

Pakistani Academia's Perception of Indo-Pak Politico-Economic Relations and their Impact on the South Asian Region

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ABSTRACT

Pakistan and India have been trying hard to resolve the issues between them. It is now becoming difficult for both the countries to continue the decades old enmity. In this era of globalization where national borders are shrinking, it is necessary for Pakistan and India to loosen up them and work for the betterment of diplomatic relations between the two countries. This research focuses on the Pakistani academia's perception of Indo-Pak politico-economic relations and its impact on the South Asian region. Online questionnaire was used as a survey tool in the research process. A major chunk of respondents from post graduate level admitted that relations between Pakistan and India have been uncertain throughout history. Respondents also believe that political relations between Pakistan and India are directly proportional to trade relations between them. This uncertainty between both countries has also marred the progress of South Asian region.

Key Words: Politico-economic relations, globalization, South Asia, MFN status.

Introduction

The South Asian region is suffering a great deal of loss on economic front due to hostile political relations between major stakeholders i.e. Pakistan and India. Politico-economic relations between Pakistan and India cause a great impact on the atmosphere and working of South Asia.

Trade has always been an essential component for every country's infrastructure. It involves the transfer of goods or services between two parties in exchange for other goods and services or for money. The concept of trade is as old as human civilization itself. People used to barter goods and services before the concept of money emerged. As the world evolved, the concept of international trade emerged which represents an important part of the GDP of any country.

Pakistan and India relied heavily on each other for trade soon after they got independent in 1947. Since both countries were newly born on the world map, it was crucial for them to maintain relations on all fronts with their respective neighbors. Unfortunately due to political tensions and grievances, the relations between Pakistan and India have been sabotaged. The political differences and the Kashmir dispute have always hindered the way of healthy trade relations between the countries. History is the testament to a rocky relationship between Pakistan and

India which has been littered with years of mistrust, deception, accusations and hatred.

Unstable relations on political front between Pakistan and India have directly affected their trade and economic relations. After independence, India and Pakistan have experienced various trade standoffs due to political tensions. These standoffs have also greatly affected the economic structures of both countries. Obstacles in the path of official trade such as NTBs, visa barriers, trade embargos, high tariff and transportation costs etc have given rise to informal trade and circular trade. The costs of informal and circular trade between Pakistan and India have been recorded to be much higher than the cost of formal/official trade.

These ups and downs on political and economic fronts between Pakistan and India have caused a major setback to the South Asian region. Being the two major countries of South Asia, the growing hostilities between the two nuclear neighbors have been of great concern over the past few years. The progress of South Asia and working of SAARC has also been stymied due to deteriorating relations between Pakistan and India.

Trade Relations between Pakistan and India

Pakistan and India share one of the most complex borders with length of 2,912 km with each other. History is a testimony that the relationship between both countries has seen various ups and downs. However, the strength of trade ties between Pakistan and India depend on the foreign policies that both the countries adopt.

These two countries have been trading since 1947 with a halt of 9 years from 1965-1974. Regardless of a largely continual trade regime, the amount of trade between Pakistan and India has been limited and almost insignificant. Their trade volume significantly increases to a greater extent when they are at amicable terms. The newly elected government shows not only its enthusiasm to ease the tension between both countries, but also expresses its commitment on starting work on the economic and trade fronts.

A historical review shows that at the time of independence, India and Pakistan relied greatly on one another. India's share in Pakistan's global imports and exports accounted for 23.6% and 50.6% respectively in 1948-1949 whereas Pakistan's share in India's global exports and imports was 2.2% and 1.1% respectively in 1951-1952. The share of Pakistan's imports from India in its global imports has increased from 4% in 2008 to 6% in 2010. While on the other hand, India's imports from Pakistan remain negligible. Since their independence, the bilateral economic relations between Pakistan and India have been affected by the political factors as both the countries are perceived as arch rivals in the region (Mehta, 2012).

At present, the trade between Pakistan and India is taking place through three channels.

- i. Formal trade; through official means

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- ii. Informal or illegal trade; which takes place through smuggling via permeable Indo-Pak on-land borders,
- iii. Through third countries; mainly via Dubai and Singapore.

The extent of official trade between Pakistan and India remains insignificant as compared to the respective international trade. This is mainly due to the political frictions that have majorly influenced the bilateral trade between both the countries. During the 1990's, the share of foreign trade in the GDP of India has increased gradually, but remained a low as 31% until 2003 while Pakistan's trade openness stood at 38% in 2003 (Iqbal, 2011).

Normally, informal trade takes place due to a variety of reasons. Restrictions on import of specific items, high tariff barriers or transportation costs, imposition of non-tariff barriers, leakages in transit trade, distortions in domestic policies are some of the main reasons for carrying out informal trade. The smugglers carry out the informal trade between Pakistan and India through the permeable Indo-Pak border. This illegal trade of goods is also taking place through Afghanistan as India and Afghanistan trade goods officially and later goods are smuggled into Pakistan through Peshawar. The extent of informal trade is much higher than the formal trade carried out between both the countries.

Circular trade or trade through third countries is conducted through the agents that are operating in free ports like Dubai and Singapore. Items like textile machinery, iron and ore, dyes and chemicals, cotton fabric, tires, alcoholic beverages and much more are traded through circular trade. The total size of informal and circular trade is estimated at around \$1 billion which is much larger than the total size of formal/official trade (Trade Integration between Pakistan and India, 2010).

“Statistics show that Pakistan's exports to India grew 66 percent to \$460 million during the April-December 2012 period, while India's exports to Pakistan rose 16 percent in the same period. Both Pakistan and India are of the considered view that there is no alternative way other than building an atmosphere of confidence and trust and for that the only way is economic partnership” (Trade among SAARC Countries: Breaking the Barriers for Trade Facilitation, 2013).

Although trade between Pakistan and India has seen growth in the last couple of years, it is yet far from reaching its potential, and remains extremely at risk due to political fluctuations. In 2012-13, trade between India and Pakistan totaled \$2.4 billion, a fraction of the total trade of the two countries.

Nawaz Sharif ran his electoral campaign in 2013, as Modi did last year, on a mainly economic platform: promising better growth and investment in badly-needed infrastructure projects. Modi's tenure as chief minister of western Gujarat state between 2001 and 2014 has equally been stained by both the 2002 religious riots which left more than 1,000 dead, and an insight that he delivered efficiency and economic growth.

One of Nawaz Sharif's key promises in May 2013 was to open up trade with India with whom Pakistan's trade is currently cramped by restrictions and an almost complete ban on trade in services.

“At present, the bilateral trade stands at approximately \$2bn, with \$1.7bn of that represented by Indian exports, and \$350m in Pakistani exports. Informal, untaxed trade, analysts told Al Jazeera, is likely a further \$2bn” (Hashim, Pakistan sees hope and fear in Modi win, 2014).

Issue of MFN Status under WTO

There has been a great emphasis on granting MFN status to India. Pakistan and India are members of GATT and one of the signatories of MFN clause. MFN clause is one of the basic principles of GATT. According to this clause, any trade concession granted to one member of GATT must be extended to all members. After the acceptance of WTO agreement, Pakistan accepted the principles of GATT to follow the objectives of free trade in a non-discriminatory multilateral framework. As a signatory, Pakistan is bound to grant MFN status to all other members including India without any discrimination (Pakistan, 2006).

WTO uses the instrument of MFN to make member countries' trade regimes competitive and non-discriminatory. MFN status does not mean giving special treatment or trade concessions to any one specific country. MFN simply refers to non-discrimination among goods and services imported from other member countries and to remove discriminatory practices. Any favorable treatment given to one member of WTO has to be extended to imports of similar products from all other member countries.

India granted MFN status to Pakistan in 1996 but Pakistan has not yet reciprocated. India has been urging Pakistan to grant MFN status to India so that the trade of goods and services could be eased out between both the countries. Pakistan has been reluctant to grant MFN status to India and has gradually increased the number of permissible items for trade in the 'positive list'. Contrary to the popular view, granting MFN status to India does not translate into trading freely with India but it means trading with India in the same way as Pakistan trades with the rest of the world.

“With a vision to enhance peace and prosperity flourish in the region, the two countries are now progressing toward a closer economic relation realizing the synergy of bilateral potential. Both Governments have shown courage and taken steps to follow up. Pakistan began in November 2011 by announcing that it would apply Most Favored Nation (MFN) treatment to goods coming from India (India granted Pakistan MFN in 1996.) In February 2012, both countries announced the decision of agreements on customs cooperation, mutual recognition of

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standards, and redressed of trade grievances. This was followed in March 2012 by the Pakistani Commerce Ministry's announcement that it would replace the relatively short "positive list" of less than 2000 items that could be imported from India with a "negative list" of 1200 prohibited items thereby effectively freeing up trade in almost 6800 previously banned product areas. In September 2012, both Governments announced a new visa agreement that included provisions designed to facilitate business travel" (Siddiqui, 2013).

The trading community in Pakistan seems to be in favor of this decision and Karachi Chamber of Commerce has already recommended the Government of Pakistan to grant MFN status to India because in their opinion, it will not pose any threat to the Pakistani industry. However, the Pakistani manufacturers feel that liberalizing trade relations with India will mostly benefit India given that it possesses a substantial industrial and engineering base. By granting MFN status to India, Pakistan will suddenly expose its economy to a well-diversified industrial structure. Moreover, it is expected that the dumping of cheap Indian products in the domestic markets of Pakistan will pose problems for the regulators in Pakistan (Pakistan, 2006).

Keeping aside all the threats and weaknesses of granting MFN status to India, Pakistan is likely to benefit a lot by this decision. By allowing free trade with India, Pakistan will be able to access a bigger market with diversified trade. It will also discourage informal and undocumented trade. This decision will also give a boost to the development of SAARC, lead it up to the path of success and bring it equivalent to EU and ASEAN. Moreover, if Pakistan is successful in tying knots with its neighboring countries and takes wise steps to improve its economy, exports and investments, it won't need the support of United States.

Pakistan, India and the South Asian Region

South Asia is the Southern region of Asian continent on the map including Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka as South Asian states. South Asia is home to over one fifth of the total world's population. This high ratio of population makes it most densely populated region in the world.

The South Asian region has been of great importance since early days. This importance grows with the fact that it is also geographically important to access warm waters and numerous resources. Even during the Cold War, the two super powers at that time, US and USSR, had great interest in the South Asian region. Both systems wanted to spread their ideologies in South Asia enabling them to expand their respective blocs.

The World Bank published a story which states

“South Asia will play an important role in the global development story. It has the world’s largest working-age population, a quarter of the world’s middle-class consumers, growing labor force and cities, the largest number of poor and undernourished in the world, and several fragile states of global geopolitical importance. With inclusive growth, South Asia has the potential to change global poverty” (South Asia Regional Brief, 2014).

This significance has also been recognized by the international community and the United States of America. President Obama laid stress on the increasing importance of the South Asian region. Moreover, US kept compelling Pakistan and India to improve their relations and surrender hostility in order to make joint efforts for the development of this region.

Pakistan and India are the two major economies in South Asia that have carried out significantly little trading relations since decades now. The animosity between these two countries has had harmful implications on inter and intra-regional trade within the South Asian region. Therefore, the region remains demeaned in regional trade integration compared to other regions around the globe.

India and Pakistan have always been on a rough patch since independence. The hostile relation between both the countries has a strong base of years of suspicion, misunderstandings, disappointments, tensions and wars. Historically, India alone has also experienced volatile relations with its neighbors, a perfect example of which is Indo-Pak relationship. Since 1947, both neighboring countries have been involved in either overt or covert perpetual conflicts. These recurring unresolved conflicts play the role of largest constraint for bilateral trade. Intra and inter-state disputes have fuelled the situation, stymieing trade and economic relations and in extreme situations evoking chances of nuclear conflicts.

“Both Pakistan and India have nuclear status and in this scenario the need of peace process between them is much more important than ever before .Now perhaps war is not a good option for them because any kind of a conventional armed conflict can change into a nuclear war. So in this situation Pakistan and India should put the option of war for the settlement of their disputes out of the equation. The peace process between Pakistan and India should be based on development of the trust on each other, mutual gain and to develop an atmosphere of peace and progress where both countries can resolve their disputes through composite dialogues” (Altaf, 2012).

Soon after independence, both Pakistan and India were heavily dependent on each other for trade. India’s share in Pakistan’s global exports and imports

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accounted for 23.6% and 50.6% respectively in 1948-1949 which declined to astonishing numbers after the first two wars. Pakistan's share in India's global exports and imports was 2.2% and 1.1% respectively in 1951-1952. The share of Pakistan's import from India in its global imports increased from \$948.6 million in 2006 to \$1987.4 million in 2010 (Mehta, 2012).

SAARC as a Regional Cooperation Organization

The growth and development of regional trade blocs has been one of the major milestones in history of international relations. All countries around the globe are members of one bloc or more. These blocs have their own regional agreements which vary widely. Besides of this variety, all agreements have the objective of reducing trade barriers between their member states. At the core of every trade agreements is the goal of economic amalgamation and better trade relations. Nowadays, states focus more on their ability of adapting to regional and global trends, promoting exports, attracting investment, and skilled labor, providing healthy environment for TNCs and MNCs, managing political environment, and branding of nation in the international market instead of focusing on defending borders or creating unique national institutions.

There are many regional organizations like European Union, Association of South East Asian Nations not only in the west but even in different parts of the world. These include SAARC (South Asian Association of Regional Cooperation) in South of Asia. SAARC premised its goal of attaining economic union and desire for common currency within the region. SAARC emerged as a regional organization in order to facilitate South Asian states to emerge as developed countries despite of their hostilities. Furthermore, it was made to build up an area which would promote economic and social development through combined efforts. SAARC has been considered as a useful platform where a number of international issues have been discussed in order to enhance trade.

From the time of its conception in December 1985, the South Asian Association for Regional Cooperation has wanted to augment economic unity between its member states (India, Pakistan, Bangladesh, Nepal, Bhutan, Sri Lanka and the Maldives). The organization was structured to develop both the economic and social affairs of its member states, but most scholars focus on SAARC's capability to endorse economic cooperation among its member states. South Asian scholars attempt to compare SAARC efforts with those of other regional trading organizations such as EU (European Union) and ASEAN (Association of South East Asian Nations) (Thapar, 2006).

SAARC has however emerged as an active institutionalized regional cooperation in South Asia. It is also thought of as an economic group of countries working together in order to improve socio-economic and cultural development.

It can be noted by the foundations laid by SAARC that it is based on respect for the principles of sovereign parity, territorial integrity, political sovereignty, shared benefits and noninterference in international affairs of the member states.

The major cause why SAARC lacks behind other regional organizations is the hostility between its member states. These disputes among South Asian states have also marred its trade capabilities. The following table shows the intra-sub regional trade among SAARC members has increased slowly and steadily with a comparison to their total trade with the rest of the world.

Indo-Pak Hostilities and SAARC

Although Pakistan and India are two major neighboring countries in South Asia, they still face extremely low levels of bilateral trade. This low level is due to continuous border and political tensions, granting MFN status to India and tariff and non-tariff barriers. Along with these, inward-looking import-substitution growth strategies also play a major role behind the levels of trade. Together, Pakistan and India account for 90% of GDP and 85% of population in South Asian region. They share a long border, similar culture and history. Observing neighbor countries similar in size in terms of population and GDP, such as Malaysia and China or Brazil and Argentina-bilateral trade reaches up to numbers that Indo-Pak trade has failed to reach. This low trade has rendered South Asia among the least integrated economic regions in the world.

SAARC becomes a bridge to develop a number of relations between Pakistan and India yet a number of issues need to be addressed between the two countries. Unfortunately, birth of SAARC in the South Asian region has been a victim to inherent political factors between its two big members; Pakistan and India, which is why it remains as one of the weakest trading blocs globally.

A recent report released by the SAARC Chamber of Commerce and Industry suggests

“Trade between Pakistan and India ideally should reach US\$12 billion, but it currently stands at \$2.4 billion. That’s a big improvement, however, from just 20 years ago, as bilateral trade was just \$132 million until 1995. After India granted Pakistan Most Favored Nation status in 1996, trade has gradually amplified between the two neighbors, boosting it to \$180 million almost immediately, according to the SAARC report. Tensions between the two countries continue, as political and economic reasons have held back Pakistan in reciprocating similar status to India. Pakistan, however, has increased its list of positive items for trade to 600. Currently, of the total 7,200 tariff lines, some 1,209 items are on the negative list, the report notes. And while their official trade has improved \$2.4 billion, informal trade between the two countries is much higher than the official trade percentage” (Tabish & Khan, 2011).

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Basically, Pakistan and India are beleaguered by a collection of political and security crisis, instability of regimes and secessionist movements. It is however difficult to counter the challenges these countries are facing but a resolution will promise harmony and goodwill in the region. The charter of SAARC does not allow controversial issues to be brought on table but the forum has provided numerous opportunities to both countries to re-examine their foreign policies in order to counter security challenges. Positive developments of other smaller countries are also being stymied due to tensions between Pakistan and India. Therefore, leaders of member states of SAARC emphasize on taking up of important political issues by SAARC in order to achieve success. Unfortunately SAARC has not been successful like EU or ASEAN in addressing sore disputed areas between Pakistan and India.

The mutual interaction of Pakistan and India not only influences SAARC, but also affects the political and economic spheres of the whole South Asian region. However, efforts have been made by SAARC countries to improve the Indo-Pakistan paradigm. These efforts include reducing mutual distrust which is extremely essential for peace and security of the South Asian region. The long lasting dispute between Pakistan and India over Kashmir hinders the trade relations between both countries hence it is difficult to bring about full scale economic growth in an environment of tension and conflict. Along with the dispute over Kashmir, Pakistan and India share numerous issues like granting of MFN status to India by Pakistan, trade barriers, political and military disputes, LoC violations, Siachin issue, and Sir Creek dispute etc.

After an analysis of socio-economic agenda with the purview of SAARC, it is seen that the organization has achieved limited success. If this regional organization is politicized by inclusion of political affairs of Pakistan and India, it will be a setback for the forum itself. Various political disputes that have existed between member states have a long history of mistrust and misunderstanding and therefore burdening SAARC with resolving these issues will not only hinder in its process of regional cooperation but will also inhibit its socio-economic agenda. Since the SAARC agenda exclude discussions on contentious issues, it has still provided a suitable meeting ground where leaders of member states have discussed bilateral problems informally.

In order to overcome long standing disputes, both countries have to overcome their short sighted plans and policies. Better relations between Pakistan and India will overcome poverty of the region and will also increase the living standards of people residing here. Pakistan and India both are nuclear states that are why it is more important for them to be at peace since they cannot afford a nuclear war at any cost. Both South Asian neighbors need to change their attitudes as well so that a healthy atmosphere of peace building can be promoted.

As the world is growing further towards inevitable phenomenon of globalization, both Pakistan and India have realized the significance of close ties leading to better trade relations. Successful examples set by ASEAN and EU has encouraged these arch rivals of South Asia to come forward and enhance their

trade capabilities. The hostile relations between the two would lead them nowhere and would cost them a great deal since Pakistan and India have a great potential for intra-regional trade as they are dominant constituents of SAARC.

Research Objectives

- To observe the political and economic relations between Pakistan and India.
- To analyze the burden inflicted upon trade due to political tensions between the two countries.
- To investigate the impact of hostile relations between Pakistan and India on South Asian Region.
- To explore the positive potential embedded in SAARC if these two countries declare truce.
- To analyse the impact of different SAARC summits on Indo-Pak relations.
- To carry out SWOT analysis in order to extract best possible solutions.
- To suggest recommendations in order to improve the prevailing situation.

Research Methodology

Research methodology for this research is qualitative as well as quantitative. Survey method has been employed to analyze the politico-economic relations between Pakistan and India and their impact on the South Asian region.

Research Tool

This research is based upon an online constructed survey on Google through a well-structured questionnaire. It was developed as a research tool including both open-ended and close-ended questions. The questionnaire comprised of questions that focused on studying the impact of politico-economic relations between Pakistan and India on the South Asian Region.

Sampling

The sample of 100 post-graduate respondents has been taken who belong to different institutions located in Lahore. They were requested to fill the online questionnaire to analyze the issue more accurately. Sampling can be termed random sampling.

Variables

This survey produced data that is used as numeric descriptions of the sample of different people for measurement of variables like relation between Pakistan and India, core politico-economic issues between both countries, impact of these relations on South Asian region.

Data Collection Procedure

Primary and secondary data has been used in this research. Primary data is collected through an interview and online survey from individuals of post graduate level from the fields of Political Science and Business studies, while secondary data has been gathered through various books, articles, journals and online documents.

Statistical Analysis

Microsoft Excel 2007 has been used to interpret results and for the processing of graphs.

Hypothesis

H_1 = Politico-economic relations between Pakistan and India affects the South Asian region.

H_0 = Politico-economic relations between Pakistan and India do not affect the South Asian region.

Results and Discussion

Q.1) Describe Indo-Pak relations in one word

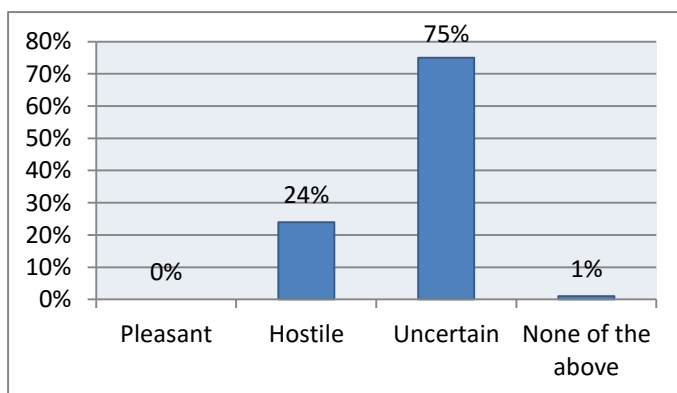


Figure showing description of Indo-Pak relations in one word

The initial question asked from the respondent was about how they perceive relations between India and Pakistan. The main reason behind positioning this question at the beginning of the questionnaire was to understand how respondents see Indo-Pakistan relations. According to the results, 75% of respondents labeled Indo-Pak relations as being uncertain. Due to the growing trust deficit, relations between both countries have experienced ups and downs. Since inception, Pakistan and India have arrived on pleasant terms which have been sabotaged every now and then due to various factors shunning all routes for better bilateral relations.

Out of a total of 100, 24% of respondents defined Indo-Pak relations as hostile. Peeping into 67 years old historical journals of Pakistan-India relations, there have been more rigid occasions of hostile relations than peaceful ones. None of the respondents however thought that Pakistan and India share friendly relations which is but obvious when we dig deep into history and keep an eye on media nowadays.

Q.2) Do you think political relations between Pakistan and India have direct impact on trade between both countries?

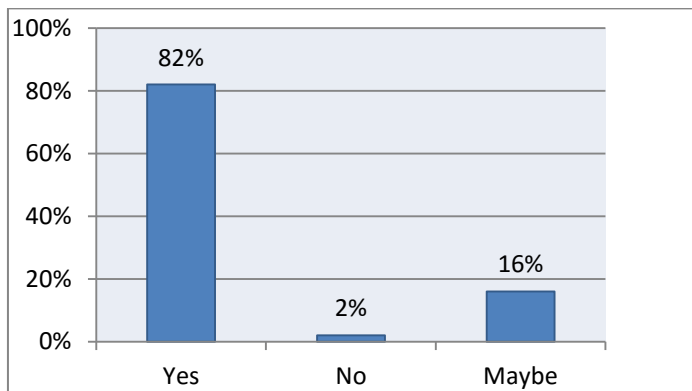


Figure showing impact of political relations between Pakistan and India on trade

The next question was inquired in order to foresee if political relations between India-Pakistan are directly proportional to trade relations between them. A huge majority of 82% agreed to the fact that Indo-Pak trade always suffered due to political tensions between both. History is a testament to this because whenever political temperature rises between India and Pakistan, the very first front that is affected is that of trade. Both countries declare trade embargos and inflict serious trade restrictions upon each other. Out of many, both countries have faced a 9 year long trade cut off in history which had serious effects on their economies as well.

Q.3) will better relations between Pakistan and India yield better economic growth?

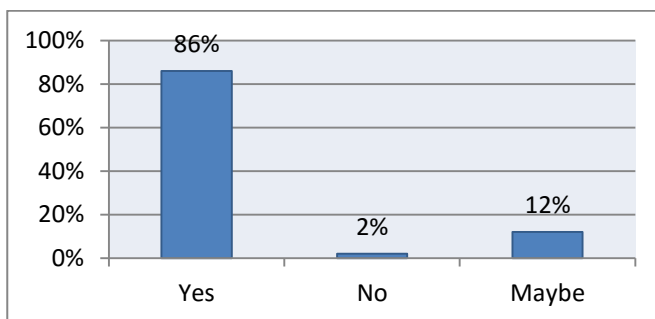


Figure showing chances of better economic growth due to better relations

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Third question was structured in order to calculate if improved relations in future between Pakistan and India can flourish economies of both countries. This question was linked with the previous question since economic and political relations are directly related to each other. 86% of respondents believed that healthier relations between India and Pakistan will surely yield better economic outcomes for them. Clearly, better relations between both will attract a considerably large amount of investment at both sides of the border. Pleasant relations will also save the extra money both countries spend on trade through third parties which would add up in the national economies.

Q.4) Do you think opening Pakistani markets to Indian goods will pose a threat to local industry? Please elucidate your answer.

Vast majority of the respondents were of the view that opening Pakistani market completely for Indian goods would definitely be a threat to the local industry of Pakistan. Very few respondents thought that availability of larger number of Indian goods in Pakistani markets would be beneficial for the consumers since it would expand the range of products to choose from.

Q.5) Do you think the slow progress of South Asian region is dependent upon the relations between its member states?

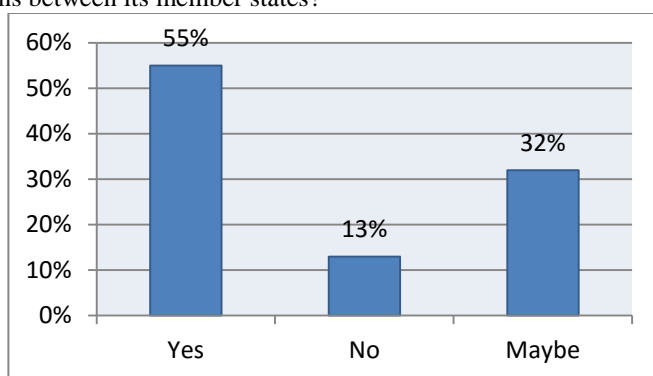


Figure showing dependence of South Asia on relations between Pakistan and India

Coming towards the topic of research, this question was related to the reason behind slow progress of the South Asian region. This question was also chosen for hypothesis testing. Respondents were asked if relations between South Asian countries were affecting the hindered progress of South Asia. 55% of respondents consider that slow progress of South Asian region is dependent upon relations between its member states. High voting turnout proves that politico-economic relations between Pakistan and India affect the South Asian region hence proving H_1 . When we compare SAARC to other regional organizations like EU and ASEAN, the progress of SAARC in every sector seems to be considerably low. Although SAARC countries share a close knit bond of similar cultural and ancestral heritage but the main reason behind this slow progress are the inter and intra state disputes which have seized the development of this region since inception. Most of the internal disputes of South Asia have been caused by

unsettled historical inter-state conflicts. Moreover, the security of this region has also hampered its progress since two of the world nuclear powers are neighbors who have fought wars in past yet their disputes are not resolved.

Q.6) being two major members of SAARC, do you think failure of SAARC is due to antagonistic relations between Pakistan and India?

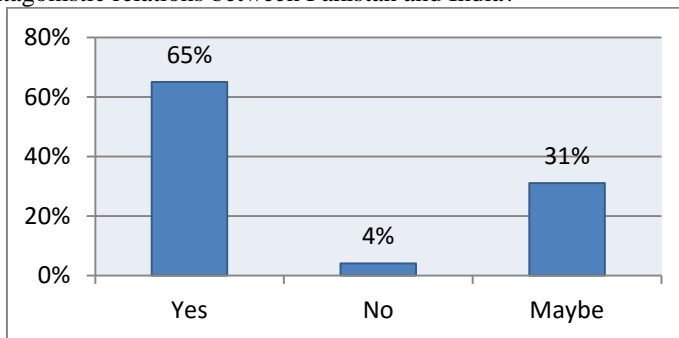


Figure showing impact of Indo-Pak relations on SAARC

India and Pakistan have shared a rocky relationship since independence. Numerous disputes between these two neighbors have made them fight 3 wars and yet there are many other issues that are still not resolved. This pattern of unstable relationship has caused dire effects on internal sectors of both Pakistan and India. Keeping this in mind, respondents were asked if these antagonistic relations between Pakistan and India are the real reason behind failure of SAARC as a regional organization. Out of 100, 65% of respondents were of the view that Indo-Pak relations greatly impact SAARC. Hostile attitudes towards each other cause hindrance in the path of progress. Certainly, if the member states of a regional organization are not at peace with each other, it is almost impossible for it to thrive. Unlike other regional organizations, SAARC has been unsuccessful to some extent in maintaining peace within the region.

Conclusion

The globalization of international economy has opened many gates for development and progress for all countries. Virtually, national and international boundaries are no more hindrances for flow of capital and technology. However, international trade is greatly dependent on global activities and relations among countries. There has been a continuous emphasis on improving political and trade relations between Pakistan and India since their inception. Trade liberalization has become a growing concern at regional and bilateral level. History shows that trade relations between Pakistan and India are directly related to their political relations. Economies of both countries experience a setback due to the political tensions between them. These growing tensions have also affected the South Asian region. Pakistan and India being two main member of South Asian region greatly paralyze the mechanism of this region.

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The results of this research reveal the reactions of respondents towards Indo-Pak relations and their effect on South Asia. Respondents believe that the growing hostilities between Pakistan and India have caused a major setback to their economies. Not only that, the South Asian region on the whole is also suffering due to rising temperature between the two. Research also reveal that if only concerned authorities of Pakistan and India change their attitudes and move towards effective confidence building measures, they can head towards better economic positions. Better relations between Pakistan and India will also trigger the progress of South Asia making it successful like other global successful regions.

Recommendations

- Pakistan should transform its technical abilities into production in order to enhance the productivity level.
- It is beneficial for both the countries to think beyond the stereotype thinking which is conducive for the development of cordial relationship.
- CBMs are needed for better bilateral relations and establishment of mutual trust between both countries.
- Pakistan should follow WTO rules and provide MFN status to India and both countries should apply MFN duty rates on their respective trade items.
- Both countries should work on resolving visa issues between them.
- Promotion of people to people contact should be established in order to enhance inter society dynamics

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