#### **COMMENTARY**

# EU-South Asia relations in the 21st century: Rethink, reimagine, reshape



ASIA (HTTPS://WWW.EPC.EU/EN/SEARCH?TAG=581) / COMMENTARY Ivano di Carlo , Shada Islam

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Amid the intense competition underway between the US and China and the increasing presence of Russia, China, Turkey, Iran and Britain in the Indo-Pacific, the EU must build better bilateral relations with all South Asian countries – and not just India. It should reassess its traditional trade and aid approach and use a strategic lens to upgrade its relations with the region, both bilaterally and via a region-wide approach.

# A strategic region for the EU? Not yet

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The EU's bilateral relationships with South Asian countries form a complex mosaic of accept & close trade and aid ties, many of which are in dire need of updating and renewal. However, it

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rarely perceives South Asia from a regional lens.

As they focus on these bilateral ties and upgrade those with India specifically, Brussels and most EU member states fail to take a deeper, strategic view of a region which is home to two billion people, a rising middle class and – despite outdated and negative narratives about their economic performance – includes some of the world's most resilient economies.

In seeking to enhance its role, presence and influence in Asia, the EU should pay more attention to South Asia's geopolitical relevance; a strategic region that straddles – and connects – Eurasia and the Indo-Pacific.

EU policymakers traditionally argue that South Asia's problematic internal political and security dynamics make it impossible to craft and implement a joint EU region-to-region approach. There is truth in this argument. Continuing adversarial relations between India and Pakistan cast a dark shadow over attempts at intraregional cooperation. The South Asian Association for Regional Cooperation (SAARC), set up in 1985 in Dhaka, remains largely ineffectual. Intraregional trade flows are trammelled by multiple tariff and non-tariff barriers.

#### A complex region

South Asia's lack of internal cohesion is unlikely to give way to more cross-border cooperation in the coming years due to persistent and long-standing internal disputes and lack of political commitment. That should not, however, stop the EU from becoming more creative and moving beyond its current trade and aid-focused relationship with the region. On the lines of its Central Asian strategy, the EU could combine an upgrade of bilateral ties with individual South Asian nations with an approach that tackles common, region-wide challenges.

Another option would be to seek stronger engagement with the SAARC. Despite its shortcomings, the Association needs more EU attention, technical expertise and assistance, and the kind of political support that has contributed to strengthening the Association of Southeast Asian Nations' (ASEAN) geopolitical profile (https://www.epc.eu/en/publications/It-has-taken-time-but-the-new-EU-ASEAN-Strategic-Partnership-matters~3a2e88).

Also, rebranding India as a key geopolitical player and possible counterweight to China's growing political and economic presence and influence cannot be done without taking an equally fresh look at the important geostrategic role of other South Asian countries.

This website uses cookies. By continuing to use this website you are giving consent to cookies being used. While the EU – and, to a lesser extent, the US – has mostly directed its foreign policy towards other regions, South Asia increasingly attracts the attention of China, Russia,

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Turkey and Iran. Post-Brexit Britain is also upping ties with the region. If the EU fails to acknowledge the importance of South Asia, it risks being side-lined by other countries which have already invested consistent economic and political resources in the region.

Additionally, while the 'Great Game' in Afghanistan may have faded over the two decades of US and NATO presence, a resurgence of geopolitical and regional rivalries is to be expected in the country once US troops withdraw in September. This puts EU investments in Afghan state-building, women's rights and education at risk.

#### **Economic resilience...**

Over the past years, South Asia has experienced dynamic economic growth while gaining strategic significance rapidly, thanks to its unique position in the traditional crossroads of Europe and Asia.

The World Bank projected earlier this year that growth in the region (https://www.worldbank.org/en/region/sar/publication/south-asia-vaccinates-south-asia-economic-focus-spring-2021) would increase by +7.2% and another +4.4% in 2022, climbing from historic lows in 2020 and putting the region on a path to economic recovery. However, this upbeat forecast is expected to be revised in the wake of the devastating COVID-19 crisis in India and Nepal and its fall-out in South Asia more generally.

Already in 2020, businesses across the region were badly hit by the pandemic as millions of workers (mostly in the informal sector) reeled from job losses, falling incomes, worsening inequalities and human capital deficits. Still, as most South Asian countries begin to roll out vaccines for their populations – some faster than others –, there are hopes that the pandemic will soon be brought under control, allowing their economies to rebound.

## ... but also trade fragmentation

The expectation is that South Asian governments would build on these strong fundamentals and connect markets and people eagerly to enjoy region-wide prosperity. And yet, such cooperation has not taken off. The SAARC continues to underperform, largely due to enduring adversarial relations between India and Pakistan. Initial hopes that the COVID-19 crisis would spark more cooperation following the first SAARC virtual meeting in early 2020 were short-lived.

Regretfully, opportunities for such cooperation remain limited as border disputes heat Thipweblicountsiesokietheyrægionumetalssesbeingbsiresoinarelegiongsolivedesoandkiresolpgeædd. discrimination against ethnic minorities.

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And then there is economic fragmentation. South Asia remains one of the least economically integrated regions in the world. The lack of connectivity of all kinds hampers its growth, cross-border trade, investments and the movement of people.

The World Bank says that <u>South Asian intraregional merchandise trade</u> (https://www.worldbank.org/en/news/press-release/2018/09/19/south-asia-can-triple-regional-trade-by-removing-trade-barriers) can triple from its current volume of \$23 to \$67 billion if countries lowered tariffs and other barriers. It adds that given the deep linkages between trade and investment, a more effective free trade regime would also have spill-over effects of attracting foreign direct investment from both within and outside the region.

#### Looking for a common, region-wide template

The SAARC's underperformance and the lack of intra-South Asian cooperation should not inhibit EU efforts to factor the region as a whole – rather than only India – in its plans to implement a first-ever Indo-Pacific strategy and to hammer out 'connectivity partnerships' in a region which is already home to several projects under China's Belt and Road Initiative (BRI), including the China–Pakistan Economic Corridor (CPEC).

Similarly, EU climate diplomacy, establishing a 'blue economy', and building critically important digital networks should be part of regular conversations between the EU and South Asian countries at the bilateral level and, when possible, collectively.

Most South Asian countries are not only interested in the EU as an export market but are also increasingly seeking cooperation on questions like climate change. Given the region's commonalities, working with South Asia based on a common, region-wide template that covers questions on the likes of security, labour standards, health and education would provide for a more consistent approach than the current piecemeal and fragmented EU policies, which are currently crafted differently for each country.

# Rethink, reimagine, reshape

Geopolitics is never static. The EU's renewed political commitment to the Indo-Pacific offers an opportunity to rethink the Union's traditional, 'same old, same old' approach to South Asia, which has privileged the establishment of bilateral trade and aid ties.

The EU-India virtual summit held on 8 May successfully highlighted the latter's role as the regional heavyweight and strategic Electronic But the focus on India must be backed up by efforts to initiate a broader, region-wide conversation with South Asian Thio weightenders and the third the third weighten consent to cookies being used.

However, South Asia does not appear on the blocs priority list yet. That is regrettable.

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The EU should use the improved EU-India relations, as well as its Connectivity and upcoming detailed Indo-Pacific strategies, to expand its engagement with all South Asian countries by addressing common problems (e.g. security, health, climate change, connectivity). So far, a pragmatic and flexible country-specific EU approach has seemed to be the only practical way to deal with a region as complex as South Asia. But, regardless of whether the SAARC works or not, EU policymakers should also draw up an outlook that recognises South Asia's shared challenges and sets out a vision to engage with the region as a whole.

The EU can and should engage post-Brexit Britain in any new approach it develops for South Asia. It should also promote civil society actors in the region, including think tanks, to interact more actively.

Reimagining the EU's role in South Asia will not be easy. But stronger engagement and affirmation of the EU's interest in the region would send an important political message to the latter's eight governments.

## A dual-track in the right direction

The EU cannot force the pace of South Asian regional integration. That is likely to remain a painstakingly slow process. It will require a dual-track approach under which the EU continues to upgrade its bilateral relations while simultaneously taking a broader view of the common challenges posed by climate change, terrorism, health and digital cooperation, maritime security, poverty and inequality.

If it is successful, by underlining that in today's interdependent world, threats are common and solutions can only be found collectively, the EU could help instil a new regional awareness among South Asian governments, businesses and people. That would be the right step in the right direction.

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