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Benefits of Regional Integration: What Sri Lanka Can Learn From Poland

Patryk Kugiel, Shari Cooray[1], Thileni Wickramaratne[2]

Although Poland and Sri Lanka are distant and differ significantly, a comparison of their experiences with regional cooperation reveals a few interesting observations. Poland's accession to the EU proves the economic and political benefits of deeper integration, may mitigate fears of marginalisation and domination by regional hegemons, and can disperse concerns over lost sovereignty. The EU integration model and the Polish experience could serve as an inspiration for Sri Lanka and other members of SAARC, the South Asian Association for Regional Cooperation, and encourage them to revive their own integration process.

Introduction

The major regional organisation in South Asia, SAARC (South Asia Association for Regional Cooperation), has achieved little in furthering integration since it was established in 1985. Despite some attempts to strengthen economic cooperation, including through the signing of the South Asia Preferential Trade Agreement (SAPTA) in 1993 and the South Asian Free Trade Agreement (SAFTA) in 2004, intra-regional trade accounts for only 5% of total trade in the region, as opposed to over 55% in the EU, or 22% in ASEAN.[3] Regional institutions and norms are weak, interstate tensions still high, and economic interdependence much below its potential. SAARC remains ineffective in addressing major regional challenges as there are clear differences in the demographics, trade and sizes of the member states and deeply etched grievances and conflicts from the colonial era.

A closer look at the recent experience of EU enlargement may thus provide some arguments for reviving regional cooperation in South Asia. Awarding the EU in 2012 the Nobel Peace Prize in

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[1] Shari Cooray is research analyst at Lakshman Kadirgamar Institute for International Relations and Strategic Studies (LKIIRSS).
[2] Thileni Wickramaratne is research associate at Lakshman Kadirgamar Institute for International Relations and Strategic Studies (LKIIRSS).
[3] V. Salze-Lozach, N. Merchant-Vega, K. Loh, and S. Alexander, "Regional Integration: Asia's New Frontier in 2013", The Asia Foundation, 9 January 2013.

recognition of "the advancement of peace and reconciliation, democracy and human rights in Europe"[4] reinforced the notion of the European integration process as a role model for the world. Still, questions about whether European experiences can be an example for others, especially in the context of recent economic problems in the eurozone and growing dissent among European societies, is a heatedly debated topic. It is often argued that institutions and mechanisms developed in Europe over the decades are unique to the region and cannot be easily replicated by other regional organisations located in different economic, political and cultural circumstances. While some regions used to look at Europe as a source of inspiration (ASEAN, African Union), others—South Asia in particular—have been less interested in the European experiences so far.

This paper compares Poland's and Sri Lanka's views on regional integration in order to see if and how lessons learnt in one region can be of interest to the other. By showing the positive results of EU membership, it supports the cause of stronger integration in South Asia and suggests some solutions to minimise possible risks in the process, disperse national concerns, and point at mechanisms that can generate a stronger commitment to integration.

The EU and SAARC: Different Regional Cooperation Models

At first glance, the EU and SAARC have nothing in common, and a comparison of the two organisations seems hard to justify as the disparities are vast and the environments and security situations are different. While European integration is already more than 60 years old, SAARC is relatively young with rather limited aims. While the first started as purely an economic organisation, it gradually evolved into a political grouping with supranational institutions; the latter remains an economic-oriented intergovernmental organisation. The EU encompasses 28 states while SAARC has only eight members, with Afghanistan added in just 2007. Huge disparities in the level of development between the two suggest that what worked for one may not necessarily work for the other.

There are many more differences as South Asia lacks many of the enabling factors for regional integration that made the European experience successful (i.e., a common external threat, an external security guarantee from the U.S., shared adherence to democratic principles, converging economic interests, and strong political will for closer integration). The political distrust and tension between the major powers in SAARC (Pakistan and India) have limited and strained relations among the member states. As South Asia is home to some of the most feared transnational terrorist organisations, this clearly changes the comparison of the dynamics of the two regions. In fact, Europe already was quite integrated and interconnected when the institutionalisation of cooperation began. Trade among South Asian countries, on the other hand, still suffers from the high cost of crossing borders, the lack of complementarity, weak connectivity and limited people-to-people links. Furthermore, the asymmetry of the economies of the region, which in the past were more accustomed to trade with the West rather than amongst each other, has also impacted the pace of integration.

Even with these factors, there are at least some technical, practical lessons, that can be drawn for South Asia from the EU experiences. Although the EU model may not be wholly transferable to South Asia, some elements may be applied. Despite all of the differences between Europe and South Asia, Poland's integration with the EU also offers some interesting observations that can address some of the concerns of the smaller countries in South Asia.

[4] "The Nobel Peace Prize 2012", Nobel Committee, Oslo, 12 October 2012, www.nobelprize.org/nobel_prizes/peace/laureates/2012/ (accessed 11 June 2013).

Regional Cooperation in South Asia: Sri Lanka's Views

Sri Lanka is a founding member of SAARC. Yet, a quarter century since its inception the regional process in South Asia has produced limited results and encouraged Sri Lanka to look for bilateral rather than regional solutions. The country has signed a bilateral FTA with India in 1999 and with Pakistan in 2002 and is in the process of negotiations for a more comprehensive FTA with India. From a Sri Lankan perspective, there are several major concerns that impede furthering cooperation and integration within the region: power imbalances, ethnic complexities, regional rivalries and a preference for state sovereignty.

Unlike in the EU where there is more than one power to offset any rise of regional hegemony, in South Asia India accounts for a large proportion of the geographical perimeters of the region and its population. This makes South Asia a multi-tiered region where India is politically more powerful and influential than the other South Asian states. The power asymmetry makes it difficult for other smaller states such as Sri Lanka or even Pakistan (which is about one-eighth the size of India) to maintain balance in South Asian relations and engage in a regional organisation that may pose a risk of Indian dominance. Additionally, most of the smaller countries in the region are apprehensive of India's assertiveness in the countries' internal affairs as a result of increased trade. Hence, most of these countries encourage trade and investment with other nations, such as China, which further affects regional cooperation among the SAARC countries. This structural problem feeds also into a regional trust deficit and hampers the ability to forge any regional solutions to problems.

Second, while both the EU and SAARC encompass many nations, ethnicities, languages and religions, South Asia seems to be much more internally diverse and divided. While European countries share civilizational ties to Greek philosophy and Christianity, in SAARC countries three major religions and their related cultures meet—Hinduism, Buddhism and Islam. Adding to the complexity, some of these states have definite majorities: Muslims in Pakistan, Bangladesh, Afghanistan and the Maldives; Hindus in India and Nepal; and, Buddhists in Sri Lanka and Bhutan. Therefore, despite historical ties a sense of shared regional identity and solidarity is much lower in South Asia than in the EU and has been made worse due to the security situation in the region. Intra-state conflicts have deepened suspicions in the region. The many cultures and ethnic religious fissures of the South Asian countries seem to be a barrier to reaching consensus on institution-building and fighting major concerns such as corruption, which in total interfere with economic integration.

A high degree of political division within some countries (such as Sri Lanka) regarding their internal conflicts hinders any sort of regional solidarity. For instance, the tensions between India and Sri Lanka run deeper because of the role that India has played in exerting political influence over successive Sri Lankan leaders in order to reach a political solution to resolve the ethnic conflict. In this context, the principle of non-interference in the internal affairs of another state seems to be an entrenched policy in countries such as Sri Lanka. Even with the geostrategic connection between India and Sri Lanka and the deeply entrenched historical ties between the two nations, the relationship has been fluctuating as a result of the internal politics in both states. India's relationship with Sri Lanka is strongly influenced by the approximately 72 million Tamil citizens in the state of Tamil Nadu who largely sympathise with the terrorist Tamil Tigers (LTTE), thus creating tensions between the two states. India has long considered Sri Lanka to be within its sphere of influence and is apprehensive of rival powers becoming dominant on Sri Lankan soil.

Another factor that could be another obstacle for stronger integration is Indo-China-U.S. power relations. Historically speaking, in Europe the strong military and economic presence of the United States played a positive role in cementing closer links between the Western European countries, but in South Asia the rivalry between the U.S. and the USSR and then China and India have been disruptive to intra-regional relations. Today, the shared interest of India and the U.S. to circumvent China from outflanking their influence in South Asia may hamper regional institution-building as it could potentially be perceived by other countries in the region as compromising state sovereignty. On the one hand, India and the U.S. consider smaller states in the region such as Sri Lanka and Myanmar to be strategically important to balance China's power. On the other hand, the presence of a single power in the South Asian region such as India would make smaller, neighbouring states politically insecure.

Finally, the objection to "Western" institutions in Asia and the different perspective on the role and obligations of the states make the EU model of integration less likely in South Asia. While post-modern European states have been more willing to cede parts of their sovereignty to form supranational institutions, post-colonial South Asian states are reluctant to give up their right to exercise their internal and foreign policies. In fact SAARC is based on principles of state sovereignty, non-interference and territorial integrity where national interest plays a prominent role and the countries are unwilling to cede its freedom of decision making to supranational organization.

Regional Integration in Europe: Poland

There are crucial differences between Poland and Sri Lanka that must be taken into account when comparing both integration experiences. Poland was still a developing country joining a well developed and integrated regional structure; Sri Lanka, on the other hand, is the most affluent country in South Asia in terms of GDP per capita and helped form SAARC. At the same time, the differences between Sri Lanka and India, the biggest member of SAARC, are much greater than those of Poland and Germany, for example, thus the apprehensions and risks involved in the regional process may be larger.

Bearing in mind the differences between the EU and SAARC, and between Poland and Sri Lanka, there are some hints of similarity worth exploring that make the Polish experience valuable in this context. Poland, which regained full independence only in 1989 after the Cold War shares with Sri Lanka a strong adherence to state sovereignty and national integrity. In British strategist Robert Cooper's distinction between modern and post-modern states, Poland would rather fit in the first category together with Sri Lanka than into the second with many post-modern Western EU states.[5] Another reason is that when Poland took the historic decision to re-integrate with Western Europe in 1989 there were very few existing links to build on—reflecting the current limited connections between Sri Lanka and the other SAARC nations. As a long-time member of the Soviet bloc, Poland had weak economic relations with the EU Member States, was much poorer than its western partners, held strong fears about domination by bigger powers, had only a minority of the population that had ever been out from behind the Iron Curtain, and had limited understanding of the European Community. Moreover, Poland's integration with the larger EU economic area may be compared to some extent to Sri Lanka's integration with the Indian economy, which accounts for around 80% of regional GDP and is itself a federal union composed of diverse states. Also, Poland's relations with a regional hegemon—Germany—may inspire some comparisons to Sri Lanka's relations with India. In this context, Poland's integration experience may try to address at least three concerns of Sri Lanka: how integration impacts economic development; how it endangers state sovereignty; and, what it can bring to relations with the regional hegemon.

[5] On differences between modern and post-modern states, see: R. Cooper, *The Post-Modern State and the World Order*, Demos, 2000; R. Kagan, *Of Paradise and Power: America and Europe in the New World Order,* Knopf, New York, 2003.

Even though an assessment of the costs and benefits of Poland's accession to the EU spurs debate, and it may be too early to grasp all of the long-term impacts, the dominant view today is that the results of the first nine years of EU membership have been positive in many dimensions, especially economic, political and international. In fact, EU membership was a crucial factor for the rapid economic development in Poland in recent years. Polish GDP increased by 43% between 2004 and 2012, recording growth of 3.7% in 2003 and picking up to 6.7% in 2007, even achieving a relatively high 4.3% in 2011 during the economic crisis in the eurozone. This was possible to a large extent due to the unprecedented rise in Polish trade with other EU members, direct fund transfers from the EU budget, increase in foreign remittances from Poles who moved to EU Member Countries for work, and the improved attractiveness of Poland to foreign direct investment.

According to government data, after Poland joined the EU, exports increased almost three-fold (from €47.5 billion in 2003 to €135.8 billion in 2011), the majority of which went to the EU (80%). Poland received a net gain of around €40.3 billion in transfers of EU funds through the end of 2011 (with more than €10 billion or 3.2% of Polish GNI in 2011 alone). Some 86% of the €28.5 billion in foreign remittances sent to Poland between 2004 and 2011 came from the EU-27. Cumulative inflow of FDI in this period was €80.2 billion, some 85% of which was from EU countries.[6] As a result, Poland managed to gradually narrow the gap in economic development with Western EU countries: while Poland's GDP per capita in 2000 was 48% of the average of EU countries, in 2011 it was already 65%.[7] Integration enhanced Polish economic development and Poles today are among the biggest enthusiasts of the EU in the continent, with 68% holding favourable views of the EU.[8]

Apart from the economy, integration with the EU has had a positive impact on internal stability and the international position of Poland. Implementation of EU norms and rules, the stable economic growth, and internal reforms helped to strengthen democracy in Poland and stabilise its political system. Over the last nine years, Poland has improved gradually in various indices of good governance, corruption, human rights protection, and others.[9] Increased mobility within the EU for workers, tourists and students has helped to transmit new ideas and promote a pan-European identity. For example, in 2011 alone, more than 14,000 Polish students have had the opportunity to study in another EU country thanks to the Erasmus European scholarship program and learn more about different cultures.

Contrary to concerns expressed by certain groups, deeper integration into the economic and political bloc has not taken away Poland's sovereignty and the country has not become overpowered by the larger members. Far from being dominated or marginalised in the EU, Poland has become an active player at the European level and has succeeded in exerting influences in some crucial areas of interest in common external policy. The endorsement by the EU in 2009 of Poland's co-authored Eastern Partnership Initiative involving six East European countries and its successful term in the presidency of the EU Council in the second part of 2011 are some instances of Poland's important place in the Community. As a Polish foreign policy goal of a "strong Poland

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[6] "Economic and Social Impact of Poland's EU membership, accounting for the impact of enlargement on the EU-15 (1 May 2004-1 May 2012)—key conclusions on the 8th anniversary of Poland's EU membership", Ministry of Foreign Affairs, Warsaw, May 2012.

[7] Ibidem.

[8] Pew Research Center*, The New Sick Man of Europe: The European Union*, May 2013.

[9] For instance, Poland moved up from 67th in 2004 to 41st in 2012 in the Corruption Perception Index prepared annually by Transparency International (http://cpi.transparency.org/cpi2012/); It improved from 41st in 2003 to 6th in 2012 in the Transformation Index prepared by the Bertelsmann Foundation, which measured political and economic transformations in 128 countries across the globe (http://www.bti-project.org/home/index.nc).

in a strong political union"[10] clearly indicates, the country's future is increasingly entwined with the fate of the EU.

Finally, regional cooperation and integration turned out to be important factors behind Polish–German rapprochement. Germany was the arch-enemy of Poland throughout the ages, and the unprecedented atrocities and destruction caused during World War II are still a living memory for a great number of Poles, but German support for Poland's entry into the EU smoothed the reconciliation process and made any future conflict between the two hardly imaginable. Although fears of German domination were played out by some forces around the time of Poland's accession to the EU, and some parties still resort to anti-German sentiments for domestic political gains, relations between two have been highly transformed. Over the last two decades, Germany became the largest trading partner of Poland (absorbing a quarter of all of Poland's exports), a close political ally, and a friendly neighbour. According to public opinion polls, the percentage of Poles who have a positive opinion of Germans increased from 23% in 1993 to 43% in 2012, while the share of those harbouring negative opinions decreased from 53% to 24% in the same period.[11] One of the most illustrative examples of this new attitude towards Germany was exposed during Polish Foreign Minister Radosław Sikorski's speech in Berlin in late 2011, when he called for more German responsibility in Europe, saying, "I will probably be the first Polish foreign minister in history to say so, but here it is: I fear German power less than I am beginning to fear German inactivity."[12]

Naturally, the integration process had some important risks, and there was a certain price that Poland had to pay for integration. For example, in 1991 Poland vowed in the trade protocol to the association treaty to open its market to the ECC/EU economies, to the detriment of local producers and traders who had to compete with and often failed against the more competitive Western companies. Similarly, easing barriers to large European institutions meant that, for example, more than half of the banking sector is in the hands of Western banks. After accession in 2004, the citizens of the EU Member States were allowed to buy land in Poland, raising fears among Polish farmers of a land grab and rising prices for farmland. Most recently, the recession in the eurozone shows that deep integration poses a greater risk of contagion when there is a crisis, and Poland has slowly felt the negative effects of the current one as its GDP growth declined to 1.7% in 2012. Moreover, the concept of "shared sovereignty" applied in the EU means that Poland does not have complete freedom to exercise policies in all domains, especially in trade, immigration, etc. Although regional integration does not guarantee tangible benefits automatically, Poland managed to use this opportunity to its advantage.

Conclusions: Lessons Learnt

Comparing different regional processes is not an easy task, as a number of political, geographical, and social factors make solutions developed in one region unique and hardly transferable to others. Still, the EU integration of Poland—a medium-size and less-developed country than its Western counterparts, with often-troubled relations with its neighbours and newly regained sovereignty—may offer a set of interesting observations for smaller countries in South Asia.

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[10] "Polish Foreign Policy Priorities for 2012-2016", Council of Ministers, Warsaw, March 2012, p.6.

[11] "Stosunek Polaków do innych narodów" ("Poles' attitudes to other nations"), Research Communique, BS/22/2012, Centre for Public Opinion Surveys (CBOS), Warsaw, February 2012.

[12] "Poland and the future of the European Union", Polish Foreign Minister Radosław Sikorski, in a speech at the German Society for Foreign Affairs, Berlin, 28 November 2011.

Poland vindicates the assumption that deep economic integration is a positive experience, one that enhances the growth and prosperity of the population, not only for weaker economies but also for more developed members, as well as the organisation as a whole. This indicates that all those benefits would not have been possible had the EU been only a free-trade area for goods. To exploit all of the opportunities and mitigate possible negative effects in some countries, regional integration must be ambitious enough to include the free movement of goods as well as services, capital and people. It must ensure the elimination of not only tariffs but also non-tariff barriers to trade. As the examples of Poland in Europe or the Southeast Asian countries in ASEAN show, regional integration spurs the emergence of regional production networks and supply chains with positive effects for the whole region. The Sri Lanka–India FTA has already increased Sri Lankan exports to India in manifold ways, this positive experience should encourage further efforts to expand on a truly free-trade area for the whole of South Asia. In creating SAFTA (the South Asian Free Trade Area), the region has taken its first step towards economic integration. However, moving to the next levels of a customs union, a common market and a monetary union is only a distant dream for SAARC.

"SAARC is not just about political unity but economic unity as well. Taking the example of Europe, trade brought those countries towards political and monetary union. They started with trade and once the benefits of it were felt, they proceeded to agree on seemingly intractable issues." This statement made by Minister of External Affairs of Sri Lanka Prof. G. L. Peiris, when he addressed a gathering organised by the SAARC Chamber of Commerce, reiterates the importance of an economic union that would lead to deepening political ties.

The example of Poland-Germany relations shows that fears of domination and exploitation in the integration process by a regional hegemon may not always be true. On the contrary, regional integration can play a crucial role in healing old wounds, overcoming the trust deficit, and opening a new chapter in relations between historically clashing countries. Obviously, Sri Lanka is not Poland and India is not Germany, and the disparities between South Asian's neighbours are much larger than between the European pair, nevertheless one can draw an encouraging lesson from this case. Regional integration may be a positive experience not only for India and Sri Lanka but also for India and Pakistan. It is well known that unless there is meaningful reconciliation between Pakistan and India, SAARC will stagnate and the true benefits of regionalisation will not occur. In this sense, the regional approach may be a powerful mechanism for peace and stability in South Asia. However, to achieve these aims, regional cooperation must go beyond economic interconnectedness and revive close political dialogue between the elites as well as encompass cultural cooperation and strengthening links between nations. SAARC may look to EU mechanisms for examples, such as the Erasmus, Capitals of Culture or twin cities initiatives, to strengthen people-to-people interactions, improve understanding and revive a regional identity.

The introduction of certain regional mechanisms and principles may help ease tensions, mitigate the fears of smaller members, and compensate for the possible costs of stronger integration. As the example of Poland shows, integration does not necessarily bring with it a loss of sovereignty. The principles of subsidiarity and equality of the Member States within the EU—even if they do not have the same weight or actual power—are some ideas worth applying to South Asia's regional institutions in order to respect the national identities and independence of all of their members. Additionally, the introduction of a regional compensation mechanism that would guarantee the flow of funds from a common fund to less-developed members is worth considering. Although South Asia has the SAARC Development Fund to support projects in three sectors (social, economic and infrastructure), this initiative is too limited in its scope and capacities to bring about tangible benefits. Thus smaller economies may not have an interest in opening their markets to the larger and more developed India. To ease these fears and work toward building a more prosperous region, the South Asian nations might explore possibilities to modernise and expand the regional fund along the lines of the EU Cohesion Fund, provided that the integration process goes forward.

To sum up, regional integration, although risky and costly in some regards, is a positive experience that brings tangible benefits and stability to individual countries and the whole region. For less integrated regions such as South Asia, the Polish example may be a valuable inspiration to strengthen efforts to revive stalled regional processes and create conditions for all of the organisations' members to benefit from stronger integration. This is especially crucial during the European economic crisis when intraregional trade may mitigate decreased exports to Europe. As well, Sri Lanka has seen the end of a three-decades-long ethnic conflict and is experiencing the fruits of peace. Through deeper integration in the region, Sri Lanka can widely benefit.