



KAMARAJ IAS ACADEMY
Only IAS Academy by Grandson of "Perunthalsivam Kamarajar"

The sorry state of South Asian economic integration

Published On: 24-06-2025

Context

- **Border disputes among South Asian nations** significantly hamper trade and economic cooperation, preventing the region from achieving its full potential.
- Economic instability fuels unrest, while security threats disrupt trade and investment. No country can achieve lasting security without economic prosperity, and vice versa.
- The **South Asian region is one of the least economically integrated regions in the world. Intraregional trade of South Asia (South Asian Free Trade Area or SAFTA) accounts for barely 5% to 7% of its total international trade**, which is the lowest when compared to other trading blocs.
- In contrast, intraregional trade accounts for approximately 45% of total international trade within the European Union (EU), 22% within the Association of **Southeast Asian Nations (ASEAN)**, and **around 25% within North American Free Trade Agreement (NAFTA)**.

South Asian Association for Regional Cooperation (SAARC)

- **Origins** of SAARC: Regional cooperation in South Asia was **first discussed** at the Asian Relations Conference (1947), the Baguio Conference (1950), and the Colombo Powers Conference (1954).
- The SAARC concept took shape in **1980 when Bangladesh's President Zia - Ur - Rahman proposed** regional cooperation to promote peace and stability.
- SAARC was officially **established** on 8th December **1985, in Dhaka, Bangladesh**, with **7 founding members**: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.
- **Afghanistan joined as the 8th member** in 2007.
- **Headquarter - Kathmandu, Nepal**
- SAARC's agenda includes the **South Asian Free Trade Area (SAFTA)**, established in 2004 and effective from 2006, **aimed at reducing tariffs and promoting free trade in South Asia**.

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