

Political Economy of Regional Cooperation in South Asia

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The South Asian Association for Regional Co-operation (SAARC) is considered one of the major diplomatic breakthroughs in the South Asian region in its modern history. Theoretically, SAARC has a high potential for cooperation because of the common features and challenges faced by its member states. Despite all these common features, conventional wisdom in this regard is that SAARC is 'the most divided region' in the world. This study explores the degree of integration that SAARC has already achieved during past 30 years. Using statistical data, descriptive evidence, and literature, it is observed that most of the objectives of SAARC are still far from reaching a reality. There is evidence that the foreign policy of powerful SAARC members goes against the SAARC objectives. Using a game theoretic framework, this paper attempts to interpret this as the Nash Equilibrium of many interactions. Cooperation is the Pareto optimal strategy for all countries. However, various factors have influenced individual countries to choose non-cooperative strategies instead. In this context, it is identified that India's role is very crucial. India as the largest country in SAARC, and as an emerging superpower, has determined the achievement of the SAARC objectives. The study concludes that all the member states should re-visit the objectives of SAARC and should confine themselves to less controversial objectives such as poverty reduction and trade at least in the short term. Chinese, US, and European interests in the region should be addressed strategically.

Keywords: Political economy, SAARC, Regional integration and regional cooperation