to approximately 25% of the world’s population (Duquesne, 2011), the situation seems very dismal. Hipsher (2013) argues that the consolidation of regional cooperation will not only increase the volumes of intra-regional trade, but also create more opportunities for the destitute people. It will open up a cornucopia of job opportunities of the knowledge society for local people. Largely, the research shows that the improvement of regional relations in South Asia will have a positive impact on both government and ordinary people.

## **SUMMARY**

By ironing out political uncertainties and putting primacy on economic interests, they will be able to, inter alia, ingeminate peace, reduce poverty, facilitate trade, enhance their combined bargaining power, and, surely, deepen economic integration.



## **CONTEMPORARY PERSPECTIVES ON THE POLITICAL ECONOMY OF BANGLADESH**

Just like the rest of the region, Bangladesh is besieged with political and macroeconomic problems and challenges. Endemic corruption and a variety of other similarly perplexing issues eat away at the pillars of democracy enshrined in the Constitution of 1972. In fact, the country has been inured to hardship for many decades. The 1971 Bangladesh Liberation War and the consequent secession from Pakistan the same year spawned political tumult and economic mayhem. Back at that time, the situation was so bad that it was not a rarity to see people collapsing from hunger in the streets (Lewis, 2011). The things have changed somewhat following the restoration of democracy in 1991, but the political economy situation remains tense. Apparently, the continuous political commotion could not but have a negative effect on business operations in the country. Naturally, with political ferment being a commonplace, national, regional and international trade flounders. Foreign companies have scruples about expanding into Bangladesh or investing in this South Asian nation.

Interestingly, analysts have divided into two opposing camps and take an ambiguous view of Bangladesh's participation in SAARC and its relationship with India (Sisodia & Bhaskar, 2005; Lewis, 2011). Thus, a variety of experts are steadfast in their belief that Bangladesh is closer to India than any other South Asia country in terms of economic cooperation. Whereas Nepal shies away from any cooperation with India in the sphere of electricity generation, Bangladesh receives 500 megawatts of electricity from India every day starting from October 2013 (Quadir & Holmes, 2013). Moreover, according to Wasbir Hussain (2014), the government of the newly minted Prime-Minister Narendra Modi "appears bent on a new thrust to boost ties with Bangladesh in Northeast India as the key bridgehead from where to launch economic initiatives beneficial to both nations". Hussain (2014) further notes that Bangladesh is becoming an increasingly attractive destination for Indian investors, who created 51,653 jobs in Bangladesh as of 2012. It is true that unlike many other regional countries that have significant issues with



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India, Bangladesh has few areas of contention with its neighbor. Yet, a bevy of analysts, commentators and economic pundits are persistently too gloomy about trade integration prospects for Bangladesh and India (Jain & Singh, 2008; Islam et al., 2010). Despite “significant business cycle convergence” in the two economies and normal political dialogue *inter se*, all attempts to push for closer trade integration have ended in a *debacle* (Jain & Singh, 2008). Islam et al. (2010) chime in with Jain and Singh (2008) on the prospects of economic integration between India and Bangladesh. They further suggest that Bangladesh, like many other South Asian nations, is chary of exporting Indian commodities (Islam et al., 2010). According to Jain and Singh (2008),

During 2000-2001 and 2006-2007, the overall exports from India to other SAARC countries increased by an annual average of 25% underpinned by an average of 53% with Pakistan followed by Nepal with an average of 34%. During this period, export expansion with Bangladesh was lowest.

Thus, the scientific community remains divided on the issue of India-Bangladesh trade integration within SAARC. However, the recent data indicates that there has been a positive shift in their attitudes towards each other (Quadir & Holmes, 2013; Hussain, 2014). Furthermore, there are reasonable grounds to believe that the two countries will expand their trade relations within SAARC even further, as Bangladesh is expected to implement SAFTA by the end of 2015 (Jain & Singh, 2008). However, it is difficult to tell with pinpoint accuracy when will this happen. Territorial questions also bulk large in diplomatic and, hence, commercial relations between India and Bangladesh, but the two countries have not made many diplomatic overtures to settle them. Therefore, experts are agreed that it will most certainly take years before Bangladesh will prosper on the back of fast-growing trade with India (Sisodia & Bhaskar, 2005; Jain & Singh, 2008).

Bangladesh’s economic relations with the rest of the region are not much more impressive. Jain and Singh (2008) argue that SAARC countries play a marginal role in Bangladesh’s trade. Lewis’s (2011) opinion joins harmoniously with that of Jain and Singh (2008). Thus, Lewis (2011) estimates the share of Bangladesh’s imports and exports to SAARC countries at 12% and



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4% respectively of its total trade in 2008. As mentioned before, things have improved somewhat since that time, but there has not been a sea change. One way or another, no author is impudent enough to upbraid the Bangladeshi government for not trying to amend the situation. Thus, Bangladesh embarked on the path towards resuscitating its moribund economy immediately after the war for liberation subsided (Lewis, 2011). In order to liberalize its trade, it took a range of measures, such as raising interest rates, reducing subsidies on agricultural inputs and rationalizing its hitherto byzantine tax system (Lewis, 2011), as well as signed agreements with the IMF and World Bank. Lu, Dincer and Hacıoglu (2014) maintain that Bangladesh's debt implementation of trade liberalization policies has improved the country's economy and become a blueprint for other developing countries around the world. Shaffer and Melendez-Ortiz (2010) avers that Bangladesh's trade liberalization "did result in a massive increase in imports from India", but it had a small impact on the country's exports to India and other SAARC states (p. 232). In other words, Bangladesh's trade liberalization has only widened the trade gap (Shaffer & Melendez-Ortiz, 2010). The fact that "India's and Pakistan's exports are notably complementary to the imports of Bangladesh" put Bangladeshi exports at a significant disadvantage *vis-à-vis* those of other SAARC states (Jain & Singh, 2008). Clearly, Bangladesh has still a long way to tread to integrate its economy with those of other SAARC countries. Experts concur that such radical measures as the demolition of the tariff walls could give a powerful fillip to the closer integration within SAARC (Islam et al., 2010; Lewis, 2011). Much will depend on Bangladesh's implementation of its obligations under SAFTA. As of today, intra-SAARC trade is far below the potential.

Apropos of Bangladesh's implementation of SAFTA, it has surprisingly received little attention in the academic circles. There seems to be a dearth of research into Bangladesh's compliance with the provisions of SAFTA and the functioning of the free trade area in general, which opens up opportunities for future investigation. Likewise, little ink has been spilled on the economic cooperation of Bangladesh with SAARC countries, save for India, within the framework of the association. Few authors have broached the subject of how other SAARC countries implement SAFTA, which also constitutes a possible area for further research. Similarly, the impact of the



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latest political developments in Bangladesh and South Asia in general on the economic integration in the region has received disproportionate publishing activity. There are only sporadic newspaper articles addressing the issue. Thus, studying this interrelationship is yet another direction for future research. And, last but certainly not least, there is a lack of information about the current status of trade liberalization in Bangladesh. It would behoove researchers to extend their focus to include this aspect.

### **SUMMARY**

Bangladesh has so far failed to make any concrete support to the consolidation of economic integration in the region. Ironically, after Bangladesh did a cannonball into the pool of global geopolitics by seceding from Pakistan in 1971, it has been rife with political challenges, but has managed to revitalize economic growth nevertheless. Nevertheless, because of political instability, the country remains a not very palatable option to foreign investors. Unlike other countries in the region, it has more or less satisfactory relations with India, but incapable of dealing with it on a par anyway. In order to contribute to the strengthening of regional economic cooperation and integration, Bangladesh needs to discharge its obligations under SAFTA, continue modernizing its economy, and, what is more important, tackle its political turmoil forthwith

### **LIMITATIONS & DIRECTIONS FOR FUTURE RESEARCH**

Despite the general abundance of literature dedicated to the issues of political economy in South Asia, a number of problems have been largely omitted. Thus, far too many researchers dwell on the challenges faced by one particular country in South Asia instead of speaking about the region as a whole. Whereas India and Pakistan have received a fair deal of attention, other regional countries have been barely mentioned in reports and studies that pretend to deal with the region in its entirety. Likewise, many treatises on the political economy of South Asia are limited to a particular challenge. Hence, the need for future research that would fill in the gaps is critical.





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Understandably, few researchers expatiate upon the political economy of Bhutan and Maldives in the region, because those two countries have a limited say in the regional decision-making. However, it boggles belief that such a populous and, hence, influential country as Bangladesh is also disregarded by many scholars studying the region. It would be sophistic to say that there is a paucity of research into the political economy of Bangladesh, but current literature is scarce indeed. Thus far, Bangladesh's implementation of SAFTA has received surprisingly little attention in the academic circles. There seems to be a dearth of research into Bangladesh's compliance with the provisions of SAFTA and the functioning of the free trade area in general, which opens up opportunities for future investigation. Likewise, little ink has been spilled on the economic cooperation of Bangladesh with SAARC countries, save for India, within the framework of the association. Few authors have broached the subject of how other SAARC countries implement SAFTA, which also constitutes a possible area for further research. Similarly, the impact of the latest political developments in Bangladesh and South Asia in general on the economic integration in the region has received disproportionate publishing activity. There are only sporadic newspaper articles addressing the issue. Thus, studying this interrelationship is yet another direction for future research. And, last but certainly not least, there is a lack of information about the current status of trade liberalization in Bangladesh. It would behoove researchers to extend their focus to include this aspect as well. In general, SAARC's vapid performance has resulted in the diminishing number of publications about it. Future research is needed to understand what is going to happen to economic integration and trade liberalization initiatives in South Asia.

### **SUMMARY**

Many world leaders expected that the end of the British presence in South Asia in the middle 20<sup>th</sup> century would unify the previously divided colonized nations. On the contrary, it left behind a yawning schism that still divides local states. The current literature review has shown that the situation has not changed for the better over the last several decades. Such issues as power



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asymmetry, incessant rivalry between India and Pakistan, divergent views on the region's future, the prevailing atmosphere of distrust, protectionist economic policies, and reluctance to eliminate tariff barriers impede the improvement of intra-regional economic cooperation and have a devastating toll on economic integration in the region. There have been myriad attempts to create regional cooperation arrangements, with SAARC being the most fruitful of them. Yet, most experts dismiss SAARC as ineffective. The more South Asian nations tergiversate at SAARC meetings, the smaller become their chances to deepen regional integration. The prevailing atmosphere of suspicion and distrust also impedes the improvement of intra-regional economic cooperation through the frameworks of SAARC and SAPTA. In order to reverse the situation, Bangladesh, India, Nepal, Pakistan, and Sri Lanka will have to develop cordial bilateral relations with each other and empower SAARC institutions to function as a competent facilitator of intra-regional cooperation in South Asia. By ironing out political uncertainties and putting primacy on economic interests, they will be able to, *inter alia*, ingeminate peace, reduce poverty, facilitate trade, enhance their combined bargaining power, and, surely, deepen economic integration.

Bangladesh, the third most populous and third most powerful country in South Asia in terms of GDP, has so far failed to make any solid contribution to the consolidation of economic integration in the region. Paradoxically, after Bangladesh did a cannonball into the pool of global geopolitics by seceding from Pakistan in 1971, it has been rife with political challenges, but has managed to revitalize economic growth nevertheless. Yet, because of political instability, the country remains a not very palatable option to foreign investors. Unlike other SAARC countries, it has more or less satisfactory relations with India, but cannot deal with it on a par anyway. In order to contribute to the strengthening of regional economic cooperation and integration, the country needs to discharge its obligations under SAFTA, continue modernizing its economy, and, what is more important, tackle its political turmoil forthwith. For now, the literature review shows that the future of economic integration in South Asia and especially of SAARC remains uncertain. The association's lackluster performance has resulted in the diminishing number of publications about it. Future research is needed to understand what is going to happen to economic integration and trade liberalization initiatives in South Asia.



## **CHAPTER THREE: METHODOLOGY**

This chapter offers a comprehensive description of the steps undertaken to collection the data needed in answering the research question and meeting the study objectives.

### **RESEARCH DESIGN AND APPROPRIATENESS OF DESIGN**

The qualitative research design is the most suited in tackling the study problem and achieving the research objectives, which can be attributed to the fact that qualitative research designs enable researchers to perform holistic investigations instead of limiting the research to a set of pre-determined variables. The qualitative research design was chosen for the research because qualitative designs entails collecting qualitative information followed by performing analysis and reflection of the dominant theoretical themes emerging from the data gathered (Fisher, 2007). In addition, qualitative research entails critical textual analysis, which is the best approach in tackling the research questions of the planned study instead of using statistics and numbers in explaining the results of this research. The exploratory nature of the current research suggests that a qualitative research design was the best way to tackle the research problem and achieve the objectives of the study.

This research adopted an inductive approach, which Fisher (2007) infers that, offers the researcher with an opportunity to clarify more as regards to what is happening. It is evident that the nature of this study will warrant the use of inductive reasoning; this is because the planed study seeks to come up with a conceptual model that can be utilized in understanding the role of SAFTA in encouraging trade between countries in the South Asia region; the factors hindering regional integration; and how these challenges to regional integration can be eliminated by SAFTA.

The study used a multi method qualitative analysis, which involves the use of at least one qualitative data collection method and analysis procedures. In this regard, this study commenced



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with the collection of secondary data from documentary sources followed by a primary research executed using semi-structured interviews. Secondary research was administered using the literature-based methodology, which is a form of the archival research strategy (Fisher, 2007). The literature to be included in the review was gathered from a number of citation indexes and electronic databases including Ebscohost, SpringerLink, Questia, Pubget, JSTOR, Emerald, Google Scholar, Taylor and Francis, Science Direct and Sage Publication. Primary research was the second stage of the research process and was administered using semi-structured interviews performed with experts in the subject area of this research. In the context of this research, participants comprised of experts in a number of disciplines including foreign policy, international economy and international relations. It is imperative to note that the experts were well versed in the situation being studied, which related to the SAFT and its role in increasing trade flows between South Asian countries. Semi-structured interviews have been defined as a qualitative form of inquiry that involves researchers using a pre-determined set of open questions in guiding the discussion with participants while simultaneously providing participants with an opportunity to provide responses to issues emerging the discussion. The study interviewed 15 experts from different countries in South Asia.

## **PROCEDURE**

This research was mainly exploratory, which implies that the study sought to investigate what is taking place, asking questions, looking for new insights and assessing the topic under study from a diverse set of viewpoints. Fisher (2007) stresses the importance of exploratory studies being flexible enough to cater for any unanticipated changes regarding the direction of the study in case of the emergence of new data. However, it is crucial to point out that the flexibility that is inherent with exploratory research studies is not a suggestion that exploratory research studies do not have direction that guides the research processes. In this study, the research process was executed in two phases, with the first phase being secondary research followed up by primary research.



**SECONDARY RESEARCH**

This was administered using the literature-based methodology, which is a form of the archival research strategy. The literature-based methodology involves gathering data from a pool of current literature followed by undertaking a critical textual analysis of the documentary sources that have been sampled from the pool relating to the study area. The two approaches for executing the literature-based methodology include the traditional literature review and the systematic review of literature. This study utilized the systematic review of literature, which involved searching for information from multiple sources; undertaking a critical analysis of the information gathered from the documentary sources; and lastly synthesizing and combining the information gathered from the sources. In other words, the systematic review of literature involves performing a re-analysis of the past theoretical viewpoints as well as empirical research associated with the subject area under investigation. Moreover, the literature-based methodology played a crucial role in helping the researcher in the identification, selection and synthesis of literature related to the study. In this research study, the literature-based methodology drew upon a review of literature from various disciplines include international relations and international trade among others (Walliman, 2009). The literature to be included in the review was gathered from a number of citation indexes and electronic databases including Ebscohost, SpringerLink, Questia, Pubget, JSTOR, Emerald, Google Scholar, Taylor and Francis, Science Direct and Sage Publications. The reason underpinning the utilization of the literature-review methodology for the first phase of this research study is because this method produces findings that are less biased, especially when the selection criteria for the literature review draws upon procedures that are well-developed, which can help in preventing important sources from being omitted in the review. In addition, a key attribute of the literature-based methodology relates to the appraisal procedures, which comprise of exclusion and inclusion criteria that formed the sampling strategy for the secondary research. The use of the selection criteria in this study had the main goal of guaranteeing the reliability of the documentary sources included in the review; thus, making significant contributions with respect to the validity of this study. The selection criteria included:



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the use of recent secondary sources that are not older than 10 years; sources had to be credible in the sense that the publishers of the sources had to be experts in the field of study; and that the documentary sources had to be related to the subject area under study (Sturges & Hanrahan, 2004). The information search strategy was characterized by an information search on the electronic databases through the use of search phrases related to the subject area under investigation such as “political economy of South Asia”, SAFTA and trade flows in South Asia”, and “regional integration in South Asia countries” among others. The search produced more than 30 articles from peer-reviewed publications and having information that was useful with respect to the research problem. Apart from the searching electronic databases, a supplementary internet search was undertaken that yielded more than 20 useful sources in diverse forms such as conference proceedings, white papers, unpublished and published theses, and government reports among others. The researcher used the data triangulation technique in order to affirm the authenticity of the documentary sources included in the review of literature. Data triangulation involved a cross-comparison of the various sources in order to check for consistency (Daymon & Holloway, 2010).

## **PRIMARY RESEARCH**

Primary research was the second phase of the research process and was administered using semi-structured interviews performed with experts in the subject area of this research. In the context of this research, participants comprised of experts in a number of disciplines including foreign policy, international economy and international relations. It is imperative to note that the experts had to be well versed in the situation being studied, which related to the SAFT and its role in increasing trade flows between South Asian countries.

## **ROLE OF THE RESEARCHER**

In collecting information pertaining to the subject area under investigation, the interview guide was used as a guide during discussions with participants. Nevertheless, it is also imperative to



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point out that the researcher was not only interested in issues outlined in the interview guide, but also new issues that emerged in the course of discussions with participants, which were considered crucial to facilitating a comprehensive understanding of the subject area being explored. The reason underpinning the use of semi-structured interviews in collecting primary data for the second phase of this research stems from the fact that semi-structured interviews have been proven useful for the case of exploratory studies, as with the current research study. In the light of this view, semi-structured interviews provided the researcher with an opportunity to follow up on issues that required clarification; this advantage is not accorded with other rigid data collection tools for survey research such as questionnaires. Since the current research study is mainly explorative and qualitative, the use of semi-structured interviews were considered the most suitable data collection instrument when compared to other tools like the questionnaires, which were ruled out based on the fact that they are highly structured resulting in limited qualitative data. In the context of the current research study, semi-structured interviews are characterized by a medium structure and high structure, which made them suitable to meet the needs of an exploratory research (Daymon & Holloway, 2010).

Another important factor to be taken into consideration when using interviews as a method of data collection is the mode of interview, which may take various forms including face-to-face interviews, audio interviews in the form telephone interviews, and video-link interviews such as Skype. The preferred mode of interview for this study was based on the convenience of respondents; this meant that participants had the discretion to choose their preferred mode of interview based on their convenience. It has been acknowledged that different interview modes of interview produce different results; nevertheless, a comparison of interview transcripts from different modes did not reveal any significant differences. In this study, there were a mix of face-to-face interviews, telephone interviews and skype interviews (Daymon & Holloway, 2010).

Another important aspect to be considered when using semi-structured interviews is recording of the interview sessions. Often, the interview guide is utilized when directing discussions with participants. Since semi-structured interviews are characterized by using open-ended questions, there is always a huge possibility of the discussions deviating from the interview guide, which



provides an opportunity for clarifying and exploring new concepts that may be crucial for the study (Daymon & Holloway, 2010). This end, the researcher deemed it vital to record the interview discussions to facilitate transcriptions and later analysis. Although note taking is possible during interview discussions, it presents a myriad of challenges associated with focusing on the discussion and taking notes concurrently. Note taking and directing the discussion at the same time is likely to lead to poor outcome and negatively affect the development of rapport between the interviewee and the interviewer. According to Fisher (2007), rapport development is a vital when conducting semi-structured interviews, which can be achieved by refraining from using non-probing questions. With respect to the current study, interview sessions were recorded on tape after respondents agreed to the verbal consent to have the interview sessions recorded. Recording of interview sessions was used to allow the interviewer to be engaged in the discussion and lessen potential distractions associated with taking notes. Express Scribe, a transcription software, was utilized in transcribing the recorded interview sessions.

Interviews were stopped at the time the interviewer felt that the all the questions in the interview guide had been exhausted and that there was no new information coming up. Despite the fact that participants had the right to terminate the interview, no interview session was stopped prematurely and no participant seemed tired or reported being tired before the end of the interview. During the sessions, the key points of the discussion were summarized, after which participants were provided with a chance to clarify on any issues raised in the discussion.

## **RESEARCH QUESTIONS**

The research questions that guided this study were:

Research Question 1: What are the most threatening challenges to the stable political and economic integration and cooperation in South Asia?

Research Question 2: How would things change as some countries keep circling the grindstone of violence and others persistently refuse to make concessions on the way towards establishing closer regional ties?





Research Question 3: What are the developments and transformations in the political economy of countries in South Asia?

## **HYPOTHESES**

H<sub>1</sub>: South Asia region faces significant challenges that threaten the political stability of the region as well as regional cooperation.

H<sub>0</sub>: South Asia does not have any significant challenges capable of threatening political stability and hampering regional integration.

H<sub>1</sub>: Regional integration through SAFTA is a possibility amidst the violence and reluctance to make concessions aimed at establishing closer regional ties.

H<sub>0</sub>: Regional integration under SAFTA is impossible amidst the violence and countries' reluctance to make concessions aimed at establishing closer regional ties.

## **POPULATION AND SAMPLE**

Participants in the proposed research comprised of experts and commentators in the subject area of the proposed research. In this respect, the proposed participants consisted of experts in a number of disciplines associated with the research such as foreign policy, international economy and international relations. The choice to interview experts is because of the nature of the research question in the sense that SAFTA is still in its early stages; therefore, there is no effective way of projecting its potential and role in strengthening its regional integration other than exploring the opinions of experts who are well informed on the dynamics of the region. In addition, it is not possible to perform quantitative evaluations on theoretical aspects such as regional and economic integration; as a result, expert interviews has been considered the most effective way to approach the research question.



## **GEOGRAPHIC OR VIRTUAL LOCATION**

The proposed study targeted participants from different countries in the region with different areas of expertise. Experts who participated in the proposed study were well versed in the political and economic dynamics of the region; as a result, experts participating in the research were limited to experts from the region. The snowball sampling approach has been adopted as the sampling method for the proposed study. This approach involves relying on referrals from an initial set of participants, who make further referrals in order to achieve the required sample size (Babbie, 2010). In this respect, the researcher will use personal connections to reach an initial set of participants, who will be requested to make referrals for the researcher to gain contact with their colleagues in the same discipline (Daymon & Holloway, 2002). There is no doubt that accessing experts to part in a study is a difficult task, therefore, the researcher seeks to depend on the acquaintances of initial participants.

## **INSTRUMENTATION**

Semi-structured interviews have been defined as a qualitative form of inquiry that involves researchers using a pre-determined set of open questions in guiding the discussion with participants while simultaneously providing participants with an opportunity to provide responses to issues emerging in the discussion. Semi-structured interviews are not constrained by the pre-determined questions, which is the case of a structured interview; instead, the researcher allows flexibility to engage in discussions of unanticipated issues that are likely to emerge from the discussion (Babbie, 2010). Moreover, an interview guide was developed to help in guiding the discussion with participants and captured a number of aspects associated with the study including their views on whether or not the political economy of South Asia is changing; the factors that cause the observed change of the political economy of South Asia or lack thereof; the role of SAFTA in increasing trade flows between countries in the South Asia region; the possibility of regional integration among countries in the region; and the policy implications



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resulting from the challenges facing the challenging political economy of South Asia (Daymon & Holloway, 2002).

## **DATA COLLECTION**

Data collection involved the use of archival research and survey research strategy.

## **ARCHIVAL RESEARCH STRATEGY**

Archival research entails the utilization of data archives or data sources that have already been documented by other scholars and authors relating to the topic being investigated. As a standalone research strategy, archival research removes the need to perform an actual survey or observations. In this study, archival research was opted because of the fact that data relating to the topic could be easily used in computer-accessible formats. Archival research strategy has a number of advantages that are unique to the research strategy. For instance, data in archival sources is already collected, which means that the researcher is relieved of the effort, time and cost associated with the data collection process. In addition, owing to the fact that data is already gathered, archival research eliminates concerns associated with institutional review. Despite these advantages, a number of have to be taken into consideration when using archival data sources. First, there is a possibility that the documentary sources will not be in a format that increases the relative ease with which the research questions can be addressed directly. Using documentary sources requires constant reading and re-reading in order to make sure that the most appropriate data is included in the review. This is because the fact that documentary sources are vast; however, narrowing down to the documentary sources that are a fit with the context of the study is likely to be an uphill task, something that the researcher experienced in the course of the study (Sturges & Hanrahan, 2004). The underlying inference is that the same problems that are evident in the case of observational research are also evident using archival research in the sense that there is the need for sampling the archival data to make sure that appropriate documentary sources are included in the textual analysis instead of performing a general examination of the



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documentary sources, which is likely to result in an inaccurate analysis. Nevertheless, the choice of using the archival research strategy for the first phase of this research stems from the fact that archival research is relatively less time consuming is helpful in providing direction for the second phase of the research. This is because the secondary research conducted using archival research methods played a crucial role in highlighting what the researcher would expect in the follow up primary research (Nardi, 2003).

## **SURVEY RESEARCH**

The survey research is regularly used in the assessment of the opinions, thoughts and feelings of people. The survey research strategy can take many forms including having limited and specific goals, or more widespread global goals. The specific survey tool that was used in this research is the semi-structured interviews, which is described in detail in the techniques and procedures sections. The survey research strategy was selected for this research because it has been proven effective in gathering diverse opinions and views of people regarding an issue of interest. In addition, owing to the fact that the current research study focuses on the potential of SAFTA increasing trade flows between countries in the South Asia region, a survey was the most effective and convenient way to approach participants and document their views (Ritchie & Lewis, 2003).

## **DATA ANALYSIS**

Effective management of data plays a crucial role in the storing, retrieving and analyzing data. In order to ensure effective data management, each participant had a unique identifier that was used in his/her interview transcripts. After the transcription of the qualitative information obtained from the interview sessions, the researcher used an inductive approach to analyze the collected data. The inductive analysis approach does not involve the use of a pre-determined framework in the analysis of data; instead, the nature of the actual data collected influences the way in which the analysis is conducted. An inductive approach to the analysis of data was chosen for this study



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because of the fact that the study is mainly explorative, which eliminates the need to limit the data analysis based on a pre-determined conceptual framework (Daymon & Holloway, 2010). Specifically, thematic content analysis was used in the analysis of qualitative data gathered in the course of the study. Thematic content analysis commenced with identifying and interpreting dominant, emergent and recurring themes in the information gathered during the interviews followed by an analysis of the patterns and relationships that are likely to exist between the themes that have been identified.

The first step in analyzing the qualitative data obtained in this research was to ascertain the focus of the analysis, which entails a review of the main study objective including what the study sought to explore. The focus of the analysis of this study was based on the issues captured in the interview protocol related to the objectives of this research. An important aspect related to focusing the data analysis is manner in which the data is organized. A valid analysis can be achieved if the data is sufficiently focused in a way that it helps in tackling the research problem at hand. Neuman (2003) outlined two main ways of focusing a data analysis, which included focusing the data analysis based on time period, event, topic or question; and focusing the analysis based on a case, group or an individual. The first approach lays emphasis on manner in which participants responded to the questions of interest, whereby data is organized based on questions, after which the responses provided by participants are cross-examined. The responses provided by all participants are compiled for each question. The findings of this research are presented in this manner, which involved cross-examining the responses of participants for each question in the interview guide; this method was preferred because of the topical nature of the study because there was no need to group participants. It is imperative to note that the study was not concerned with the differences that may exist between the opinions and views of participants; rather, the data analysis for this study was concerned with the points of agreement among participants. The interview guide was a useful tool in organizing the gathered data. After tackling the questions listed in the interview guide, the researcher opted to explore the emerging ideas that were not expected albeit pertinent to contributing to a rich understanding of the subject area of interest (Sturges & Hanrahan, 2004).



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Categorization of information is also a vital aspect of thematic content analysis, which involves the use of codes and indexes to categorize data. However, it is important to point out that the use of codes and indexes did not involve the assignment of numerical variables, which is the case of quantitative data analysis (Daymon & Holloway, 2010). Coding data had the main objective of identifying themes and patterns in the data in the form of phrases, incidences, terminologies, ideas and concepts used in the responses provided by participants. Coding the data was done through a comprehensive reading of the transcribed text in order to identify comprehensible data categories. The coding of data drew upon abbreviated codes of words and using the adjacent to the themes and ideas that have been discovered. Moreover, a descriptive label for the categories of data was provided. When coding data, the researcher also looked for themes that acted as subcategories; this process continued to a point when the researcher was sure that all the pertinent themes in the data have been identified and respectively labelled. Categorization of data can be done using two approaches, which include the use of preset and emergent categories. Preset categories entail starting with a prearranged list of categories followed by looking the data to affirm whether the listed categories are present. This study is mainly explorative and did use a prearranged framework, which means that the preset categories was a not a suitable method to categorize themes. Emergent categories entail going through the transcribed text and looking for dominant themes that are then labeled as categories. Categories may take the form of ideas of concepts that the researcher may not have anticipated which made it suitable for the researcher to use this approach when categorizing data (Daymon & Holloway, 2010).

The next stage after coding data involved the identification of the relationships and patterns between the listed categories. Fisher (2007) infers that relationships and patterns are likely to be observed within and between the categories that have been identified. To this end, it was crucial to examine the significance of each theme including the differences in the responses provided by participants for each category. The approach used in the identification of relationships and patterns in data involved the use of within category description, whereby information relating to the various themes were summarized, and similarities and/or differences highlighted in terms of the manner in which participants responded to the issue (Daymon & Holloway, 2010).



**HUMAN PARTICIPANTS AND ETHICS PRECAUTIONS**

The use of semi-structured interviews puts people in a position whereby they can disclose their feelings and thoughts that are likely to be private. In addition, the effectiveness of semi-structured interviews depends significantly on the interviewer's skills as well as his/her ability to develop rapport and positive relationship with respondents. In this regard, it is evident that these are valuable attributes; however, they are ethically sensitive (Johnson & Christensen, 2010). As a result, confidentiality issues, the nature of the questions posed, and anonymity are some of the issues that have to be taken into consideration when conducting a semi-structured interview. Just like any other form of research involving human participants, the current study will take into account the ethical issues associated with undertaking a qualitative research. The first ethical concern relates to the participation on a voluntary basis. With respect to this, no respondent will be coerced into taking part in the research. In order to adhere to the principle of voluntary participation, respondents will be provided with an informed consent containing the purpose of the study and how their participation will help in the achievement of the study objectives. The informed consent will also contain information relating to how their data will be utilized. In addition, for the case of interviews, it is imperative to have the respondent's consent to record the interview; this will be achieved through a verbal consent, which involves informing respondents prior to the interview that it will be recorded only if they are comfortable with the discussion being recorded on tape. The second issue of ethical concern relates to the confidentiality and anonymity of respondents participating in the research (Neuman, 2003). In order to guarantee the confidentiality of respondents, participants will not be required to provide information that could be used to personally identify them. Guaranteeing anonymity will involve the use of unique identifiers when referring to participants. In addition, the interview data will be stored in a password protected computer accessible only by the researcher.



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## **RELIABILITY AND VALIDITY**

For secondary data, validity of data was verified using the selection criteria for the selection of the documentary sources. The use of the selection criteria in this study had the main goal of guaranteeing the reliability of the documentary sources included in the review; thus, making significant contributions with respect to the validity of this study. The selection criteria included: the use of recent secondary sources that are not older than 10 years; sources had to be credible in the sense that the publishers of the sources had to be experts in the field of study; and that the documentary sources had to be related to the subject area under study. In addition, the researcher used the data triangulation technique in order to affirm the authenticity of the documentary sources included in the review of literature. Data triangulation involved a cross-comparison of the various sources in order to check for consistency. In order to guarantee the validity of the coding process, coding of data was performed by three coders and checked for consistency. Multiple coders provided consistent results, which are presented in this study.

## **SUMMARY**

The qualitative research was executed using primary and secondary research methods. Primary research was administered using semi-structured interviews performed with experts in the subject area of this research. In the context of this research, participants comprised of experts in a number of disciplines including foreign policy, international economy and international relations. Secondary research was administered using the literature-based methodology with information being collected from citation indexes and electronic databases including Ebscohost, SpringerLink, Questia, Pubget, JSTOR, Emerald, Google Scholar, Taylor and Francis, Science Direct and Sage Publications.





**CHAPTER FOUR: RESULTS**

**INTRODUCTION**

South Asia is one of the least integrated regions in the world. Despite the fact that it has a population of 1.671 billion (23.45 percent of the world's population), the region only accounts for 3.14 percent of the world's gross domestic product as of 2013 (World Bank, 2013). In addition, the ratio of merchandise exports to GDP – another indicator of regional integration – is still among the lowest globally. Moreover, South Asia remains one of the most protected regions in the world in terms of trade (Bhatti & Taga, 2014). Nevertheless, the 1990s saw the revival of trade liberalization and regionalism, which played a crucial role in encouraging South Asian countries to open their markets for international trade. It resulted in the formation of the South Asian Preferential Trading Agreement (SAPTA) in 1994 by South Asian countries including Sri-Lanka, Pakistan, Nepal, Maldives, India, Bhutan and Bangladesh. SAPTA had the primary objective of transforming South Asia region into a free trade area by 2005, which is evident through the adoption of SAFTA (South Asian Free Trade Area). Through SAFTA, the member countries have agreed on removing trade barriers and offering trade concessions to each other in a gradual manner. The trade concessions will deal with fees, tariff border charges, customs duties and tariffs as well as non-tariff barriers such as licenses and other restrictions (Dorussen, Murshed, & Ward, 2011). SAPTA has the main objective of negotiating tariff preferences on a product-by-product basis; hence, South Asia has reported a considerable reduction in trade protection since the late 1990s. Before the early 1990s, the level of trade protection in South Asia measured in terms of non-tariff and tariff barriers was one of the highest in the world (Commonwealth Secretariat, 2014). This qualitative research study has the main aim of examining the challenging political economy of the South Asia. Therefore, the main purpose of this research study is investigating the role and potential of SAFTA in bolstering trade in South Asia. In addition, the study explores the prospect of regional integration in South Asia.

This chapter presents the findings of the study, in particular the dominant themes obtained from the interviews. It includes the themes shared by the literature and the study; themes that are new



to the study; findings potentially behaving as themes and patterns yet they cannot be called as such; and presentation of outliers. Themes and patterns identified in the study findings are presented in order of significance.

## **GENERAL DESCRIPTION OF PARTICIPANTS**

Participants in this study comprised of experts in the field international relations, international economy and foreign policy. Table 1 in Appendix B provides a general description of the participants who took part in this study. In total, 15 respondents were interviewed in order to obtain their opinions and views regarding the transformations in the political economy of South Asia.

All the 15 participants who took part in the interview reported their age. Of the 15 respondents, 20% (n = 3) reported to be aged 26-35 years; 33% (n = 5) reported to be aged 46-55; 40% (n = 6) reported to be aged 56-65 years; whereas 7% (n = 1) indicated that they are above 65 years. It is evident from table 1 above that majority of the experts in the interview were aged 56-65 years. Table 2 in Appendix B summarizes the education level of respondents who participated in the survey.

All 15 respondents who participated in the interview reported their level of education. Out of this, 33.3% (n = 5) indicated that they had studied up to undergraduate level whereas 67.7% (n = 10) indicated that they had studied up to the doctorate level. Table 3 in Appendix B provides participants characteristics in terms of the area of specialty with respect.

All of the 15 responded who were interviewed reported their areas of expertise. Out of this, 33.3% (n = 5) stated that they were experts in international relations; 33.3% (n = 5) pointed out that they were experts in international economy; whereas 33.3% (n = 5) indicated that they had expertise in foreign relations. It is evident from the table above that there was equal distribution of participants in terms of their area of specialty, which helped in guaranteeing the diversity of views and opinions as regards the subject area under investigation. The country of origin was also a crucial aspect of participant's characteristics, which is presented in Table 4 in Appendix B.



All of the 15 respondents who interviewed stated their country of origin. Majority of the respondents, 48% (n = 7) stated India to be their country of origin; 7% (n = 1) indicated Pakistan to be their country of origin; 7% (n = 1) indicated that Afghanistan was their country of origin; whereas Bhutan, Maldives and Nepal each had 14% (n = 2). There were respondents from Bangladesh, and Sri Lanka.

## **RESEARCH QUESTIONS**

1. What are the trends and transformations in the political economy of countries in South Asia?
2. What are the political economic factors that hamper economic integration among countries in the South Asia region?

## **UNIT OF ANALYSIS AND MEASUREMENT**

The unit of analysis in this study comprised of the perceptions and views of experts in international economy, foreign policy and international relations with regard to the trends and transformations in the political economy of the countries in Southern Asia including Bangladesh, India, Pakistan, Nepal, Maldives, Bhutan, Afghanistan, and Sri Lanka (Brenton, 2003; Pitigala, 2005). The views of experts interviewed in this study provided crucial insights with respect to the trends and expected patterns in terms of the political economy of South Asian countries. The unit of measurement in this study comprised of two main aspects, which included economic interdependence and economic integration in South Asian countries (Secretariat, 2014). Therefore, a crucial aspect of measurement in this study related to the views of experts in international relations, foreign policy and internal economy on whether or not the economic interests of countries in South Asia are likely to drive the region towards greater regional interdependence and cooperation. If there is an alignment of the economic interests of the countries in South Asia, what is the potential of regional interdependence, integration and cooperation? In addition, owing to the mutual distrust and hostility among the countries in the



South Asia, to what degree will the countries in South Asia achieve economic integration, interdependence and cooperation? Addressing these issues poses the need to have an understanding of the internal political and economic dynamics of countries in the South Asia region (Secretariat, 2014). As a result, the findings of this study will be based on analysis of the expert's views regarding the possibility of regional integration in South Asia as well as the factors hindering the achievement of regional integration, interdependence and collaboration from an economic point of view.

## **CODING OF QUALITATIVE DATA**

Coding of qualitative data is a crucial task with respect to the development and refinement of interpretations of information obtained from interviews, observational data or focus groups. Essentially, coding entails sorting and organizing data. Codes act as means of labelling, compiling and organizing one's data (Huotari, Rüländ, & Schlehe, 2014). In addition, codes also enable one to synthesize and summarize the trends and patterns in the data. When connecting data collection and data interpretation, coding offers the framework for the development of the analysis. Therefore, coding usually involves the analysis of qualitative data. Before delving into the coding process, it is imperative to have an understanding of the purpose of coding. According to Fisher (2007), one of the important considerations when coding data and performing a qualitative research is to develop a narrative or a storyline, which is a key during the analysis of data. The narrative or the storyline forms the purpose of the research and encompasses the analytical thread, which brings together major themes discovered during evaluation.

Developing a storyline commences with drafting a short paragraph or sentence that elucidates the evaluation process in general (Ritchie & Lewis, 2003). In the context of this study, the interview was conducted on experts in foreign policy, international trade and relations in order to use their expert views in ascertaining whether the South Asian Free Trade Area (SAFTA) is capable of increasing intra-regional trade flows in South Asia, the possibility of regional integration in South Asia, and policy implications associated with the current state of affairs with regard to the



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bilateral relationships between countries in South Asia. The coding scheme for this study was based on the aforementioned purpose of conducting the interviews with experts in the area of study. It is imperative to note that commencing coding without a general idea of what will be writing and the evaluation process will be done is likely to result in the lack of coherence, which illustrates the importance of taking into consideration the purpose of the research prior to commencing the coding process. According to Huotari, Rüländ, & Schlehe (2014), a storyline is important in the coding process for three main reasons, which include helping the researcher to decide on the themes and concepts to be included in the evaluation, guiding the researcher on how to code and organize data, and providing the researcher with a basic structure for the coding scheme.

Coding can be performed in various ways; however, it usually entails the assignment of a symbol, number, phrase or word to each category (Gibbs, 2007). This usually entails a comprehensive reading and re-reading of the textual data from the interview transcripts in a systematic manner followed by the coding of themes, concepts and ideas to fit the categories. Coding of data in this study was based on abbreviated codes of words and using them next to the discovered themes and ideas. Moreover, a descriptive label of the data categories is provided in the codebook, which describes what is excluded and included in the category. In addition, the researcher looked for themes that were likely to act as subcategories. The process was iterated until a point when all the pertinent themes have been recognized and labelled. Two approaches can be used to create codes, which include pre-set and open (emergent codes). Fisher (2007) recommended mixing both approaches when creating codes, which was the case with the research. Before commencing the process of data collection as well as coding, it is a good idea to have a start-list or a pre-arranged list of categories to act as preset codes, usually known as priori codes. The prearranged codes can be obtained from the problem areas of the study, research questions, conceptual framework and the review literature among others. In addition, the researcher's prior knowledge and expertise regarding the subject matter help in the creation of priori codes. In the context of this research, the priori codes included security issues, unilateral liberalization, protectionism, and geographic dependency among others. Gibbs (2007)



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recommended that researchers should refrain from developing several codes because of the possibility of the person undertaking the coding process to be overwhelmed and make errors. As a result, Gibbs (2007) recommended the use of a codebook, which lists the codes including their meanings. Despite the fact that commencing data collection and coding with set of pre-arranged codes is good, other unanticipated codes are likely to emerge after going through the data. The emergent codes denote the meanings, relationships, actions, concepts and ideas that are discovered in the data and are not the same as the priori codes. For example, in this study, issues that emerged and were not prior to the beginning of the data collection and coding processes, included the absence of a common threat, lacking comparative advantage, and intra-state and intra-region conflicts. These codes are listed as emergent codes in the codebook in the Appendix. Fisher (2007) asserts that in most instances, the emergent codes constitute the interesting stories, which may become a crucial component of the narrative being communicated in the evaluation process.

Coding was used as a means of organizing data. The code that is assigned to a data item helps in addressing issues such as what is being communicated, what is taking place, and what the information represents among others (Huotari, Rüländ, & Schlehe, 2014). It is also imperative to note that coding data results in the refinement of the coding scheme. This means that coding categories will be revised, expanded, collapsed or added, particularly for the case of priori codes. It is common not find what one was expecting in the data. In addition, there is the possibility of some codes overlapping with ideas and concepts from other categories. It is also common to find that some codes may contain a lot of data, which poses the need for the breaking down of the code into subcategories to facilitate enhanced data organization. Huotari, Rüländ, & Schlehe (2014) recommended creating codes based on data instead of creating data based on codes.

Coding notes are also a crucial aspect of the process of coding. In this regard, it is imperative for the person doing the coding to take notes relating to his/her reactions as well as emergent ideas. According to Fisher (2007), these ideas are important to the process of analyzing data. Coding notes are likely to suggest novel interpretations and connections that may exist with other data. This is often helpful in the identification of relationships and patterns between and within



categories. Therefore, it is important to assess the comparative significance of each coding category and pointing out any notable differences that may exist in the data. The first approach that was used in the identification of patterns and relationships was concerned with within category description, which entails summarizing information associated with the various categories and pointing out the differences and similarities in the responses provided by participants regarding that specific category (Gibbs, 2007). This also involved bringing together all data associated with particular coding category and exploring the key ideas that participants have expressed within the specific category including the similarities and differences in terms of the manner in which participants responded to the issue. The second approach used in the exploring of patterns and relationships between coding categories involved the creation of larger categories having several subcategories in order to ascertain how they are related (Fisher, 2007).

## **PRESENTATION OF THEMES AND PATTERNS SHARED BY LITERATURE AND THE STUDY**

This study used priori themes associated with the area of study, which focused on the potential and role of South Asian Free Trade Area (SAFTA) in increasing trade flows between countries in the South Asia region, and the possibility of regional integration in South Asia. The priori themes were obtained from a review of literature.

**Potential and role of SAFTA in increasing trade flows between South Asian countries.** With respect to the potential and role of SAFTA in increasing trade flows between countries in the South Asian region, the priori themes derived from the review of literature included market integration and regional trade agreements. In terms of market integration, SAFTA enhances opportunities for market integration. For the case regional trade agreements, it was established in literature that SAFTA offers the opportunity for bolstering regional trade agreements, which can in turn, play a role in increasing trade flows among South Asian countries. All these two themes were shared by literature and the study, market integration being mentioned by majority (80%, n



= 12) of participants, while regional trade agreements being cited by 60% (n = 9) of participants. The views of respondents regarding these themes are further elucidated in the subsequent paragraphs including quotations by participants.

*SAFTA enhances opportunities for Market Integration.* Majority of respondents who participated in the interview showed their support for the crucial role that SAFTA plays in enhancing market integration in South Asia; as a result, they cited various reasons as to why SAFTA contributes to market integration. These reasons were considered sub-themes (subcategories) relating to the parent theme, which is the role that SAFTA plays in enhancing market integration. Nearly all respondents who took part in the study agreed that, for South Asia to maintain an impressive economic growth rate there is the need for the region to have market integration in order to help in making sure that there is the free cross-border flow of capital, goods and services. The most dominant subtheme regarding the role that SAFTA plays in boosting market integration in South Asia is that, through SAFTA, South Asia countries expect cooperation. As respondent 1 explained:

The success of SAFTA will be determined by its capacity to generate trade. SAFTA's potential to generate trade is already there, what remains is an issue of operational implementation of the agreement. Through SAFTA, countries in the South Asian region will not only be tackling economic issues such as the development of infrastructure and trade facilitation, but also address non-economic issues such as building confidence and political will. This requires South Asian countries to perceive market integration as a gradual process. In fact, this is echoed in SAFTA, which was established with the main objective of creating an economic union in South Asia. As I mentioned before, maintaining an impressive growth in South Asia requires economic integration, and SAFTA acts as the first step in achieving this goal through fostering economic cooperation (Respondent 1).

In agreeing with the view that SAFTA has the potential of fostering regional cooperation in South Asia, some participants agreed that regional arrangements in other parts of the world such





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as South East Asia and Europe have been beneficial in fostering regional market/economic integration, and such results can be replicated for the case of SAFTA, especially owing to the fact that South Asian countries have immense economic strength with respect to human capital, vast natural resources and market potential. As respondent 10 elaborated:

The ratification of SAFTA during 2004 has brought with it significant changes in the South Asian environment. As a result, every country in the region, whether small or big, has plans to boost its trade with other countries in the region in their ways. An example is Nepal, which has plans of constructing a direct bus service that links Dhaka and Kathmandu, which has the potential of increasing trade between Bangladesh, Bhutan and Nepal. It is my anticipation that SAFTA will not only play a role in expanding intra-regional trade, but also play a huge role in the creation of new trade. In such an environment, SAFTA will act as an avenue through which all countries can benefit through the exploitation of their comparative advantages. Essentially, an integrated South Asian market will result in the development of a vast market for investors. Under SAFTA, industries can be situated anywhere in South Asia, which will increase trade activity in the region. I consider SAFTA an achievement and an important step towards an integrated market or economy in South Asia that is characterized by economic cooperation (Respondent 10).

Another dominant subtheme mentioned by participants contributing to the role of SAFTA in enhancing market integration in South Asia relates to fostering regional connectivity, which is crucial in fostering regional economic growth. Most of the respondents who participated in the interview agreed that regional integration is conventionally perceived as a form of harmonization of the trade policies, which in turn results in improved economic integration as well as political integration in the long run. In emphasizing the role importance of regional connectivity and the role that SAFTA plays in boosting regional connectivity in South Asia, respondent 8 explained:

The success of a regional organization or agreement such as SAFTA depends on its capability to foster cross border connectivity. Regional connectivity plays a crucial role in bringing nations together as well as eliminating trade barriers. This is particularly important for South Asian



countries because lack of regional connectivity implies that countries in the region will be forced to trade with distant countries, which in itself is a trade barrier in terms of costs. Moreover, regional connectivity facilitates the exchange of information between countries that are party to an agreement. Other potential benefits associated with regional connectivity facilitated by SAFTA include increasing interactions between people, facilitating the transfer of technology, and facilitates the flow of knowledge, capital, service and raw materials, which helps in building beneficial trade relations between countries (Respondent 8).

In supporting the view that SAFTA helps in fostering regional connectivity, respondent 6 stated, “Regional connectivity facilitated by SAFTA creates an environment that boosts trade relationships between countries...” Respondent 15 stated:

For the case of South Asian region, it is imperative to undertake effective measures that can help create regional connectivity. SAFTA has undertaken some initiatives to achieve this goal; however, there is the need for the process to be strengthened. I believe that regional connectivity in South Asia will play a crucial role in achieving market integration in the region (Respondent 15).

Overall, from the findings, two subthemes have been found to support the dominant theme associated with the role that SAFTA plays in enhancing opportunities for market integration. These subthemes include the view that SAFTA enhances cooperation between South Asian countries, and that SAFTA enhances regional connectivity. The underlying observation is that the South Asian region is need of market integration in order to exploit its potential economic growth rate, and SAFTA is the first step towards achieving this objective.

*SAFTA provides an opportunity to bolster trade agreements.* There was consensus among nearly all participants that regional trade agreements such as SAFTA are playing a crucial role in achieving trade liberalization, especially amidst the economic and political challenges that hinder multilateral efforts. Regional trade agreements have been a feature of the South Asian region.



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Some of the most notable regional trade agreements in this region include the South Asian Association for Regional Cooperation (SAARC), which was established during 1985 with the primary aim of taking advantage of the accelerated cultural development, social progress and economic growth in South Asian region for the peoples' welfare. Its subsequent regional trade agreement, South Asian Association for regional Cooperation (SAPTA) was formed in 1995 followed by the ratification of SAFTA during mid-2006. Majority of the respondents agreed that SAFTA is a culmination of the regional trade agreements ratified in South Asia. As elaborated by respondent 11:

SAPTA helped in advancing the commitment of the countries in the region towards enhanced market integration although it reported limited success. SAFTA was adopted to help in addressing the hurdles experienced under SAPTA. It is evident that SAFTA expanded SAPTA's scope to comprise of elements of trade facilitation and trade liberalization. An important provision outlined in SAFTA is the compensation for least developed countries for losses in revenue occurred as a result of tariff reductions (Respondent 11).

Another participant, respondent 2 who took part in the study explained,

SAFTA is projected to enhance regional trade through trade creation; however, this may be achieved at the cost of trade diversion, that is, trade flows from non-regional suppliers that are more efficient (Respondent 2).

***Possibility of Regional Integration in South Asia.*** The prior themes derived from the review of the literature regarding this topic included security issues, historical differences and instability. Security issues relates to the political conflicts witnessed between countries in South Asia. Historical differences are associated with the perennial intra-state and intra-region conflicts whereas instability related to the political instability observed in the region. All these priori themes identified in literature relating to the possibility of regional integration in South Asia were also recognized in the study. There was consensus among majority of the respondents who



took part in the study that, despite that countries in South Asia are characterized by common socio-cultural practices, language and heritage, there exist complex security issues and many inter-state conflicts in spite of the high economic potential to be exploited. The security challenges experienced by these countries have been associated with their historical differences. The outcome of these historical differences is the evident political conflicts between countries in the South Asian region, which have been an obstacle towards prioritizing strategic and economic interests in the countries in the region. There were notable differences with regard to the potential of regional and economic integration in South Asian region. Nearly half of the respondents were of the view that the current unilateral liberalization in the region witnessed through agreements such as SAFTA has the potential of offering more benefits to the countries in the region as opposed to regional integration. For instance, respondent 3 argued that, “unilateral tariff reductions play a crucial role in trade creation, and SAFTA is no exception to this rule...” Other respondents argued that regional integration in South Asia is capable of yielding economic opportunities that can be exploited to improve the comparative advantage of the region. Respondent 5, in supporting regional integration stated, “Regional integration will enable countries in South Asia to be able to initiate and coordinate programs that can help them tackle the challenges that they are currently facing in various domains such as social development, environment and governance.”

The challenges to achieving regional integration in South Asia were also mentioned by participants in the study. The recurring issues cited by participants with respect to the challenges to the realization of regional and economic integration included geographic dependency; the region lacking comparative advantage; the region lacking a common threat; protectionism; strained Pakistan-India relations; and perennial intra-region and intra-state conflicts. These issues have been highlighted in literature by a number of authors (Aggarwal & Urata, 2013; Ahmed, Kelegama, & Ghani, 2010). In elucidating the perennial intra-state and intra-region conflicts, respondent 13 explained:

For a long time now, possible decades, the South Asia region has been marked by unending conflicts, which has been a major hindrance towards the achievement of regional economic



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integration in South Asia. The region has been constantly characterized by conflicts, which in my view, do not create a supportive environment that can be used to initiate efforts aimed at achieving regional integration. Some of the countries in the region have not managed to resolve their past differences. A good example of this is Nepal and India, which regardless of the fact that, they have entered into a bilateral relationship, they have disagreements. The result of having a region that is marred by conflicts almost all the time is that countries are more likely to have resentments and negative attitudes towards other countries. India is one of such countries that has been constantly under resentments from other countries in the region. The negative view of other countries is a significant hurdle that must be removed for regional integration in South Asia to be realized (Respondent 13).

In agreeing with the view that intra-region and intra-state conflicts are hampering regional integration in South Asian region, respondents also mentioned the issue of instability in the region. Apart from bilateral disagreements between countries, most of the countries in the South Asian region are facing the challenge of considerable security threats emanating from religious conflicts as well as state separatist groups. One respondent provided India as an example of a country that is experiencing this problem, which is currently facing significant security threats associated with civil unrests originating from movements found in Punjab and Kashmir including states found in the eastern parts of the country such as Nangaland, Assam and Mizoram.

Another dominant issue raised by participants as a factor that hampers the realization of regional integration in the South Asian region relates to the strained relationship between India and Pakistan. There have been several attempts that have tried to resolve the dispute between Pakistan and India; however, they have not yielded any success, particularly regarding the territorial dispute between the two countries for Kashmir. Moreover, countries in the South Asian region are not facing a common threat than can bring them together in eliminating that threat, which is a likely explanation as to why regional integration may not be achieved in the near future. An analysis of regional integration initiatives in other parts of the world have been



primarily motivated by the need for countries to enhance their protection against some type of external threat, which at the moment, is lacking in South Asia region.

## PRESENTATION OF THEMES NOVEL TO THE STUDY

Apart from priori themes explored in the literature and found in the study, there were emergent themes that were not preconceived to the researcher regarding the issues under investigation. The following subsections presents the emergent themes from the data gathered in the course of the interviews relating to the research question.

**Potential and role of SAFTA in increasing trade flows between South Asian countries.** A number of emergent themes relating to the role and potential of SAFTA in increasing trade flows in the South Asian region were also identified. Two dominant themes emerged as regards the potential of SAFTA in increasing trade flows; there are those participants who had optimistic view regarding the potential of SAFTA in increasing trade flows whereas there are those who were pessimistic on the same. Nevertheless, majority of the participants (60%) had an optimistic view regarding the potential of SAFTA. Those with optimistic view of SAFTA placed emphasis on the political and economic benefits that can be enjoyed by the South Asian countries. The two main reasons cited by those who are optimistic of the potential of SAFTA in increasing trade flows related to the geographic proximity and high tariffs before the ratification of SAFTA. With regard to geographical proximity, respondent 8 stated, “regional Free Trade Agreements such as SAFTA are more likely to be successful because of the reduction in communication and transportation costs... local goods are also likely to be compatible with the regional factor endowments when compared to the goods that are far away.” With respect to the high tariffs before the ratification of SAFTA, optimistic participants expressed their hopes that a significant reduction in tariffs can play a crucial role in stimulating trade between countries in the region. As respondent 14 reported:



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One of the main challenges in the trade liberalization process in South Asia has been the reluctance on part of countries to subject products/sectors having high intra-trade potential to the Trade Liberalization Program under the predecessor of SAFTA, the SAARC. SAFTA has tried to address this problem, which I am optimistic will result in an increase in intra-regional trade further increasing the export opportunities for the member countries of SAFTA (Respondent 14).

The issue of trade complementarities was also mentioned by those optimistic regarding the potential of SAFTA in increasing trade flows in the region. Concerning trade complementarities, when the supply or production of one country satisfies the demands of another country, the prospective trade benefits are vast; therefore, for all countries to benefit from trade, it is imperative for their economic structures to be different, or else, countries having similar goods are less likely to benefit from trade. Most participants emphasized that the South Asia region has vast undocumented trade between the countries, which suggests that the degree of trade exchange and complementarity is better when compared what data suggests. An increase in trade is likely to result in additional opportunities for the region to diversify and improve its comparative advantage with the improvements in resource allocation and technical efficiency. Respondent 15, who was particularly in favor of trade complementarities stated:

Even if the South Asian region has low trade complementarities are low, there are potential benefits that can be accrued from intra-industry trade in the region. Consider this, an industry may enjoy the benefits of economies of scale if it operates in a larger market because a free trade agreement would mean that its scale of production is no longer limited to the local market. Free trade agreements like SAFTA creates a market that is integrated, which translates to a bigger consumer pool (Respondent 15).

Another participant, respondent 9, who had an optimistic view of SAFTA argued that:

South Asia has a considerable trade potential that is yet to be met. Therefore, eliminating trade barriers can result in an increase in trade flows. But because of the fact that countries in this



region are still imposing tariffs on the products that are highly traded, they are yet to witness the benefits associated with trade liberalization. As a result, eliminating these tariffs, on say, a single industry would be sufficient to result in a significant increase in welfare by the resulting intraregional trade. Imagine a scenario where tariffs have been eliminated for the key markets, intra-regional trade is likely to increase significantly. SAFTA is a step towards this direction (Respondent 9).

Apart from those who had optimistic view of SAFTA's potential, some respondents were pessimistic about the potential of SAFTA in increasing trade and were of the view that SAFTA will result in negative impacts either on the region as a whole or on specific countries in South Asian region. For these respondents, SAFTA does not meet the criteria of a successful free trade agreement. One participant expressed concerns that despite the fact that geographic proximity will help in reducing costs associated with transportation, it is likely to lead to political tension as well as disagreements and tension between the countries in the region. This is because, according to respondent 1, "in South Asia, historical tensions have been mainly attributed to geographical proximity; an example is the territorial dispute between India and Pakistan... this historical tensions have constantly hindered SAFTA's success." Another respondent also argued that there are no significant changes in tariffs before and after SAFTA; therefore, it is less likely that SAFTA will be effective in stimulating trade between countries in the region. In addition, those respondents with a pessimistic view of SAFTA reported that most goods that have subject to concessions under SAFTA are least traded, which implies that SAFTA, in its current form, is less likely to result in significant increases in trade flows and political benefits.

## **PRESENTATION OF THEMES APPEARING TO CONTRADICT LITERATURE**

A number of themes appearing to contradict literature were also identified in the data from the interviews. The first theme that appears to contradict literature is the view that SAFTA will not





cause trade diversion in Asia; this view was particularly by those who are optimistic about the potential of SAFTA in increasing trade flows between the countries in the region. There is widespread agreement in literature that the SAFTA would result in trade diversion in the region, which has been the case with other regional free trade agreements (Brenton, 2003; Secretariat, 2014). Some authors have even argued that, if SAFTA were to create trade, it would be at the expense of trade diversion (Weerakoon, 2010). Other authors such as Secretariat, (2014) and Gilbert & Oladi (2010) have argued that the problem of trade diversion by SAFTA is further compounded by the fact that high level of protectionism exhibited by countries in the region in the sense that member countries have established extremely restrictive sectorial exceptions to the trade liberalization program under SAFTA, especially for products they perceive to be highly traded. However, participants whom optimistic view of the potential of SAFTA argued that, free trade in South Asia will not cause trade diversion. Some participants argue that South Asia already has low cost and efficient products that member countries are yet to exploit. Respondent 8 stated, “trade diversion is an insignificant issue because in the long-run, the benefits associated with regional development will outweigh the effects of trade diversion in the short term... as time goes, the development of new products is likely to act as a replacement of the trade diversion of a number of the present products in the market.”

Another theme identified in the data that contradicted with literature related to the view that South Asian countries have more political will than usually reported; a view that was held by those optimistic about the potential of SAFTA in increasing trade flows in the region. The notion of political will in South Asia has been refuted in literature, which is mainly because of the historical differences, instability and intra-state and intra-regional conflicts between countries in the region. For instance, countries such as India and Pakistan have been conflict for a long time and attempts to come to a resolve the conflict have not yielded any success. Similarly, there is a growing resentment towards India by other countries in the region (Pitigala, 2005). However, respondents who had an optimistic view regarding the potential of SAFTA maintained that South Asian countries have demonstrated this political will through implementing measures aimed at facilitating trade. One of the measured cited by respondents is SAPTA, which respondent 7



explained, “Under SAPTA, countries in South Asia have negotiated a number of non-tariff barrier and tariff reductions.” Respondent 1 stated, “... many countries in the region are also signing bilateral agreements... SAFTA further increases trade facilitations through reducing restraints on the movement of both products and capital, which will make the South Asian region closer to achieving the low non-tariff barrier status.”

Lastly, an additional theme identified in the data that contradicts with literature related to the view that SAFTA will play a crucial role in deepening the economic integration in South Asia and reinforcing incentives aimed at resolving the political conflicts that exist between the countries in the region. In literature, there is agreement that the conflicts in the region are perennial and attributed to historical differences (De, 2011; Francois, Rana, & Wignaraja, 2009; Gilbert & Oladi, 2010; Raihan, 2012). Numerous attempts to resolve these conflicts have been unsuccessful, which De (2011) considers a hindrance towards the realization of regional integration. However, for those participants who are optimistic about SAFTA’s potential, they argue that economic tied will play a crucial role in increasing the common regional goals, which will further lessen the political problems witnessed in the region. Low political tension in the region will create a supportive environment for SAFTA to be successful.

Those who did not see the potential of SAFTA being successful in increasing trade flows advocated for bilateral and trade liberalization, which they argued could result in greater welfare benefits when compared to SAFTA. For instance, according to the views of one respondent, “I do not believe that all countries in the South Asian region will record significant welfare benefits as a result of SAFTA... smaller countries are likely to record minimal welfare gains under the free trade agreement, and even smaller countries such as Bangladesh are at risk of losing under this agreement.” Respondent 2 explained:

SAFTA is unlikely to result in efficiency gains, increases in exports and improvements in production; this is because smaller countries in the region will utilize their resources inefficiently. Moreover, all the seven countries in the region make use of the same production



structures, which means that the implementation of SAFTA would not lead to an increase in production. The only country that may gain significantly from SAFTA is India (Respondent 2).

In emphasizing that, the adoption of SAFTA will not be effective in increasing trade flows between countries in the region, respondent 7 seconded:

The implementation of SAFTA will result in difficulties and confusion for producers and custom officials, especially when several applicable tariff rates are combined with several sources of origin. The rules of origin are usually adopted with the main aim of preventing the transportation of products from countries having low external tariffs to countries with higher external tariffs. These rules are also used in preventing the people from converting non-originating goods in one country to be re-exported to other countries. Therefore, there is the possibility of manipulating these rules, which can lead to tariff rates that are chaotic for a single product. In fact, this potential factor can cause trade diversion since it results in an increase in the cost of compliance for intra-regional exporters who are compelled to make use of inputs sourced from the region despite the fact that suppliers from outside the region may be cheaper. Essentially, the confusion and difficulties arising from the implementation of SAFTA will intensify protectionism and the costs of transportation (Respondent 7).

### **PRESENTATIONS OF FINDINGS POTENTIALLY BEHAVING AS THEMES AND PATTERNS YET THEY CANNOT BE CALLED AS SUCH**

From the data, there were findings that potentially behaved as themes and patterns although they could not be classified as such; this is probably because of the fact that they could be subthemes but could not be placed under a parent category. An example of such theme identified in the findings relates to the non-tariff barriers that hamper intra-regional trade in the South Asia region. SAFTA envisions the elimination of any existing tariff barriers as outlined in the Trade Liberalization Program. Respondent who took part in the study expressed concerns that non-tariff barriers are hindering trade flows in South Asian region, even in an environment where



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SAFTA is implemented fully, it will not be effective unless these non-tariff barriers are eliminated. In addition, respondents expressed concerns that non-tariff barriers adopted by South Asian countries tend to be protectionist.

## **PRESENTATION OF THE SIMILARITIES AND DIFFERENCES BETWEEN THE FINDINGS OF PILOT TESTS AND STUDY IF ANY**

A pilot study was not performed for this research, which means that a comparison could not be performed evaluating the similarities and differences between the findings of the pilot study and the current research.

## **PRESENTATION OF OUTLIERS – INACCESSIBLE THEMES BEST SAVED FOR FUTURE RESEARCH**

A number of inaccessible themes exist that are best saved for future research. In this study, which include the implications of a fully functional SAFTA for South Asia and implications for other regional blocks and trading partners of South Asian countries. Another theme for future research relates to the role of bilateral and trade liberalization in increasing trade flows when compared to SAFTA and their suitability for the South Asian region.

## **CHAPTER SUMMARY**

The current work elucidates themes relating to the role of SAFTA in increasing intra-regional trade flows and the possibility of regional integration in South Asia. With respect to the role of SAFTA in boosting trade flows between South Asian countries, the themes shared by literature and the study include SAFTA enhancing opportunities for market integration; and that SAFTA provides an opportunity to bolster trade agreements. Regarding the possibility of regional integration in South Asia, the themes shared by the study and the literature include security issues, historical differences and instability. Novel themes regarding the role of SAFTA in increasing trade flows in South Asia were also identified; those who are optimistic on SAFTA



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boosting trade flows cite geographic proximity and high tariffs before the ratification of SAFTA. On the contrary, those who are doubtful about the effectiveness of SAFTA maintain that the agreement will lead to negative outcomes for the region. Some themes contradicting the literature were also identified, including the following: SAFTA will not result in trade diversion in Asia; South Asian countries have more political will than usually reported; and SAFTA will play a crucial role in deepening the economic integration in South Asia and reinforcing incentives aimed at resolving the political conflicts that exist between the countries in the region. The outliers identified in this study include implications of a fully functional SAFTA for South Asia and implications for other regional blocks and trading partners of South Asian countries and the role of bilateral and trade liberalization in increasing trade flows when compared to SAFTA and its suitability for the South Asian region. The subsequent segment presents a discussion of the study findings with regard to the research questions.



**CHAPTER FIVE:**

**DISCUSSION, CONCLUSION, AND RECOMMENDATION**

**SUMMARY OF KEY FINDINGS**

**Themes and Patterns Shared by Literature and the Study.** A number of themes were shared by literature and the study with respect to the areas of focus of the research – the potential and role of SAFTA in increasing trade flows between countries in the South Asian Region and the possibility of regional integration in South Asia. With respect to the potential and role of SAFTA in increasing trade flows between South Asian countries, the themes shared by literature and the study include SAFTA enhances opportunities for market integration; and that SAFTA provides an opportunity to bolster trade agreements. Subthemes were also identified under the theme SAFTA increases opportunities for market integration, which included: (a) SAFTA will bolster regional cooperation between the South Asian countries; and (b) SAFTA will foster regional connectivity, which is crucial in achieving regional economic growth. The underlying observation is that the South Asian region is need of market integration in order to exploit its potential economic growth rate, and SAFTA is the first step towards achieving this objective. Under the theme “SAFTA provides an opportunity to bolster trade agreements,” it emerged that SAFTA, just like other regional free trade agreements, is playing a crucial role in achieving trade liberalization by helping in advancing the commitment of the countries in the region towards enhanced market integration. Regarding the possibility of regional integration in South Asia, the themes shared by the study and the literature include security issues, historical differences and instability, and challenges to achieving regional integration in South Asia. Security issues in the region are associated with the political conflicts witnessed between countries in the South Asian region. Historical differences denote the perennial intra-state as well as intra-region conflicts. Instability denoted the overall political instability evident in the South Asian region. The subthemes under “challenges to achieving regional integration in South Asia” included geographic dependency; the region lacking comparative advantage; the region lacking a common



threat; protectionism; strained Pakistan-India relations; and perennial intra-region and intra-state conflicts.

**Themes Novel to the Study.** Novel themes were also identified regarding the role of SAFTA in increasing trade flows in South Asia. Two dominant themes were identified, which included participants who are “optimistic” of the role and potential of SAFTA in increasing trade flows, and participants who are “pessimistic” of the role and potential of SAFTA in increasing trade flows. It is imperative to note the majority of participants were optimistic of SAFTA. Those with optimistic view of SAFTA placed emphasis on the political and economic benefits that can be enjoyed by the South Asian countries. The two main reasons cited by those who are optimistic of the potential of SAFTA in increasing trade flows related to the geographic proximity and high tariffs before the ratification of SAFTA. The issue of trade complementarities was also mentioned by those optimistic regarding the potential of SAFTA in increasing trade flows in the region. Pessimistic participants were of the view that SAFTA will lead to negative impacts on the region as a whole or specific countries in the region. A subtheme under this theme is that “SAFTA does not meet the criteria of a successful free trade agreement.”

**Themes Appearing to Contradict Literature.** Some themes contradicting with literature were also identified, which included SAFTA will not result in trade diversion in Asia (expressed by those optimistic about SAFTA); South Asian countries have more political will than usually reported (expressed by those optimistic about SAFTA); and SAFTA will play a crucial role in deepening the economic integration in South Asia and reinforcing incentives aimed at resolving the political conflicts that exist between the countries in the region (expressed by those pessimistic about SAFTA).

**Findings Potentially Behaving as Themes yet They Cannot be Called Such.** A potential theme that emerged in the study although cannot be categorized, as a theme is “the non-tariff barriers that hamper intra-regional trade in the South Asia region”

**Outliers.** The outliers identified in this study included implications of a fully functional SAFTA for South Asia and implications for other regional blocks and trading partners of South Asian



countries and the role of bilateral and trade liberalization in increasing trade flows when compared to SAFTA and their suitability for the South Asian region.

## **EXPLANATION OF FINDINGS**

The most significant theme lacking in literature found in this study relates to the views expressed by those who are optimistic about the role of SAFTA in increasing trade flows in the South Asia region. There is agreement in literature that regional free trade agreements result in trade diversion. There is empirical evidence suggesting that, if regional trade agreement create trade, it is usually at the expense of trade diversion. For the case of SAFTA, a number of authors such as Secretariat (2014) and Francois, Rana and Wignaraja (2009) have maintained that the issue of trade diversion under SAFTA is further multiplied by the high level of trade protectionism evident among countries in the region in that member countries have set up extremely restrictive sectorial exceptions to the trade liberalization program under SAFTA, particular for products that are traded in high volumes in the region. Despite the fact that the issue of trade diversion is a significant issue in literature, those optimistic of SAFTA considered trade diversion to be an insignificant problem, since in the longer-term, the benefits related to regional development will outweigh the short-term trade diversion effects of SAFTA. The importance of trade diversions stems from the fact that FTAs might result in strained relationships between countries that previously traded before one of the countries joined FTA; therefore, it is crucial for South Asian Countries entering the SAFTA to be guided by more open trade policies that eliminate all trade barriers between the member countries.

Another important theme lacking in literature relates to the view South Asian countries have more political will in working towards regional integration – this view was expressed by those optimistic of SAFTA. However, there is widespread agreement that there is little or no political will among South Asian countries to unite and work towards regional integration, which has been primarily attributed to the unending intra-state and intra-region political conflicts (Brenton, 2003; Francois, Rana, & Wignaraja, 2009). A case in point is the conflict between India and





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Pakistan, which has lasted for decades with unsuccessful attempts to resolve the issue. In addition, other countries in the region are resenting against India (Ahmed, Kelegama, & Ghani, 2010; Bhatti & Taha, 2014; De, 2011). Another theme lacking in literature relates to the view that SAFTA will deepen the economic integration in South Asia and reinforce incentives aimed at addressing the political conflicts in the region. This is widely contested in literature since conflicts in the region are perennial and attributed to historical differences, which cannot be successfully addressed using regional free trade agreements. The significance of lack of political will in the region provides a justification for the governments of the various countries in the region to work towards improving their political commitment for regional integration in order to increase the likelihood of SAFTA becoming effective as will the case of SAFTA.

Despite the emergence of themes inconsistent with literature, a number of themes were discovered similar to the viewpoints expressed in literature, especially with respect to challenges in achieving regional integration in South Asia. In this study, the challenges identified that hamper regional integration efforts in the region include geographic dependency; the region lacking comparative advantage; the region lacking a common threat; protectionism; strained Pakistan-India relations; and perennial intra-region and intra-state conflicts. All of these factors have been identified in literature as hindering the political will of South Asian countries and preventing them from uniting and working together towards regional integration. For instance, Pakistan is perhaps the most politically unstable country in the region since it is torn by sectarian strife between the Shia and the Sunni and overrun by the terrorists from the decapitated al Qaeda (Dorussen, Murshed, & Ward, 2011; Gibbs, 2007; Gilbert & Oladi, 2010). Hindu nationalism and religious fundamentalism in India is resulting a growing resentment from other countries. Nepal and Bangladesh are also teeming with political insecurity and uncertainty (Secretariat, 2014). Given such dire political circumstances in each South Asian country and the strained relationship between the two centers of power – India and Pakistan – the establishment of mutually fruitful economic cooperation in the region would seem impossible. For SAFTA to be successful, effort must be first initiated to address these challenges.



## **RECOMMENDATIONS**

The findings from the current research has important implications for policymakers and leaders of the South Asian region seeking to enhance regional integration as well as trade flows between countries in the region. First, the findings suggest that SAFTA has the potential of enhancing regional integration in the South Asian region, which implies that leaders of the South Asian countries should show commitments towards implementing the provisions outlined in SAFTA in order to bolster regional integration and subsequently increase trade flows. It is evident that South Asia is one of the least integrated regions in the world; therefore, the formation of SAFTA is timely in addressing the lack of regional and market integration in South Asia (Aggarwal & Urata, 2013; Pitigala, 2005; Secretariat, 2014). The findings from the current research affirm the crucial role that SAFTA is likely to play with respect to enhancing trade flows through increased market integration and fostering regional connectivity. The underlying observation is that the South Asian region is need of market integration in order to exploit its potential economic growth rate, and SAFTA is the first step towards achieving this objective. Therefore, leaders of South Asian countries have to show greater commitments towards the implementation of provisions outlined in SAFTA.

Second, in order for SAFTA to facilitate the realization of regional integration, the findings suggest that leaders of South Asian region have to deal with the challenges that hamper regional integration. This study has identified a number of challenges that face South Asian countries. Nevertheless, the specific ways of solving these problems are beyond the scope of the current research, which only highlights the priority areas for leaders and diplomats of South Asian countries. The areas of priority pointed out in the current research include security issues and instability in the region. Instability issues that need to be addressed for SAFTA to be effective in enhancing regional integration relates to the political conflicts existing between countries in the region. In this respect, South Asia has a number of intra-state and intra-region conflicts (Secretariat, Regional Integration in South Asia: An Overview, 2014; Raihan, 2012). An example of intra-region conflict that needs to be prioritized is the strained Pakistan-India



relations. An inference from this observation is that constant conflicts in the region have been a significant hindrance towards achieving regional integration. India and Nepal also has strained relationships that need to be solved in order for SAFTA to be successful as with the case of NAFTA. In South Asia, countries have resentments and negative attitudes towards other countries, and particularly India, which has been on the receiving end of these resentments. Security is also an issue that must be prioritized for SAFTA to foster regional integration. For instance, India is facing substantial security threats attributed to religious conflicts and state separatist groups, especially in Punjab and Kashmir and Eastern states such as Nangaland, Assam and Mizoram. As a result, for SAFTA to be effective to fostering regional integration in South Asia, leaders of these countries must first try to prioritize solving security issues and instability in the region. The specific approaches of solving these problems are beyond the scope of the current research, which is perhaps an issue for future research.

Third, the findings of the research suggest that, for regional free trade agreements such as SAFTA to be effective, such arrangements should be based on open trade policies. In this respect, South Asian countries have been reluctant to place products/sectors with high intra-trade potential under the Trade Liberalization Program. SAFTA will be of no use as regards to enhancing trade flows and market integration in South Asia if only products that are lowly traded are placed under the Trade Liberalization Program (Dorussen, Murshed, & Ward, 2011). Instead, products/sectors that are highly traded should be placed under the Trade Liberalization program to be exempted from tariff and non-tariff barriers. It is evident that South Asia has a vast trade potential; as a result, it is imperative for leaders and diplomats of South Asian countries to eliminate trade barriers. A significant hurdle for SAFTA is that South Asian countries are still imposing tariffs on products that are highly traded – this is true trade liberalization. The level of trade protectionism in South Asia is deleterious for SAFTA to realize the goal of regional integration. In this respect, South Asian countries have imposed significant restrictive sectorial exemptions to the SAFTA Trade Liberalization program (Dorussen, Murshed, & Ward, 2011; Francois, Rana, & Wignaraja, 2009; World Bank, 2013). In other words, it is recommended for SAFTA member countries to adopt open trade liberalization policies and ensure that the no



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products/industries are exempt from the Trade Liberalization Program. This will play a crucial role in reducing the levels of protectionism exhibited by South Asian countries.

The fourth recommendation based on the findings of the current study is that, for SAFTA to be successful in fostering regional integration and trade flows, South Asian countries should focus on building and strengthening economic ties. At the moment, economic ties in South Asia almost inexistent since South Asian nations trade with countries outside the region – this is a possible reason why concerns have been raised that SAFTA will result in trade diversion (Brenton, 2003; Weerakoon, 2010). In addition, economic ties between South Asian countries will play a crucial role in enhancing the common goals of the region, which will further help in lessen the political problems witnessed in the region. Lessened political tension between the countries will help in creating a supportive environment for SAFTA to be effective. Therefore, it is recommended for South Asian leaders and diplomats to focus on building economic ties for SAFTA to be successful in achieving its goals.

## **REFLECTION UPON THE STUDY**

This study provided me with an opportunity to hone my research skills and understand the influence of assumptions, education and beliefs on the research process. The issue of regional integration in South Asia is of great importance; however, I found it surprising that integration efforts in the region such as SAARC have been largely unsuccessful whereas integration efforts in other regions such as North America (NAFTA) have been successful. Therefore, I felt compelled to explore the specific attributes unique to South Asian region that hamper the success of regional integration. Before embarking on the research process, my assumption was that South Asia is an unstable region and marred by insecurity challenges. The study helped in reinforcing my assumptions because the findings attribute to lack of regional integration in the region to instability and security challenges in the region. I cannot conclusively assert that my assumptions did not influence the research. In addition, the qualitative nature of this research implies that it is not immune to researcher bias. There are no hard rules that guide how qualitative data is



analyzed. In this study, I used a number of priori themes, which are mainly influenced by the researcher's bias. Although emergent themes were evident, I emphasized a lot on my preconceived assumptions. Regardless of the preconceived biases and assumptions, I believe the study played a crucial role in enhancing my critical analysis skills. It is imperative to point out that, before embarking on the research process, I was inclined to embrace a majority of viewpoints presented in textbooks based on the presumption that if a person has managed to publish a book, he/she must have an in-depth understanding of the issue covered in the book. Nevertheless, the present research experience has resulted in a change in this viewpoint. In this respect, I was able to detect a number of themes that contradicted some works outlined in the literature review. I was also able to refine my primary research skills, particularly with respect to handling methodology issues since I had to select the most appropriate methodology out of a various methods. In addition, the study has helped in improving my time management skills since the study needed extensive planning as well as preparation during each phase of the research.

## **SUGGESTIONS FOR FUTURE RESEARCH**

The findings of current study highlighted a number of novel possibilities for potential exploration in researches. From the results of the study, the unexpected new finding requiring further research relates to the role that non-tariff barriers play in hampering intra-regional trade in South Asia. SAFTA envisions the elimination of any existing tariff barriers as articulated under the Trade Liberalization Program. However, concerns were raised about the potential role that non-tariff barriers could play in hindering trade flows, even in a situation where SAFTA is implemented fully. In this respect, there is a need for future studies to explore effectiveness of SAFTA in increasing trade flows and meeting its objective of regional integration by modeling scenarios under which SAFTA can achieve optimum results. Potential scenarios that can be modelled include full implementation of SAFTA with elimination of non-tariff barriers and full



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implementation of SAFTA with present non-tariff barriers. It can help in delineating the role of non-tariff barriers with respect to the achievement of the goals and objectives of SAFTA.

Another potential area for future research involves clarifying the trade creation and trade diversion effects of SAFTA. In this respect, there was no consensus as to whether SAFTA will result in trade creation or trade diversion effects. Thus, further research is needed to specifically determine if, and under what conditions, SAFTA will result in either trade creation or trade diversion. It is crucial in ascertaining the impact of SAFTA in fostering intra-region trade flows. Essentially, future research should determine the critical success factors for SAFTA, including factors, which may hamper its effectiveness with respect to achieving its goals and objectives. Future research can use the empirical models in ascertaining whether SAFTA results in trade creation or trade diversion.

Current study was mainly qualitative in nature and was based on expert interviews. To this end, there are some inherent limitations associated with the qualitative nature of the research, including subjectivity, small sample size used and difficulties with regard to making systematic comparisons. Future research can use a different methodological approach in investigating the issue explored in the study – the potential and role of SAFTA in increasing trade flows. It can involve the use of quantitative empirical approaches that use trade flow data to develop an empirical model that can be used in determining the impact that SAFTA will have in trade flows between South Asian countries. Future studies can embark on quantifying aspects, such as market integration, using measures like cross-border flow of capital, goods and services and trade relationships among others. In other words, current study can be used in forming a conceptual model that can be used in exploring the effects of SAFTA on trade flows. Therefore, current research can be considered the first qualitative phase of research for building a conceptual model to be evaluated using quantitative research methodologies in the second phase.



## **SUMMARY OF THE STUDY AND CONCLUSIONS**

The purpose of such qualitative research was to examine the challenging political economy of the South Asia. Specifically, the study sought to explore the potential and role of SAFTA in increasing trade flows between countries in the South Asian region.

From the literature review, it is evident that there have been several attempts to create regional cooperation arrangements in South Asia, with SAARC being the most successful attempt. Nevertheless, SAARC has been dismissed as ineffective. It is attributed to the fact that recent observations of SAARC meetings indicate unending disagreements that reduce the chances of regional integration (Aggarwal & Urata, 2013; Brenton, 2003). In addition, the review of literature showed that suspicion and distrust among South Asian countries hamper the possibility of achieving regional integration and economic cooperation via agreements, such as SAARC, SAPTA and SAFTA. Other factors hampering regional integration efforts in the region that have been mentioned in literature include political uncertainties and putting primacy on economic interests, security issues and intra-regional conflicts. Security issues relate to the political conflicts witnessed between countries of South Asia (Dorussen, Murshed, & Ward, 2011). Historical differences relate to the perennial intra-state and intra-region conflicts, whereas instability related to the political issues observed in the region. Based on the review of literature, it was evident that future of economic integration in South Asia is uncertain, given the ineffective performance of SAARC and SAFTA (Francois, Rana, & Wignaraja, 2009; Secretariat, 2014). Therefore, it was expected that even under SAFTA, achieving regional integration in South Asia would be a challenging task.

The information from the literature review was incorporated into the findings of current study in order to create a refined understanding of the research problem. It was done by the use of comparisons of the findings relating to current study in terms of themes and patterns shared by the literature and study, themes novel to the study and themes contradicting literature. As regards the potential and role of SAFTA in increasing trade flows, themes shared by literature and the



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study included SAFTA opportunities for market integration and possibility of SAFTA to bolster trade agreements. A number of subthemes were also identified in the research. They dealt with SAFTA and the way it increases opportunities for market integration, which include bolstering regional cooperation and regional connectivity. With respect to the theme, SAFTA offers an opportunity to increase trade agreements. It was found that SAFTA would be crucial in achieving trade liberalization and helping in advancing the commitment of South Asian countries towards achieving regional integration. Regarding the possibility of regional integration in South Asia, the themes shared by the study and the literature included security issues, historical differences and instability, and challenges to achieving regional integration in South Asia. The challenges, which may be faced in the region, included geographic dependency, lack of comparative advantage in the region, lack of common threat, protectionism, strained Pakistan-India relations and perennial intra-region and intra-state conflicts. Themes contradicting literature were also identified in the study. They included the fact that South Asian countries have more political will to achieve economic integration and SAFTA will result in trade diversion. Moreover, it will play a crucial role in deepening the economic integration in South Asia and reinforcing incentives aimed at resolving the political conflicts that exist between the countries in the region. It is imperative to note that the majority of experts were optimistic about the success of SAFTA in achieving economic integration in the region.

Consequently, the findings of the study suggest that SAFTA has the potential of enhancing economic integration and increasing trade flows in the region. However, to achieve it, challenges affecting the region must be first addressed in order to create an environment where SAFTA can function effectively. The challenges identified that must be addressed include the lack of comparative advantage in the region, as well as a common threat, protectionism, strained Pakistan-India relations and perennial intra-region and intra-state conflicts. All of the above-mentioned factors have been identified in literature as negatively influencing the political will of South Asian countries and preventing them from uniting and working together towards regional integration.





## **IMPLICATIONS**

The findings of current research have important implications for leaders of South Asian region seeking to foster regional and economic integration and increase trade flows between the countries. The findings suggest that SAFTA can effectively enhance economic integration in the region. Therefore, leaders of South Asia countries must exhibit political will and commitment towards the implementation of trade liberalization provisions outlined in SAFTA. There is no doubt that South Asia is the least integrated region, which implies that SAFTA has facilitated the fostering of integration and subsequently increasing trade flows (Brenton, 2003). Thus, the findings of the study can be used in providing justification for greater commitment towards implementing provisions specified under SAFTA. In addition, the findings suggest that commitment towards full implementation of SAFTA provisions is not enough. The leaders should also show commitment and will to address the problems facing the region, such as instability, intra-region conflicts, intra-state conflicts and security threats. Such challenges can render SAFTA ineffective even in a scenario where SAFTA is implemented fully based on open trade policies.



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APPENDIX

A: Figures

Theoretical Framework

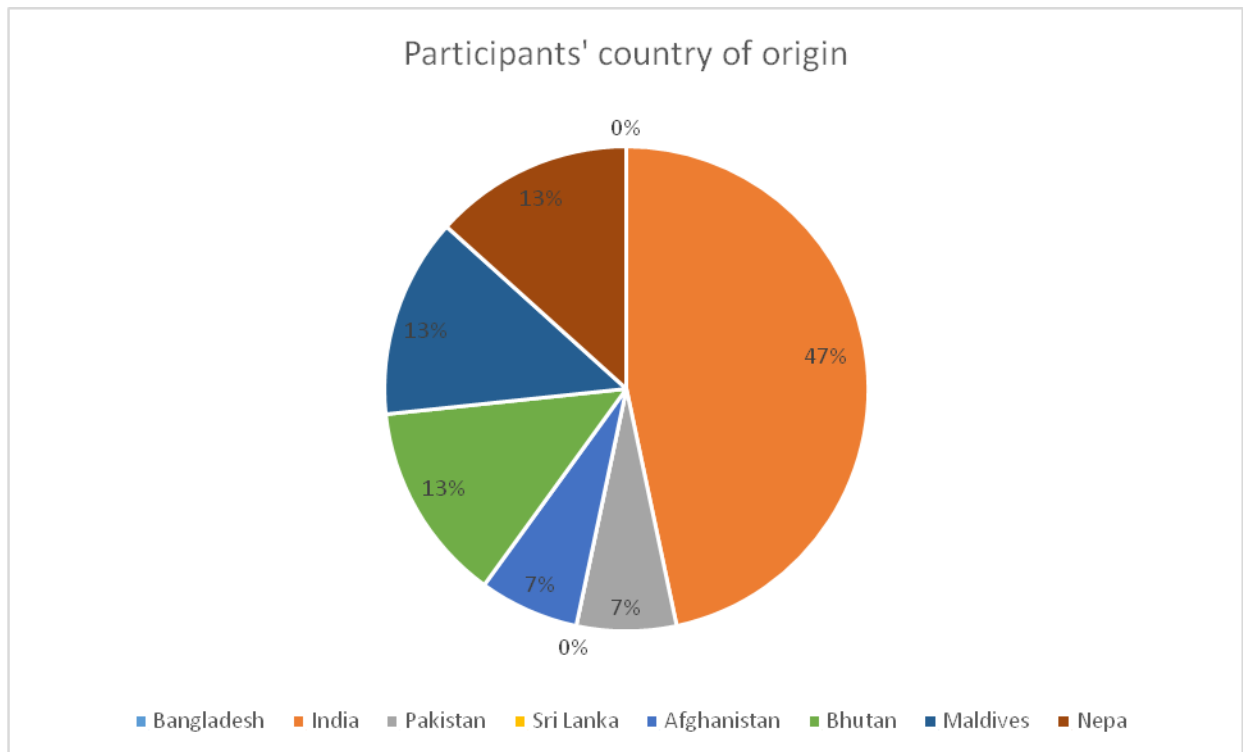
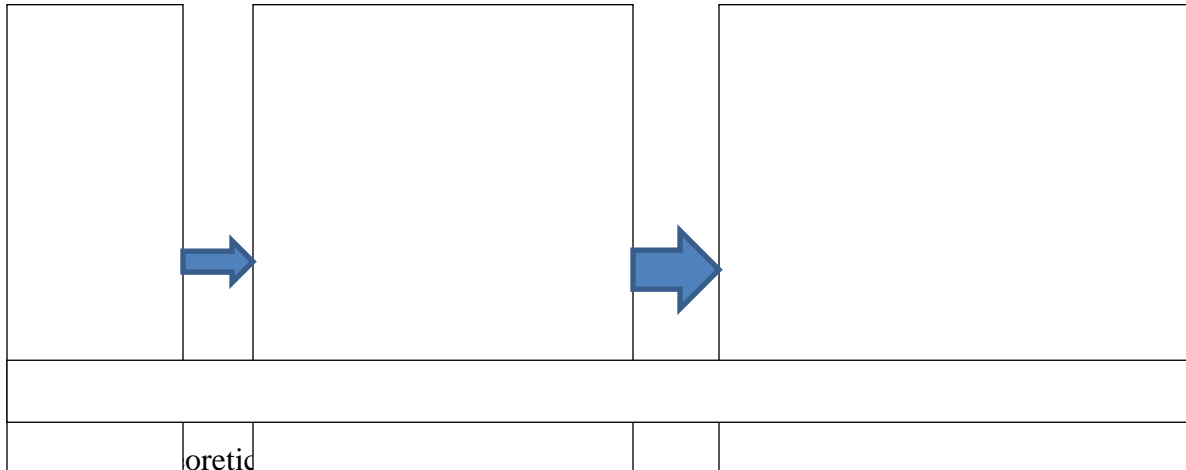


Figure 2: Participant's country of origin





B. Tables

**Table 1**

*Table 1: Participant's Characteristics in terms of age*

| Age of Participants | Percent |
|---------------------|---------|
| 18-25 (n = 0)       | 0.0 %   |
| 26-35 (n = 0)       | 0.0 %   |
| 36-45 (n = 3)       | 20.0 %  |
| 46-55 (n = 5)       | 33.0 %  |
| 56-65 (n = 6)       | 40.0 %  |
| Above 65 (n = 1)    | 7.0 %   |

**Table 2**

*Table 2: Level of Education of respondents*

| Level of Education of respondents                      | Percent |
|--|---------|
| Undergraduate (n = 5)                                  | 33.3 %  |
| Masters (n = 10)                                       | 67.7 %  |
| Ph. D (n = 5)  | 20.0 %  |
| Declined to report their level of education<br>(n = 0) | 0.0 %   |

**Table 3**

*Table 3: Participant's area of specialty*

| Participant's area of specialty | Percent |
|---------------------------------|---------|
| International relations (n = 5) | 33.3 %  |



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|  |        |
|--|--------|
| International economy (n = 5)          | 33.3 % |
| Foreign relations (n = 5)              | 33.3 % |
| Declined to indicate area of specialty | 0.0%   |

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Table 4

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*Table 4: Participant's country of origin*

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| Participant's country of origin | Percent |
|---------------------------------|---------|
| Bangladesh (n = 0)              | 0.0 %   |
| India (n = 7)                   | 47.0%   |
| Pakistan (n = 1)                | 7.0%    |
| Sri Lanka (n = 0)               | 0.0 %   |
| Afghanistan (n = 1)             | 7.0%    |
| Bhutan (n = 2)                  | 13.0%   |
| Maldives (n = 2)                | 13.0%   |
| Nepal (n = 2)                   | 13.0 %  |

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