THE PROBLEMS AND PROSPECTS OF REGIONAL COOPERATION IN SOUTH ASIA: A CASE STUDY OF INDIA’S ROLE IN SOUTH ASIAN ASSOCIATION FOR REGIONAL COOPERATION (SAARC)

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December 2013
THE PROBLEMS AND PROSPECTS OF REGIONAL COOPERATION IN SOUTH ASIA: A CASE STUDY OF INDIA’S ROLE IN SOUTH ASIAN ASSOCIATION FOR REGIONAL COOPERATION (SAARC)

Thesis for the Award of the Degree of Doctor of Philosophy in Politics and International Relations – Partial Fulfillment

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FACULTY OF SOCIAL SCIENCES
INTERNATIONAL ISLAMIC UNIVERSITY, ISLAMABAD
December 2013
DECLARATION

I, Manzoor Ahmad, hereby declare that this Dissertation has been written by me in its entirety on the basis of my research work under the sincere guidance of my supervisor, Professor Dr. Sohail Mahmood, Associate Dean & Head, Department of International Relations, Preston University, Islamabad. No portion of this Dissertation has been copied from any source. No portion of the research, presented in this Dissertation, has been submitted before for any degree or qualification in this or any other University or educational institution.

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DEDICATION

This work is dedicated to my parents, wife, and children who had to make lot of sacrifices for the sake of my studies. At the end, their prayers, love, patience and facilitation in several respects, enabled me to complete this dissertation and make my dreams come true.
ACKNOWLEDGMENT

First and foremost, I offer my greatest gratitude to Allah Subhana-hu-wa-ta’ala for His countless blessings on me. Almighty Allah gave me patience in hard moments, answered my prayers and blessed me with the strength and courage to complete my studies, particularly this huge research project.

The role of my highly capable teachers was very significant throughout my educational career and without their guidance, affection, and hard work, I could have been nowhere. My university teachers deserve special gratitude as their words and actions really inspired me during my research endeavor. Dr. Muhammad Islam, Dr. M. Nazrul Islam, Dr. Safeer Akhtar, Dr. Younas Jaffery, Dr. Noman Sattar and Dr. Muhammad Tufail were not only very kind during completion of my course work but they also imparted research training which helped me a lot in completion of this project.

The most significant contribution was made by my supervisor, Prof. Dr. Sohail Mahmood, through giving me full freedom with ample guidance, support, and valuable comments throughout the research. His contribution in launching and strengthening the Ph.D. program in the department is also worth-mentioning.

I am highly grateful to the authorities of the International Islamic University, Islamabad and Higher Education Commission, Islamabad on providing facilities for studies and research. I am highly indebted to Dr. Mahmood Ghazi (late), Dr. Anwar Siddiqui, Dr. Ahmad Yousif Al-Draiweesh, Dr. Zafar Ishaque Ansari, Dr. Mumtaz Ahmad, Dr. Maqsud Bokhari, Dr. Khalid Bokhari, Dr. Tahir Hijazi, Dr. Nazrul Islam, Dr. Nabi Bakhsh Jumani, Dr. Amna Mahmood and Mr. Abdul Majid for facilitating me on various occasions. Some of my friends and colleagues deserve special gratitude for their unforgettable support during my studies, and they include; Syed Nazir H. Shah, Masood Pervaiz, Hafiz Ijaz, Rana Asghar, Ishtiaq Ahmad, M. Ismail, Haji Masood, Saeed Khan, Dr. Qindeel Abbas, Dr. Manzoor Afridi, Dr. M. Azam, Dr. Saghir, Adil Khan, Mr. Atiq, Riaz Khan, Shahid Sunny, Mansoor Ali Shah, Abdul Waheed Qureshi, Mr. Zaheer and Mr. Ibrar. I am also thankful to the supporting staff of IIUI, particularly those working in libraries, administration, finance, academic, and IT sections.

MANZOOR AHMAD
TABLE OF CONTENTS

Declaration ................................................................. i
Dedication ................................................................... ii
Acknowledgement ........................................................... iii
Table of Contents .............................................................. iv
List of Abbreviations and Acronyms ........................................ ix
Abstract ..................................................................... xv

1. INTRODUCTION ................................................................. 1
   1.1 Statement of the Problem ............................................ 3
       1.1.1 Scope of Thesis ................................................... 5
   1.2 Theoretical Framework ............................................. 5
   1.3 Literature Review .................................................... 10
   1.4 Significance of the Study ......................................... 17
   1.5 Objectives of the Study ........................................... 19
   1.6 Research Questions ............................................... 19
   1.7 Delimitation .......................................................... 20
   1.8 Research Methodology ............................................ 20
   1.9 Organization of the Study ....................................... 21

PART - I

2. REGIONALISM: ORIGIN, DYNAMICS AND MODELS ............ 24
   2.1 Defining Region and Regionalism ............................... 24
   2.2 Origin and Growth of Regionalism ............................ 34
   2.3 Classification of Regional Organizations .................... 42
   2.4 Levels of Integration .............................................. 44
       2.4.1 Regional Pluralistic Security Community .............. 47
       2.4.2 Intergovernmental Regional Arrangements .......... 46
       2.4.3 Supranational Regional Organizations ............... 47
       2.4.4 Amalgamated Security Community .................... 48
   2.5 Dynamics of Regionalism ........................................... 49
       2.5.1 The Contending Ideas about the Rise of Regionalism . 51
       2.5.2 The Regional Integration and Cooperation Debate .... 55
2.6 Economic Regionalism in the Developing World ............... 56
  2.6.1 Issue of Equity and Durability of Economic Integration Schemes 58
2.7 Models of Regional Arrangement .............................. 63
2.8 Creation of Regional Economic Complementarities .......... 66
Conclusion .................................................................. 69

3. THEORIES OF REGIONALISM ........................................... 71
  3.1 Federalism ............................................................... 72
  3.2 Functionalism .......................................................... 76
  3.3 Neo-Functionalism ....................................................... 84
  3.4 Transactionalism .......................................................... 93
  3.5 Interdependence Theory ............................................. 101
  3.6 Neo-Institutionalism ................................................... 104
  3.7 Intergovernmentalism ............................................... 108
    3.7.1 Liberal Intergovernmentalism ................................. 114
  3.8 South Asian Regionalism and Integration Theory: The Theoretical Framework of the Study ........................................ 117
Conclusion .................................................................. 129

PART-II

4. ORIGIN AND GROWTH OF REGIONAL COOPERATION IN SOUTH ASIA .......................................................... 132
  4.1 Origin of Regional Cooperation ................................. 132
  4.2 Institutionalization of Regional Cooperation ..................... 133
  4.3 Summit Meetings ....................................................... 136
  4.4 Institutional Arrangements ............................................ 137
    4.4.1 Aims, Objectives, Principles and General Provisions ...... 137
    4.4.2 Organizational Structure ......................................... 138
    4.4.3 Financial Arrangements and Regional Funds .............. 140
  4.5 Institutional Developments ........................................... 141
    4.5.1 The Secretariat ...................................................... 141
    4.5.2 Admission of New Members and Observers and
6.1.1 India’s Quest for the Larger Role in World Politics 244
6.1.2 India’s Policy towards South Asia 248
6.2 India’s Perspective on South Asian Regionalism 250
6.3 Divergent Interests and Priorities in SAARC 252
6.3.1 Divergent Security Perceptions of Regional States 253
6.4 Needs, Demands and Expectations of Smaller States 257
6.4.1 The Needs and Demands of the Smaller States 260
6.4.2 Regional Political Environment and Growth of Regionalism in South Asia 262
6.4.3 Informal Discussions at the Eve of SAARC Summits 267
6.5 India’s Response 269
6.5.1 India’s Bilateral Moves to Improve Relations with its Neighbours 272
6.5.2 The Initiatives of the BJP Government 274
6.5.3 India’s Bilateral Initiatives and Regional Peace and Security 275
6.5.4 India and Insurgencies in Neighbouring States 280
6.5.5 Postponement of Summit Meetings 283
6.6 India’s Behaviour and its Effect on Working of SAARC 284
6.6.1 Political Polarization in South Asia 285
6.6.2 Anti-India Feelings in South Asia 286
6.6.3 External Involvement: Causes and Effects 287
6.6.4 India’s Preference for Bilateralism over Regionalism 292
6.6.5 India’s Behavior during Bilateral Negotiations 294
6.7 Arms Race in South Asia: Causes and Implications 299
6.7.1 India’s Role in Escalating Arms Race in South Asia 303
6.7.2 Cost of High Defense Expenditure 308
Conclusions 312
7. INDIA’S ROLE IN PROMOTING ECONOMIC INTEGRATION, AND COOPERATION IN THE FIELDS OF CULTURE, SPORTS AND TOURISM 314
7.1 Economic Profile of South Asia 315
7.2 Divergent Perspectives on Trade Liberalization 316
7.2.1 The Fears of the Smaller States 318
7.2.2 South Asia and Prerequisites of Trade Liberalization 321
7.3 Trade Liberalization in South Asia: SAPTA and SAFTA 323
7.3.1 Alternative Regional Trading Arrangements and Implications for SAFTA ........................................... 325
7.4 India’s Interest Within and Outside SAARC .................. 330
7.5 Challenges to Market Integration in South Asia ............... 333
7.5.1 Effects of Trade Liberalization in South Asia ............... 350
7.6 India’s Response to Economic Needs of Smaller States ........ 352
7.7 People-to-People Contacts: Culture and Sports ................ 359
7.7.1 Culture ......................................................... 360
7.7.2 Sports .......................................................... 370
7.8 Tourism ............................................................. 380
Conclusion .................................................................. 386

8. INDIA AND REGIONAL COOPERATION IN DEVELOPMENT OF WATER RESOURCES AND ENERGY TRADE ........................................ 389

8.1 Environmental Changes and South Asian Regionalism ....... 389
8.1.1 Joint Development and Management of River Basins .... 392
8.1.2 Sharing of Waters between Regional States ............... 399
8.2 Regional Cooperation in the Field of Energy ................. 434
8.2.1 Development and Trade of Hydropower .................. 437
8.3 Regional Gas Pipelines Projects ................................. 445
8.3.1 Myanmar-Bangladesh-India Gas Line Project .......... 448
8.3.2 Iran-Pakistan-India Gas Pipeline Project ................ 449
8.4 India’s Conduct and its Effect on Regional Cooperation ...... 455
Conclusion .................................................................. 457

9. CONCLUSION ............................................................. 459

BIBLIOGRAPHY .......................................................... 493

ANNEXURE – I SAARC Charter ...................................... 515
ANNEXURE – II SAFTA Agreement ................................. 520
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>AALCC</td>
<td>Central Asian-African Legal Consultative Committee</td>
</tr>
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<td>Asian Cricket Council</td>
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<tr>
<td>AIML</td>
<td>All India Muslim League</td>
</tr>
<tr>
<td>AINC</td>
<td>All India National Congress</td>
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<tr>
<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
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<tr>
<td>APT</td>
<td>Agreement on Power Trade</td>
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<tr>
<td>ARF</td>
<td>ASEAN Regional Forum</td>
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<td>BCCI</td>
<td>Board of Cricket Control in India</td>
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<tr>
<td>BCF</td>
<td>Billion Cubic Feet</td>
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<tr>
<td>BIMSTEC</td>
<td>Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation</td>
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<td>BJP</td>
<td>Bharatiya Janata Party</td>
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<td>BJS</td>
<td>Bharatiya Jana Sangh</td>
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<tr>
<td>BLA</td>
<td>Baluchistan Liberation Army</td>
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<tr>
<td>CACM</td>
<td>Central American Common Market</td>
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<td>CARs</td>
<td>Central Asian Republics</td>
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<td>CBMs</td>
<td>Confidence Building Measures</td>
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<tr>
<td>CEC</td>
<td>Committee on Economic Cooperation</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CEPA</td>
<td>Comprehensive Economic Partnership Agreement</td>
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<tr>
<td>CMPC</td>
<td>Cubic Meters Per Capita</td>
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<tr>
<td>COW</td>
<td>Committee of the Whole</td>
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<td>DPR</td>
<td>Detailed Project Report</td>
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<td>EC</td>
<td>European Community</td>
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<td>ECSC</td>
<td>European Coal and Steel Community</td>
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<td>European Defence Community</td>
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<td>FATA</td>
<td>Federally Administered Tribal Areas</td>
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<td>Foreign Direct Investment</td>
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<td>Acronym</td>
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<tr>
<td>FICCI</td>
<td>Federation of Indian Chambers of Commerce and Industries</td>
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<td>FPCCI</td>
<td>Federation of Pakistan Chambers of Commerce and Industry</td>
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<td>FTA</td>
<td>Free Trade Agreement</td>
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<td>GAIL</td>
<td>Gas Authority of India Ltd.</td>
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<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<td>GCC</td>
<td>Gulf Cooperation Council</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GEP</td>
<td>Group of Eminent Persons</td>
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<tr>
<td>HRM</td>
<td>Human Resource Development</td>
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<tr>
<td>IB-JRC</td>
<td>India–Bangladesh Joint River Commission</td>
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<td>ICC</td>
<td>International Cricket Council</td>
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<td>ICL</td>
<td>Indian Cricket League</td>
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<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
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<td>IGGT</td>
<td>Inter–Governmental Group on Transport</td>
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<td>Iran-Libya Sanction Act</td>
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<td>INGOs</td>
<td>International Non-Governmental Organizations</td>
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<td>IO</td>
<td>International Organization</td>
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<td>IOR-ARC</td>
<td>Indian Ocean Rim – Association for Regional Cooperation</td>
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<td>IOZOP</td>
<td>Indian Ocean Zone of Peace</td>
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<td>IPA</td>
<td>Integrated Programme of Action</td>
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<td>IPI</td>
<td>Iran-Pakistan-India</td>
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<td>IPL</td>
<td>Indian Premier League</td>
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<td>IPRs</td>
<td>Intellectual Property Rights</td>
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<td>ISACPA</td>
<td>Independent South Asian Commission on Poverty Alleviation</td>
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<td>ISI</td>
<td>Import Substitution Industrialization</td>
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<td>ISL-FTA</td>
<td>India-Sri Lanka Free Trade Agreement</td>
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<td>IWT</td>
<td>Indus Water Treaty</td>
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<td>JVP</td>
<td>Janatha Vimukthi Peramuna</td>
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<td>KCCI</td>
<td>Karachi Chamber of Commerce and Industry</td>
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<td>LDCs</td>
<td>Least Developed Countries</td>
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<td>Abbreviation</td>
<td>Description</td>
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<tr>
<td>LTTE</td>
<td>Liberation Tigers of Tamil Elam</td>
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<td>MBI</td>
<td>Myanmar-Bangladesh-India</td>
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<tr>
<td>MCM</td>
<td>Million Cubic Meters</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<tr>
<td>MFN</td>
<td>Most Favoured Nation</td>
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<td>MOU</td>
<td>Memorandum of Understanding</td>
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<td>Motor Vehicle Agreement</td>
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<td>NAFTA</td>
<td>North American Free Trade Area</td>
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<td>NAM</td>
<td>Non-Aligned Movement</td>
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<td>NCCs</td>
<td>National Coordination Committees</td>
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<td>NPT</td>
<td>Non-Proliferation Treaty</td>
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<td>NTBs</td>
<td>Non Tariff Barriers</td>
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<td>OSCE</td>
<td>Organization for Security and Cooperation in Europe</td>
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<tr>
<td>PCB</td>
<td>Pakistan Cricket Board</td>
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<tr>
<td>PCJSS</td>
<td>Parbatya Chattagram Jana Sanghati Samiti</td>
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<tr>
<td>PPP</td>
<td>Purchasing Power Parity</td>
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<td>PTA</td>
<td>Preferential Trade Arrangement</td>
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<td>PTBs</td>
<td>Para-Tariff Barriers</td>
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<tr>
<td>RAW</td>
<td>Research and Analysis Wing</td>
</tr>
<tr>
<td>RCD</td>
<td>Regional Cooperation for Development</td>
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<tr>
<td>RDHRS</td>
<td>Rapid Deployment Health Response System</td>
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<tr>
<td>REG</td>
<td>Regional Energy Grid</td>
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<td>RIPA</td>
<td>Regional Integrated Programme of Action</td>
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<td>RMRA</td>
<td>Regional Multilateral Railway Agreement</td>
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<tr>
<td>RO</td>
<td>Regional Organization</td>
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<td>ROO</td>
<td>Rules of Origin</td>
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<td>RPFS</td>
<td>Regional Programme for Food Security</td>
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<td>RSS</td>
<td>Rashtriya Swayamsevak Sangh</td>
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<td>RTAs</td>
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<td>SAARC</td>
<td>South Asian Association for Regional Cooperation</td>
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<tr>
<td>SAC</td>
<td>SAARC Agricultural Centre</td>
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<td>SADF</td>
<td>South Asian Development Fund</td>
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<td>SAED</td>
<td>South Asian Energy Dialogue</td>
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<td>SAPTA</td>
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<td>SAWAG</td>
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<td>SB</td>
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<td>SCC</td>
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<td>SCO</td>
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<td>SCZMC</td>
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<td>SIMI</td>
<td>Students Islamic Movement of India</td>
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<td>SIPA</td>
<td>SAARC Integrated Programme of Action</td>
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<tr>
<td>SMRC</td>
<td>SAARC Meteorological Research Centre</td>
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<td>SRF</td>
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<td>SRMTS</td>
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<td>SSC</td>
<td>SAARC Social Charter</td>
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<td>SAARC Standards Coordination Board</td>
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<td>SSTD</td>
<td>Special SAARC Travel Document</td>
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<td>STC</td>
<td>SAARC Tuberculosis Centre</td>
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<td>SAARC Terrorist Offences Monitoring Desk</td>
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<td>TAPI</td>
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<tr>
<td>TC</td>
<td>Technical Committee</td>
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<td>Trillion Cubic Feet</td>
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<td>TSM</td>
<td>Traditional Systems of Medicine</td>
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<td>UNFCCC</td>
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<td>Upper Pradesh</td>
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<td>Vishwa Hindu Parishad</td>
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<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
<tr>
<td>ZOPFAN</td>
<td>Zone for Peace, Freedom, and Neutrality</td>
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ABSTRACT

The study primarily focuses on India’s role in South Asian Association for Regional Cooperation (SAARC) and explores the main research question: Is India’s role a factor in impeding regional cooperation in South Asia? The study covers these aspects: how the leading member influences the outcome of a cooperative arrangement; dynamics of demand for South Asian regionalism; the smaller states’ and India’s perspectives on SAARC; the expectations of smaller states from India and its response; influence of India’s policies on the process of regional cooperation in prospective areas.

The study holds that the leading state has to play a key role in order to make regionalism successful. If interested in the growth of regionalism, the leading state has to address the fears and concerns of smaller states through adopting a restraint and responsible behaviour and ensuring equitable distribution of the gains of regional cooperation. However, confidence in national capabilities, domestic pressures and favourable international environment may induce the leading state to pursue independent course of action and take slight or insignificant interest in promoting regionalism.

The demand for South Asian regionalism was closely linked with India’s past policies towards regional states. The smaller states had initiated the idea of SAARC to achieve their security, political and economic objectives. They wanted to use SAARC mainly to contain India in the region but its success also rested on latter’s role and behaviour in the organization. India and smaller states had conflicting interests, priorities and perspectives on SAARC. New Delhi needed to harmonize its interests and priorities with the regional ones but it could not come up to the expectations. It did not favourably respond enough to the political and economic needs, concerns, and demands of the smaller states.

India believed that it had to play a leading role in the world politics and it had far wider global interests. South Asia could not meet its growing political and economic needs and it was an area of marginal importance for New Delhi. India was confident of its national capabilities and extra-regional linkages to help promote most of its strategic, political and economic objectives. Favourable international environment and domestic political pressures did not allow India to significantly change its policies in the region and accommodate the concerns, needs and demands of smaller states. It continued to rely mostly on bilateralism to maintain its domination, impose its policies and extract maximum benefits from smaller states and thus obstructed growth of regionalism in South Asia. India’s undue insistence on bilateralism created discontent and mistrust among the people and ruling elites of smaller states, and thus undermined the prospects of regional cooperation in various fields. New Delhi did not take any serious initiative for the growth of regionalism in South Asia. India’s insistent preference for the bilateralism over regionalism made SAARC an ineffective regional organization.
Regionalism is one of the most dominating trends of the contemporary world and has attracted an extensive scholarly attention in the post-war period. However, there is no single or broadly accepted definition of the term regionalism. Even, the word “region” itself has different meanings for different scholars. It is used to refer to the areas smaller than a state as well as to denote international territories encompassing three or more countries.¹ There are various criteria to determine a region, i.e. ethnic, linguistic, cultural, climatic, economic, geographical and international political areas. A region implies “a cohesive area that is homogeneous in selected defining criteria and is distinguished from neighboring areas or regions by those criteria.”

The term regionalism generally refers to the study of regional organizations, regional cooperation and regional integration. It involves the process of intensification of interactions – strategic, political, economic, social, and cultural – among states of a given geographical area. It also refers to the growth of certain ideas, perceptions, and awareness associated with a policy program and strategy to promote regional consciousness and identity or regional economic interdependence, and even to create a larger political entity. Regionalism can grow either as a result of state led regional cooperative arrangements or as a product of growth of awareness of common regional identity and transborder movement of people or investment policies of companies. The growth of regionalism involves a “complex concert,” compromise and synchronization of national political and

economic interests and modification of relations among member states. The cooperation is not necessarily “equivalent to harmony” which “requires complete identity of interests.” The cooperation, on the other hand, can “take place in situations that contain a mixture of conflicting and complementary interests.” Regional cooperation requires different states to harmonize their actions through mutual consultation, policy coordination and active collaboration in various fields. It involves a mixture of conflicting and complementarity of states’ interests and takes place “when actors adjust their behavior to the actual or anticipated preferences of others.”

The terms regional cooperation and regional integration are used interchangeably though both of them can be distinguished from one another on the basis of the level of transfer of sovereignty to the supranational institutions by member states. The term regional integration is used in two contexts: political integration and economic integration. The political integration involves full unification of previously independent states. The economic integration includes removal of trade barriers and other form of discrimination among national economies of regional states. Moreover, there are several levels of regional integration. Regional economic integration has various forms based on the degree of involvement and scope of participation by member states.

The idea of regional arrangements is not new yet regionalism in its present form emerged in Europe and expanded to other parts of the world. The launching of European Communities (EC) in 1950s inspired other nations to set up regional organizations but only a few of them could survive. In 1980s, the success of EC and the Association of South East Asian Nations (ASEAN) renewed the trend. The formation of South Asian

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Association for Regional Cooperation (SAARC) is seen in the same context. Most of such groupings are said to be ineffective. However, there is a need of an objective evaluation of their performance by either matching their stated objectives with subsequent achievements or assessing the pace of implementing the approved projects.³

1.1 STATEMENT OF THE PROBLEM

The leaders of seven South Asian countries had launched SAARC in 1985 with an intention of promoting mutual assistance in economic, social, cultural, and scientific fields and improving the quality of life of their people. The leaders time and again reaffirmed their commitment to seek these objectives through mutual cooperation in agriculture, tourism, communication, science and technology, education, culture and sports, transport, health, and trade. But no tangible results have so far been achieved.

Ever since its inception, SAARC was fraught by differences over political and economic issues among its members. Mutual apprehensions and misunderstandings prevented them from taking concrete steps to promote regionalism. The main achievement was South Asian Preferential Trade Agreement (SAPTA), signed in 1993 but it was not fully implemented. The next important development was an agreement signed in 2004 on the creation of South Asian Free Trade Area (SAFTA) amid a lot of skepticism about sincerity of regional states with regard to its implementation.

SAARC could not achieve significant success in the economic field. In 2005 the share of South Asian nations in global trade was 1%, intra-regional trade near 5% and their GDP accounted for only 1% of world production.⁴ The regional states lagged far

behind in terms of per capita income as compared to that of EU, NAFTA and ASEAN members. According to World Bank, South Asia is still “home to half the world’s poor.”\(^5\) SAARC members did not exploit the vast potential of cooperation in water and energy resources, tourism and other areas. The cooperation in other fields has also been nominal.

SAARC is believed to be an ineffective organization. But question arises as to why regionalism has not made progress in South Asia while it has thrived in other parts of the world? According to one perspective, it was due to different socio-economic conditions of these regions. It is true that South Asia lacks the conditions prevailing in the West like cultural homogeneity, “industrialization and economic diversification”, which in Haas opinion are “positively correlated” with regional integration.\(^6\) But South Asia shares several conditions with South East Asia where ASEAN members overcame the obstacles in regional cooperation and made regionalism a successful example in the Third World. Their socio-economic conditions were also different from those of the Western Europe. Then how did they accomplish a task which South Asian countries are unable to achieve? It suggested that there was any other important variable which was present both in European integration and Southeast Asian cooperation schemes but was missing in South Asian regionalism. What is that important variable? There may be various plausible answers to this question but to this researcher, the role of largest member of the grouping was the most important one.

The South Asian regional cooperation is, in fact, Indo-centric. India occupies a central position in the region and separates all other members from each other. In terms


of area, population, natural resources, military strength, and economic development, India is the largest and most developed state in South Asia. Thus, the success of South Asian regionalism mainly depends on India’s role in SAARC. The question arises, as to what extent India is responsible for the ineffectiveness of SAARC? It is, therefore, important to probe into India’s role in SAARC. Present study focuses on the central question: Is India’s role a factor in impeding regional cooperation in South Asia?

1.1.1 **Scope of Thesis:**

India preferred bilateralism over regionalism due to its self-image, confidence in its national capabilities and narrowly defined national interests in order to maintain status quo and its domination in the region. It exploited the weak position of its small neighbours to extract unilateral benefits and thwarted all efforts of other members to evolve collective mechanism to deal with regional issues. In its quest to play a major role in world politics, New Delhi bypassed SAARC and gave precedence to its extra-regional political and economic linkages. Thus, India inhibited growth of regionalism in South Asia and made SAARC an ineffective organization.

1.2 **THEORETICAL FRAMEWORK**

The theories explaining regionalism can be broadly grouped into those related to economics and political science. The former mostly focus on “the welfare consequences” of regional integration schemes for member and non-member states. The latter focus more on explaining the process of political and economic integration. The principal economics theories include neo-institutionalism and new political economy approach; the first assumes that the international as well as regional institutions are created to address the problems related to market failure, coordination among members and eliminate
obstacles in regional cooperation. It does not explore the political motivations of states to create regional cooperative schemes. The new political economy approach stressed on the importance of “interest group politics” and the redistributive effects of regional economic integration. It assumes that regional arrangements put adverse effects on non-members and create inequalities even among the members.\textsuperscript{7} The Marxist theorists of regional integration, both economic and political, argue that the process of regional integration is the part of efforts of international capitalist class to remove national boundaries and form larger political and economic entities to increase “the scale of capital accumulation.” Optimum currency area theory specifies the necessary conditions for creation of a common currency in a region. The custom union theory explains welfare consequences for non-members as a result of establishing custom unions and free trade areas.\textsuperscript{8}

The political science theories of regional integration include; transactionalism, federalism, functionalism, neofunctionalism, interdependence and regime theories and intergovernmentalism and liberal intergovernmentalism. Deutsch in transactional theory gave the concept of “security community” of two types i.e., “amalgamated security community” and “pluralistic security community,” the latter being more desirable due to its durability and ability to maintain peace within its members. A security community comes into being when regional states denounce, implicitly or explicitly, the use or threat of use of force in their mutual dealings and agree on resolution of their disputes through peaceful means. Transactionalism also says that mobility of persons, social communications and economic transactions across the border determine the degree of

integration. Federalism is the oldest theory which prescribed political integration of political units to maintain international peace and security. Powers are divided among central and constituent units and written and rigid constitution gives safeguards against any violation. Mitrany, being critical of federalists, expounded the theory of functional cooperation. He argued to form a web of international organizations (IOs) in less controversial and technical areas in order to ensure peace and avoid war. He was, in fact, concerned to bring the nations actively together, not to keep them peacefully apart. The other functionalists wanted to apply functional theory for European integration and had suggested building “peace in pieces.” Haas and neofunctionalists explained the process of European integration by focusing on the role of non-state actors above and below the nation-states i.e., business communities, political parties, pressure groups and supranational body. They assumed that the regional integration process grows automatically as integration in one area would spill-over into another one which in turn will create demand for further integration and so on. Likewise economic integration will spill-over into political integration. The theory was on retreat due to crises in European integration process during 1970s. It led to the emergence of Intergovernmentalism, which assumes that national governments are the key actors in the process. Hoffmann argued that state structures, national interests of member countries and external environment play

12 Mattli, The Logic of Regional Integration, 22.
important role in the process. Integration may be easy on the issue related to “low politics” but it may stop working on security and sovereignty related issues.\textsuperscript{14} He accepted the importance of domestic groups, supranational institutions and spill over effects etc., but argued that “interstate bargains remain the necessary conditions for European integration and must be recognized as such.”\textsuperscript{15} The others also argued that “the primary source of integration lies in the interests of states themselves.”\textsuperscript{16} Liberal intergovernmentalism links domestic politics of member countries with the regional integration process. They assume that domestic interest groups influence the preferences of their national governments and international agreements are the outcome of convergence of interests of leading member states.\textsuperscript{17}

The theories, in words of a scholar, “are not developed in \textit{abstracto} but are linked to what is happening in the world.”\textsuperscript{18} One of the merits of a good theoretical explanation of regional integration is that it “should be flexible enough to account for both successes and failures in the integration process, and for outcomes that fall between success and failure.”\textsuperscript{19} However, the current literature on regionalism is influenced mostly by two

theories: neofunctionalism and state interest theory. When “integration progresses smoothly, neofunctionalist theories are usually employed. In times of difficulty, state interest theories are dominant.”20 Both of them also suffer from certain weaknesses.

One of the important questions is to know how the process of regional cooperation is initiated. Functionalism and neo-functionalism tend to ignore this question. In fact, functionalism was a “normative method”21 whereas Haas was not “interested in the reasons for initiating integration efforts.”22 Neofunctionalism, being one of the “European-oriented theoretical models,” does not take in to account socio-economic and political conditions of the Third World and cannot explain regionalism in the developing countries.23 Haas had predicted that “other regions with strongly varying environmental factors are unlikely to imitate successfully the European Example.”24

Intergovernmentalists focus more on national governments of member states and the bargaining process during the meetings and do not take adequately the events taking place before and after it. They take implementation process “easy and automatic” and do not explain as to why decisions are not properly implemented, a major cause of failure of many of regional arrangements.25 They tend to “disregard political motives” of the members in their desire for the integration. The efforts to “denationalize” a big power’s capabilities into a regional “structure” for political objectives of other states are considered as of “minor or secondary” importance. The process is diverse and wide

21 Mattli, The Logic of Regional Integration, 23.
22 Gilpin, Global Political Economy, 351.
25 Mattli, The Logic of Regional Integration, 29.
ranging phenomenon and one must take an “eclectic approach” stressing many factors including “political and strategic sources of regional efforts” to explain regionalism.\(^{26}\)

It is argued that the leading state has to take the responsibility of making regionalism successful. It has to address the fears and concerns of smaller states through adopting a restraint and responsible behaviour and ensuring equitable distribution of the gains of regional cooperation through generating development impulses in smaller states, making short term sacrifices, and playing the role of a paymaster. Thus, it needs to adjust its policies in broader regional context, and synchronize its national interests with those of other partners in the cooperative arrangement. Moreover, its readiness to accommodating neighbours’ needs and devising regional cooperative framework acceptable and beneficial to all members is necessary for success of regionalism.

1.3 **LITERATURE REVIEW**

Existing literature on SAARC can be categorized into various types based on different perspectives or approaches. Some scholars are optimistic about performance of SAARC. They argued that the survival of SAARC, despite conflictual and strained relations among regional states, in itself is a big achievement. Hussain argued that SAARC’s performance and progress must be evaluated “in a long – term context.” He claimed that religious and political antagonisms impeded regional cooperation in South Asia but a gradual and functional approach to cooperation can build a regional community.\(^{27}\) Prasad argued that the causes of misperceptions among South Asian counties were rooted in misunderstandings of each other perspectives on historical, 


cultural, political, economic and security related matters. Both Hussain and Prasad believed that these problems could be overcome through dialogue and increasing contacts and understanding at people and governmental level. Baral stressed the need of reconstructing South Asian states. He argued that participatory democracy and intra-state balance must be the cornerstones of such scheme. Rahman argued that regional states must pursue a “people oriented approach that involves the fusion of attitude, institutions and perspectives of diverse cultures and system” through cultural exchanges, information flow and contacts between ethnic minorities.

Some studies explored the avenues of sectoral cooperation. Lama examined the possibilities of integrating the tea sector in South Asia as well as prospects of cooperation in energy sector and trade in power sector. Banerji found that there was a vast potential of cooperation in sharing, augmentation and management of water resources. Waqif observed that iron and steel sector had a potential for regional cooperation through joint ventures, technology development and skill development.

A group of scholars, Indians prominent among them, argued for enhancement of intra-regional trade. They asserted that political disputes, including Kashmir issue, must be set aside for the sake of progress, social stability and prosperity of the region.

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and Harshe separately argued that economic ties must not be “held hostage to the narrow security” considerations and regional peace must be built through developing economic cooperation.\(^\text{34}\) Dubey argued for deeper integration in trade, investment, services, money and finance, science and technology, development of infrastructure, and harmonization of macro-economic policies.\(^\text{35}\) Neela Mukhurjee argues that services sector be included in preferential and free trade arrangements.\(^\text{36}\)

Joy identified various structural and infrastructural constraints to the growth of intra-regional trade.\(^\text{37}\) Jhamb noted that the low intra-regional trade was not due to members’ preferences but was a result of “autarkic policies” pursued in the past and illegal trade across the borders.\(^\text{38}\) Ghuman and Madaan observed that Pakistan and India could not benefit from possible bilateral trade worth Rs.15,000 – 20,000 crores during the last fifty years due to political problems between them.\(^\text{39}\) Chow and Islam argued that SAFTA is unlikely to achieve significant economic benefits, due to its provisions related to sensitive lists, rules of origin and excluding trade in services.\(^\text{40}\)

Another group of scholars opposed the idea of the free trade arrangements in South Asia, believing it to be detrimental for the interests of smaller states. Rather, they


Secretariat should be depoliticized and made independent. Cheema stressed the need to amend SAARC charter claiming that two of its provisions, regarding unanimity of decisions and the exclusion of ‘bilateral and contentious issues’ from deliberations, impeded SAARC’s progress.

Several scholars emphasized the link between regional security issues and economic cooperation in South Asia. Bhanot found that internal divisions, bilateral disputes and security concerns of South Asian states impeded regional cooperation. Dixit proposed to broaden the agenda for regional cooperation while including issues of collective security and revising SAARC charter enabling members to discuss “all political, economic and territorial issues.” Rana argued for adopting new approach to regionalism, intertwining regional security with regional cooperation. Banerjee argued that South Asian countries must move towards comprehensive and cooperative security and some mechanism, even a Track II type, must be adopted to discuss security related issues. Bailes underlined the importance and possible scenarios of regional security cooperation particularly between India and Pakistan in contemporary regional and global political environment. Gooneratne observed that South Asian states were engaged in security cooperation in other regional arrangements, such as ASEAN Regional Forum

(ARF) and Shanghai Cooperation Organization (SCO), through which they must learn to cooperate and devise mechanism to discuss security related issues at regional level.\textsuperscript{56} Earlier, Naik had argued that the structure of South Asian community must be built on three pillars; political, economic and social, and that “a South Asian Security Forum” should be established to discuss political and security related issues.\textsuperscript{57} Sabur argued that SAARC countries must learn a lesson from ASEAN experience of conflict management though bilateral, unofficial and ASEAN channels.\textsuperscript{58}

Some scholars found that regional cooperation had suffered due to political conflicts among South Asian states and fear of Indian dominance on the part of smaller countries. Ahmed argued that regional disputes, which were in fact India’s bilateral disputes with other members, had impeded growth of regional cooperation in South Asia.\textsuperscript{59} Mishra argued that India had played covert role in Nepalese affairs particularly during Maoist’s insurgency. India’s motives were to keep Nepal under turmoil and extract “continued subservience” from its rulers.\textsuperscript{60} Ghosh noted that SAARC faced problems due to the “structural conflict,” between India and its neighbours, featured on differences on domestic politics.\textsuperscript{61} Rizvi identified three “clusters of factors” impeding growth of SAARC; domestic, regional and extra regional but the most serious being


\textsuperscript{60} Rabindra Mishra, “India’s Role in Nepal’s Maoist Insurgency,” \textit{Asian Survey}, 44 : 5 (Sep.–Oct., 2004), 627–646.

regional one.\textsuperscript{62} Narain and Upreti found that “the psychological and emotional barriers of the past and the anxieties and apprehensions of the present” were the main “hurdles” to the success of regionalism.\textsuperscript{63} Mohla claimed that India’s pre-dominating role created “unfounded fear psychosis” among smaller states which impeded cooperation among SAARC members.\textsuperscript{64} Earlier, Reed found that the smaller South Asian states needed “India’s support to resist foreign economic encroachment” but it could be “available only at the cost of accepting India’s economic dominance.”\textsuperscript{65} Silva argued that dominant Indian position, in political as well as economic terms, “is the biggest obstacle” in the construction of regional community in South Asia.\textsuperscript{66}

For some Indian writers, smaller regional countries particularly Pakistan and Bangladesh were responsible for the failure of SAARC. Kumar and Pattanik argued that the smaller countries had constructed a regional enemy in order to shape their national identity and had obstructed building of a regional identity.\textsuperscript{67} Sudhakar claimed that South Asian regionalism did not grow due to negative attitude of the smaller states whose fears were reinforced by the interests of extra-regional powers i.e., China and USA.\textsuperscript{68}


Some scholars had pointed out that India’s interest in SAARC was “diminishing” because it cannot meet Indian needs. Ramasubramanian and Jha in their different studies, argued that India should promote its interests through bilateral, sub-regional and extra-regional free trade arrangements.\textsuperscript{69} Earlier, Muni had observed that South Asia “cannot fulfill the needs of the growing Indian economy,” and it looked, for economic, security and strategic considerations, beyond the region.\textsuperscript{70}

Few scholars have also focused on India’s role in SAARC. Much Earlier Sharan had reflected on India’s perspective. However, his work just covered about initial 4 to 5 years of SAARC’s performance.\textsuperscript{71} Goel’s and Siddique’s works are more descriptive than analytical and explain too little.\textsuperscript{72} Sharma’s book \textit{India and SAARC} is impressive but it lacks a systematic theoretical foundation to explain India’s role in SAARC.\textsuperscript{73}

\section*{1.4 SIGNIFICANCE OF THE STUDY}

South Asia is “a world in miniature” containing about twenty three percent of humanity. Half the world’s poor still live in the region. South Asia is endowed with vast natural resources and has huge potential of regional cooperation in tourism, energy, water, trade and other economic sectors. A survey of SAARC’s performance shows that little has been achieved and that regionalism, a time tested remedy of many of the

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problems faced by regional states, has not been successful in South Asia. Thus, it is important to study as to why the SAARC has not been successful.

The regional states took about thirty years since their independence to visualize cooperative arrangement among them and eight more years to finalize modalities through informal and formal channels before launching of SAARC in 1985. They took eight years to conclude preferential trade agreement and further eleven years to reach Free Trade agreement for which they set a ten year period for full implementation. These hard facts raise the question: do regional countries really want economic cooperation among them?

The SAARC’s history is full of contradictions. It does not permit to discuss contentious political and security related issues but still members signed a convention on combating terrorism. The most significant achievement of SAARC, as many believe, has been on the political side. Its summits have provided South Asian leaders the much needed opportunity to defuse tensions among SAARC members and at times eased even war-like situation. SAARC apparently seeks regional economic cooperation but record and behaviour of its members suggest that they do not really want it or at least do not take it seriously. As such, one is tempted to ask: what did SAARC members really want of it?

The move for regional cooperative arrangement was initiated by the smaller South Asian states to achieve objectives which they thought were unattainable otherwise. The present study is significant as it focuses on the needs, demands and expectations of SAARC members, particularly of smaller states which are influenced by the interests, policies and behaviour of the largest regional state. It separates all other members from each other as it occupies central position in South Asia. Its huge size and strength not only affects the nature of demand for regional cooperation but also requires it to respond
positively to the needs of its smaller neighbours and play pivotal role in making regionalism successful. In fact, regional cooperation in South Asia implies, to certain extent, the Indian cooperation with other regional countries or vice versa. As such Indian role is worth exploring in South Asian regionalism. Since, no systematic attempt has so far been made to study the Indian role in the SAARC process, particularly from smaller members’ perspective, therefore, the present study endeavors to fill this gap. A study of SAARC is also very significant the from Pakistan’s perspective.

1.5 **OBJECTIVES OF THE STUDY**

The present study is aimed to adopt an “eclectic approach” to take into account factors at societal, national and regional level, which initiate regional cooperation or impede it. As such it endeavors to study following aspects of regionalism:

1. To understand as to how and why the largest member state can influence the performance of a regional cooperative arrangement.
2. The interplay of the policies of largest member state with overall regional geo-political environment and in turn on the process of cooperation.
3. To evaluate the importance of regional cooperation organizations for larger states in terms of potential benefits and losses to them.
4. Explore India’s role in South Asian regionalism and explain SAARC’s performance in the light of its interests, policies and behaviour.

1.6 **RESEARCH QUESTIONS**

In the light of the objectives underscored, the focus would be on these questions:

1. How does the largest or strongest member country of a regional grouping influence the outcome of a cooperative arrangement?
2. What integrative and disintegrative forces were operative in South Asia and how were they related with internal and/or external politics of India?
3. What were the dynamics of demand for regionalism in South Asia? What economic, political and strategic objectives, the smaller regional states had sought to pursue through regional cooperation?
4. What was the Indian perspective on regional cooperation under the SAARC framework and how did it weigh South Asian regionalism in terms of its strategic, political and economic interests?

5. What did smaller regional states expect from India and how did it respond to the needs, demands and expectations of the other members?

6. What were the prospective areas of regional cooperation? To what extent Indian policies are responsible for impeding cooperation in these areas?

1.7 DELIMITATION

The present research explored India’s role in SAARC with main emphasis on the period from 1985 to 2005 because of the following reasons: SAARC completed twenty years of existence in 2005; it was an association of seven members till then (in 2006 its membership increased to eight as well as some countries got observer status in it); SAFTA became operational in 2006 which needs a complete but separate analysis. An attempt has, however, been made to update the study to 2010 and in some cases to 2011.

1.8 RESEARCH METHODOLOGY

This project is a case study of India’s role in SAARC and involved mainly qualitative research based on historical method and document analysis. Available primary and secondary sources of proven credibility were used for analysis. Both inductive and deductive methods and different research techniques, such as descriptive, explanatory and interpretive, have been used to analyze the subject matter. Initially, information was put in place to build a theoretical framework which could help understand as to how the role of the leading state was crucial for success of regionalism. Then, India’s role in SAARC was explored in this context.

Different members’ perspectives, expectations and policy towards South Asian regionalism can be understood through systematic analysis of the policy statements and speeches of the respective leaders at different forums, including SAARC summit.
meetings and in the writings of policy analysts and experts. The SAARC publications, member states’ official documents, statements, and press releases, reports of international institutions and bodies and writings of former leaders, officials, and diplomats and policy experts were used for the purpose. The interests, policies and behaviour of India, were explored through scrutiny of the relevant material present in printed and electronic form. India’s attitude towards SAARC, as well as the regional states, and its role in the process of regional cooperation has been interpreted through the description, explanation and analysis of India’s policy behaviour and events and developments took place since inception of SAARC.

In-depth analysis of literature on SAARC was made from available sources like official documents, books, policy documents, journals, magazines, newspapers etc. An emphasis was made on sources that had proven creditability. The journals related to the discipline of International Relations, i.e. *International Organization*, *Pacific Affairs*, *Asian Survey*, *South Asian Survey*, *South Asian Economic Survey* and *South Asian Journal* were used. The study also employed other related journals and magazines of international repute and the main newspapers being published from SAARC countries. A careful analysis and interpretation of policy documents was carried out to comprehend the developments in SAARC.

1.9 **ORGANIZATION OF THE STUDY**

The research has been organized into two parts and nine chapters. The first part includes two chapters, i.e. chapter two and three. Second part includes six chapters including conclusion. The first chapter introduces the study through elaborating statement of the problem, hypothesis, significance and justification of study and a brief discussion
of theories of regional integration. It also covers an extensive but precise review of literature on SAARC, elaborates objectives and sets the research questions. The second chapter clarifies various concepts and aspects related to regionalism besides exploring the origin, growth, rationale, levels and different models of regional integration. The third chapter gives a detailed survey of the theories explaining regional integration or cooperation. It also provides the theoretical framework of the present study. The fourth chapter contains a detailed description of the evolution of South Asian regionalism, progress of cooperation in identified areas, and evaluates the overall performance of SAARC. The fifth chapter begins with the question as to what internal or external factors had helped creating the demand for regionalism in South Asia. It also examines the integrative or disintegrative forces operative in the region and their underling causes as well as connections with India’s domestic politics and external policies and its influence on regional geo-political environment, and consequently on demand for South Asian regionalism. It also explores the needs, expectations and perspectives of smaller states towards SAARC.

The sixth chapter covers an Indian perspective on South Asian regionalism, with reference to its power capabilities, self-image, ambitions, interests and policies in the region and the world at large. This chapter also surveys the smaller member’s needs, demands and expectations towards India and its response to them. The political and security related issues, their relevance with Indian policies and its influence on SAARC have been critically analyzed in this chapter. The seventh chapter explores the prospects and problems of regional cooperation in some prospective areas, particularly those emphasized by India. The process of regional cooperation in economic and cultural
fields, India’s role in market integration in South Asia and beyond as well as promoting regional cooperation in the field of sports and culture and tourism have been critically evaluated in this chapter. The eighth chapter focused on problems and prospects of regional cooperation, with special emphasis on India’s role in it, in several other important areas, such as: joint development and management of common water resources; and hydropower generation; and energy trade including import of gas through pipelines in South Asia. The ninth chapter concludes the study.
CHAPTER 2

REGIONALISM: ORIGIN, DYNAMICS AND MODELS

Regionalism represents one of the most dominating trends of contemporary international relations. It got immense importance in the post-war period when it evolved due to a felt need among nation-states to pool their resources for mutual benefits. Many factors – political, strategic, environmental, social and cultural but economic the most important one – brought nations together to cooperate with each other. Starting from Western Europe, the wave of regionalism expanded with varying results all over the world. Meanwhile, it also attracted interest of the IR scholars. However, despite widespread scholarly interest in the concept, there is no single or broadly accepted definition of the term regionalism.¹ In fact, the word region itself has different meanings to different people.

2.1 DEFINING REGION AND REGIONALISM

There is no single criterion to define, determine or delineate a region. The word region is used in different contexts and meanings. For instance, Umar observed, it refers the “areas smaller than states” as well as an international “area embracing the territories of three or more countries.”² It is also used to “signify political division of the world” and to mean “a contiguous geographical area, a cultural entity, or an economic unit.”³ Thus, states can be grouped into regions on the basis of their religion, culture, language, climate, and population density. They can also be put into regions on the basis of their:

geographical location; political and ideological orientation and membership in military alliances; level of economic development and; social and economic transactions among them.⁴ In fact, nature has not divided the world neatly into regions. It is just an “intellectual construct” which is determined on the basis of different criteria.⁵ The idea to intellectually and imaginatively divide the world into regions, as “entities bigger than states,” was accepted with the extension of European interests to the entire world. It was helpful to generalize about people and their customs and conditions in different geographical areas of the world. The trend to divide the world into regions continued in the post-colonial period to generalize issues related to development, security and policy planning by the great powers, as well as social scientists attempting to analyze world politics.⁶ Besides geographical location, a region can also be defined in terms of cultural, religious, racial, ethnic, economic or political affinities of the people living in a particular area. It is, therefore, difficult to demarcate regions as their boundaries determined on the basis of one criterion might be found inappropriate on the basis of another. Moreover, the most wisely and carefully drawn regional lines are not immune to overlapping and change with passage of time.⁷ It is not easy to decide as to “where does one region end and another begin” and what size a region should have?⁸ Therefore, Russett had argued to use the term “loosely with boundaries ‘zones rather than lines’ ending in ‘transition

⁵ Inis L. Claude, Swords into Plowshares, (New York: Random House, 1956, Seventh Printing, 1968), 96, cited by Hashmi, Iran, Pakistan and Turkey, 06.
⁷ Claude, Swords into Plowshares, 96, cited by Hashmi, Iran, Pakistan and Turkey, 06.
seldom in definite boundaries."⁹ It is possible to identify the “core area” and “periphery” of a region.¹⁰ This solution is also not without difficulties. There may be a different core area in geographical terms and quite another in political and cultural terms.¹¹

Despite these difficulties, several scholars have defined the region on the basis of different criteria. According to Encyclopedia Britannica, a region is “a cohesive area that is homogeneous in selected defining criteria and is distinguished from neighboring areas or regions by those criteria”¹² e.g. ethnic, linguistic, social, cultural, religious, climatic, economic, political and geographical.¹³ Some scholars believe that “geographical contiguity is a necessary if not sufficient condition for the identification of a region” and therefore, it must be included in its definition.¹⁴ For instance, Ronald J. Yalem defined the region “as a geographical area comprised of a number of independent states sharing common economic, social, and political values and goals.”¹⁵ Cantori and Spiegel, had defined regions as: “areas of the world which contain geographically proximate states forming, in foreign affairs, mutually interrelated units. For each participant, the activities of other members of the region (be they antagonistic or cooperative) are significant determinants of its foreign policy; while particular members of certain regions may have extra-regional concerns, their primary involvement in foreign affairs ordinarily lies in the

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¹¹ Archer, *International Organizations*, 47.


¹⁴ Hashmi, *Iran, Pakistan and Turkey*, 09–10.

region in which they find themselves.”¹⁶ According to Karl Kaiser, a region is a part of the international system “whose members exist in geographical propinquity.”¹⁷ Rupert Vance defined region as “any portion of the earth’s surface whose physical characteristics are similar.” But Howard Odum argued that region must contain “a relatively large degree of homogeneity measured by a relatively large number of purposes or classifications.”¹⁸ Archer also observed that a region “denotes more than geographical closeness – it normally indicates economic, social, cultural and political ties as well.”¹⁹

Some scholars do not accept geographical contiguity as a precondition to define a region. They argue that “seas and oceans are not barriers which separate; rather, they are highways which connect.”²⁰ For instance, J.C. Hambro observed that in the past “oceans have not separated nations and interests. They linked them together. From time immemorial trade has followed the waterways of the world.” He maintained that it is only in the modern period that it had “become possible to cross the continents.”²¹ Likewise Perkins claimed: “in international relations a region is invariably an area embracing the territories of three or more states. These states are bound together by ties of common interests as well of geography” which may not necessarily be “contiguous, or even in the same continent.”²² However, Hashmi had argued that “the people separated by oceans” generally do not share “common symbols of identity.” Oceans serve as superb freeways

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¹⁹ Ibid., 63.
²⁰ Hashmi, *Iran, Pakistan and Turkey*, 8.
for the trade purposes, “but they create great psychological barriers for the growth of common identity.” Generally, people attach their loyalties “and sense of belonging toward land, not toward seas and oceans.” Practically different states have identified themselves with the oceans and seas instead of land areas, e.g. NATO members.

Regions are also identified and defined on the basis of the perceptions of the common people and ruling elites; statements of the national leaders; agreements among the states and shared political and; economic objectives of a few countries. For instance, Norman Padelford defined regions as: “spatial areas which come to be spoken of as a ‘region’ as a result of usage stemming from the practices of groups of states, utterances of statesmen, or the terms of treaties or agreement between groups of states.” Alejandro Alvarez had argued that the regions “must be shown by circumstances, and in particular, by agreements made by the states who constitute them.” For him, “Regions are constituted by certain countries having affinities of race, institutions, or, above all, political interests.” Archer observed that a “region can be an area contested in discourses. This allows regions to be built by politico-cultural debate that can create the notion of a particular region.” For Neumann, regions are comparable to nations, perceived as “imagined communities”, and are built by those who “imagine a certain spatial and chronological identity for a region, and disseminate this imagined identity to others.” Archer observed that regions are believed to be “based on perceptions by elites

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23 Hashmi, Iran, Pakistan and Turkey, 9.
26 Archer, International Organizations, 46–47.
as well as by people." Thus, Saarikoski had differentiated between regionalization and region-building. For him, the first is the “natural” and passive process, without conscious human efforts, that runs in due course of time. The latter is “an active process with a conscious human subject” usually made either by the political power (from above) or by the common people (from below).

The term regionalism is generally used with reference to growth of regional cooperation, regional integration and regional organizations. According to Breslin and Higgott, the term regionalism is used to “connote those state-led projects of cooperation that emerge as a result of intergovernmental dialogue and treaties.” According to Griffiths, Callaghan and Roach regionalism “refers to intensifying political and/or economic processes of cooperation among states and other actors in particular geographic regions, although it is most often discussed in the context of trade flows.” Mattli and Smith had separately observed that regional cooperative arrangements formed by several states are the most solid expression of regionalism. Thus, Yi argued, regionalism is generally “associated with a policy programme (goals to be achieved) and strategy (means and mechanism by which goals should be reached), and it normally leads to the creation of regional cooperative enterprises (organisations or institutions).” Yi maintained that from this perspective, regionalism means “recognition of the existence of interdependence as well as enhancing positive interdependence by means of international

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30 Yi, “Emergence of Regionalism,” 3.
32 Yi, “Emergence of Regionalism,” 3.
co-operation or coordination between adjoining states.”

Griffiths, Callaghan and Roach observed that the “term ‘regionalism’ captures these dynamic aspects of regional cooperation defined as the growth of social and economic interaction and of regional identity and consciousness. Regionalism results from the increasing flow of goods, people, and ideas within a spatial entity which thus becomes more integrated and cohesive.”

Regionalism also refers to the growth of certain perceptions, awareness, identities and ideas. Andrew Hurrell defined regional awareness and identities as “shared perception of belonging to a particular community” which is generally understood in terms of “common culture, history or religious tradition.” According to Hveem, regionalism is “the body of ideas promoting an identified geographical or social space as the regional project, or it is the presence or the conscious construction of an identity that represents one specific region.”

Thus it can be a political slogan, norm, advocacy or ideology which demands or advocates regional cooperation, arouse a regional consciousness, promote a regional identity and call “for a regional political and economic order in a particular geographical area.”

Regionalism can grow from above, i.e. as a result of deliberate political efforts of national leaders of regional states to create integrated political units or evolve common policies for them. It can also develop from below, i.e. as result of growth of awareness of common regional identity and transborder movement of people or investment policies of companies in a geographic area.

Most importantly, regionalism refers to a “complex concert, harmonisation and compromise of

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33 Ibid.,
36 Ibid., 3–4.
national economic and political interests among states, which is accompanied by an adjustment of regional interstate relations.”

A regional arrangement, according to Kleffens, “is a voluntary association of sovereign states within a certain area or having common interests in that area for a joint purpose, which should not be of an offensive nature, in relation to that area.” Palmer and Perkins claimed that any regional arrangement “cannot exist without fairly elaborate organization.” He maintained, “such an arrangement must involve sovereign states, certainly more than two, and they must be engaged in a substantial common enterprise.” Such arrangements must be of peaceful, voluntary and multilateral nature and must not include those intended for aggressive designs, made involuntarily or on bilateral basis. According to Mingst an international organization (IO) can be defined as an “institution drawing membership from at least three states, having activities in several states, and whose members are held together by a formal agreement.” However, there is no agreement among the scholars on having minimum numbers of member states in an IO. As opposed to the contention of some scholars for having at least three members, Wallace and Singer as well as Archer have accepted the presence of at least two members as sufficient condition to fulfill the criteria of an IO. However, the Yearbook of International Organizations set the condition of at least three members to accept some arrangement as an IO. Cheever and Haviland, Jr. had defined it as “any cooperative arrangement instituted among states, usually by a basic agreement, to perform some

38 Yi, “Emergence of Regionalism,” 3.
40 Palmer and Perkins, International Relations, 259.
42 Archer, International Organizations, 33.
mutually advantageous functions implemented through periodic meetings and staff activities.” Virally had defined IO as “an association of States, established by agreement among its members and possessing a permanent system or set of organs, whose task it is to pursue objectives of common interest by means of cooperation among its members.” Armstrong had argued that an IO must “meet three essential conditions” for its acceptance as such. These conditions include: present of independent political units or communities, i.e. states; mutually agreed upon rules to regulate interactions among the members and; “a formal structure” to enforce the rules. According to Inis Claude there must be four preconditions before governments decide to create IOs. These conditions include the presence of: several sovereign states; considerable degree of interactions among them; consciousness about the problems arising out of these contacts and; realization on the part of their leaders of “the need for creation of institutional devices and systematic methods for regulating their relations with each other.”

IOs can, however, be differentiated on the basis of their membership; global or universal and regional organizations; the former being represented by almost all sovereign states of the world, e.g. UNO. The latter draw memberships from countries of geographically contiguous areas and with common economic, social and political factors among them. According to Archer, an international arrangement “with a limited number of members most of which are seen to be geographically proximate and /or culturally,

46 Claude, Swords into Plowshares, 17, cited by Archer, International Organization, 04.
47 Archer, International Organization, 45.
economically and politically similar” is generally called a regional organization.48 Umar claimed that any cooperative “arrangement covering areas of common interest among sovereign states with or without geographical contiguity could be termed as regional organization.”49 According to Bale and Killough, ROs are the “institutionalised functional or general associations of independent states located within – but not necessarily coterminous with – a generally accepted geographical region.”50 Russett as well as Archer, however, argued to use the term organizations with “limited membership” instead of regional one due to the problems associated with the definition and delineation of the region.51 Russett had also identified five aspects in his study of regionalism: “regions of social and cultural homogeneity; regions sharing similar attitudes or external behaviour; regions of political interdependence; regions of economic interdependence; regions of geographic proximity.” Measuring on these parameters, IOs can be categorized as “strongly regional” or those “with a weak regional profile.” The ideal or perfect ROs are those which bring “together states of similar backgrounds to solve problems they could not otherwise deal with.” Moreover, such ROs can also create “a security community” among members as well as provide them “a form of selective security” against external threats. Moreover, Archer claim, ideal ROs might also create “political entities” that can serve as building blocks for “a future world government.”52

48 Ibid., 49.
52 Ibid., 47–8.
2.2 ORIGIN AND GROWTH OF REGIONALISM

The prototypes of modern IOs, limited to particular areas and thus regional in nature and scope, were originated in ancient history and had “existed in at least primitive form throughout most of recorded history.” The states from ancient times had some sort of relations among them including those of conflict and cooperation, making and breaking of peace treaties, formulating rules to conduct war and give immunity to certain places, formation and dissolution of military alliances, entering into agreements on trade and commerce and formulation of certain diplomatic norms and means for peaceful resolution of disputes etc. They had both military alliances and cooperative organizations related to military, diplomatic, political and religio-cultural fields. Thus, Mangone had observed that past treaties were the first steps toward creation of IOs. Baghwati observed that Egyptian Pharaoh Amenophis IV had signed a first commercial treaty of mankind, which was a kind of Preferential Trade Arrangement (PTA), with King of Alasia in the 14th century BC. Under this treaty, Cypriot traders were exempted from customs duties against the imports of wood and copper. Kleffens observed that Amenophis IV, also known as Ikhnaton, had formed a regional arrangement for common defence with the countries which he had restored autonomy after conquering them. The ancient civilizations, particularly, the Greek civilization, had archetypes of many of the

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53 Palmer and Perkins, International Relations, 298.
56 Kleffens, “Regionalism and Political Pacts,” 672.
present day institutions including IOs. These were confined to particular areas and thus, regional in scope. The concept of regionalism is rooted in the ancient past.

The early political units were city-states and before them there were tribal states which used to make alliances with each other such as tribal leagues or confederations for various political reasons and mutual defense. Some of them were gradually transformed into larger political units. For instance, in about 12–11\(^{th}\) century BC, Philistines, an Aegean people, had organized themselves into a league of five cities, or principalities at present day Palestine and subjugated Israelite tribes. To meet this threat, the 12 tribes of Canaan had formed an Israelite association or the tribal league of 12, without any central authority and more autonomy to the tribes. It was later transformed into a United Monarchy under King Saul in 1020 BC with the help of Prophet Samuel. King Saul was father-in-law of David (Hazrat Daud) and after his death was succeeded by him. Likewise, ancient Greek city-states, hundreds in numbers, had formed many military alliances, leagues, confederacies or even loose federations. Some of them were later on transformed into empires. Most of them were led or even dominated by some big powers. However, several of these arrangements were governed under democratic rules, as different members were equally represented in them and had enjoyed equal voting rights to decide important matters including those related to war and peace and foreign policy. These arrangements among the Greek city-states were generally formed voluntarily on permanent basis as some of them had lasted for centuries and were aimed to pursue common objectives, or interests of all members. Thus, they fulfilled the definition and

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59 Ibid.,
criterion of a RO. The most famous military alliances included Achaean and Peloponnesian Leagues.\textsuperscript{60} Rourke observed that the Greek city-states had formed the Delian League (478 BC – 338 BC), which was as a defence alliance against Persia, had two characteristics of IOs: “First, it was permanent and supposed to last until ‘ingots of iron, thrown into the sea, rose again.’ Second, the league had an assembly of representatives appointed by the city-states to decide policy. Although Athens dominated, the assembly was a prototype of such current structures as the UN General Assembly.”\textsuperscript{61}

Likewise, several other military alliances and leagues of Greek city-states possessed almost similar features, i.e. permanence, equal representation and equal voting rights in decision-making. For instance, Peloponnesian League (6\textsuperscript{th}–4\textsuperscript{th} century BC), led by Sparta had a federal congress, represented by every member state with one vote in it, empowered to decide issues related to peace, war and alliances etc. Boeotian League (6\textsuperscript{th}–4\textsuperscript{th} century BC), led by Thebes, was reconstituted on democratic lines after 379 BC. Its members were equally represented with equal voting rights to decide policy matters before it died in 365 BC. The League of Corinth was created to preserve a general peace by all Greek states (except Sparta) and islands in 337 BC. Its council was represented by all members through elected delegates proportionate to their military and naval power. The council was empowered to decide on matters related to peace and foreign policy etc. Likewise, Aetolian League (4\textsuperscript{th}–2\textsuperscript{nd} Century BC), a confederacy led by Aetolia, and Achaean League (4\textsuperscript{th}–2\textsuperscript{nd} Century BC), a confederation of 12 Achaean cities of the


Northern Peloponnese, had almost similar arrangements. Latin towns and tribes had also formed such arrangements including the Latin League, a confederation of about 30 villages and tribes in the vicinity of ancient Rome that had united for mutual defence.

Greek city-states had also formed non-military IOs such as the Delphic and the Amphictyonic councils to promote cooperation in religious, cultural and, to some extent, political fields. Archer observed that only the Greece among all the ancient civilizations had “produced the permanent institution of international organizations.” The Amphictyonic Councils were some of them. These councils, Nicolson observed, “were something between a Church Congress, an Eisteddfod and a meeting of the League of Nations Assembly.” They had permanent secretariat and were created for the regulation of the pilgrim travel and protection of “shrines and treasures” They also used to manage political issues of “common interest and, as such, had an important diplomatic function.” Amphictyonic League was primarily concerned with religious affairs, but it had also “exercised a political influence” by taking oath from its members, prohibiting them from “the cutting off of water supplies and destruction of cities. The League “could punish offenders and even proclaim a sacred war against them.”

The trend of creating ROs continued even in the Middle Ages and then in the Modern Period. Some of ROs formed during medieval period included Lombard league (1167–1250 AD), Hanseatic League (1280), the Swiss Confederation (1315) and Council

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63 Ibid.,
64 Johari, International Relations and Politics, 34.
65 Archer, International Organizations, 5.
68 Archer, International Organizations, 5.
of Constance (1414). Everlasting League, also known as the League of the Three Forest Cantons (1291) was the initial confederation from which federation of Switzerland later came into being. Meanwhile, the Holy League (1495), Solemn League and Covenant (1643) were also formed. Iroquois League, a confederation of six, was formed in 1722 by Indian tribes across upper New York State that during 17th and 18th centuries had played an important role in the struggle between the French and British for control in North America. Fürstenbund or German League of Princes was formed in 1785 under the leadership of Prussia to preserve status quo among several German states and curb the ambitions in Germany of the Holy Roman Emperor.  

The major developments to form regional economic cooperative organizations took place in the nineteenth century in Europe. It included formation of the Bavaria-Wurttemberg Customs Union (1828-1833), the Middle German Commercial Union (1828-1831), the German Zollverain (1834-1854), the German Monetary Union (1838), the Moldovian-Wallachian Customs Union (1847), the Swiss Confederation (1848), the German Monetary Convention (1857), the Latin Monetary Union (1865) and the Scandinavian Monetary Union (1875). By the end of nineteenth century there was a proposal for a custom union in agriculture of Germany, France, Belgium, Switzerland, Holland, Austria-Hungary, Italy and Spain. The Europeans by then also dreamt of a Middle European Zollverien, the European Union and even a United Europe. Though most of such schemes did not materialize but the political unifications of many states in Europe resulted after economic integration of smaller entities. As Ducker pointed out that regional economic integration schemes were the precursor of unifications of Germany,  

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70 Mattli, *The Logic of Regional Integration*, 1–2, and 4.
Italy, Spain, Switzerland, the Scandinavian area and Austro-Hungarian Empire in the nineteenth century. However, Gilpin contended that political integration preceded economic integration in federal states, such as the US and Germany, where force was also used to ensure political unification.

In the twentieth century many regional cooperative arrangements were formed in Europe and beyond. In Europe, the notable regional arrangements formed included the Benelux Custom Union (1944), the Organization for European Economic Cooperation (1948) replaced with Organization for Economic Cooperation and Development in 1961, the Council of Europe (1949), the European Coal and Steel Community (ECSC) (1951), the European Economic Community (1958), the European Atomic Energy Community (1958) – the later three were merged to form the EC in 1968, the European Free Trade Association (1961), the Nordic Council (1971) and Central European Free Trade Area (1993) etc. Among the Socialist world, creation of the Council for Mutual Economic Assistance (1949) is worth-mentioning. In Europe, military alliances such as The Western European Union (1948), North Atlantic Treaty Organization (1949) and Warsaw Pact (1955) were also formed. Some military alliances were also formed in Asia which included the South East Asian Treaty Organization (1955) and Baghdad Pact (1958) replaced or renamed with Central Treaty Organization (1959) are worth-noting.

In Asia several proposals were made for broader Asian cooperation, like Asian Relations Organization, Colombo Plan, and Southeast Asian Union, but nothing could be materialized. Cooperative attempts at regional level, as compared to continental level,

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72 Gilpin, *Global Political Economy*, 357.
were successful with the formation of the Arab League (1945), Arab Common Market (1964), Association of Southeast Asia (1961), Maphilindo (1963), Regional Cooperation for Development (1964) which was revived and renamed as the Economic Cooperation Organization in 1985, Asia and Pacific Council (1966), ASEAN (1967), the Gulf Cooperation Council (GCC) (1981), the South Asian Association for Regional Cooperation (1985), Asia-Pacific Economic Cooperation (1989), Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), Indian Ocean Rim–Association for Regional Cooperation (IOR-ARC) in 1997 and SCO (2001).73


In Africa, initial efforts for regional grouping included the Conferences of Independent African States (1958), the Casablanca Group (1961), the Monrovia Group

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(1961), the Organization of African Unity (1963) renamed as the African Union (2002), and the African and Mauritian Common Organization (1965). But these were aimed for political and general purposes. The Commission for Technical Cooperation in Africa South of Sahara (1950) was the first sort of regional organization, formed by European States i.e., the U.K. France, Belgium and Portugal, to promote economic cooperation among them and their possessions in Africa. The first indigenous African regional economic organization was the Brazzaville Group or the African-Malagasy Organization for Economic Cooperation (1961). The other such organizations included the Southern African Customs Union (1969), the South African Development Community (1972), The West African Economic Community which was evolved out of some previous grouping in 1972 but it was disbanded and replaced with the West African Economic and Monetary Union in 1994, the Economic Community of West African States (1975), Central African Customs and Economic Union (1964), which in 1994 became Economic and Monetary Community of Central Africa, the Economic Community of the Central African States (1983), the Southern African Development Coordination Conference SADCC (1979) renamed as Southern African Development Community 1992, the Preferential Trade Area for Eastern and Southern Africa (1981) later replaced with Common Market for Eastern and Southern Africa (1993), Union Africaine et Malagache (1961) renamed as Organisation Commune Africaine et Malgache (1965), The Entente Council (1959), The African Economic Community (1991), the Economic Community of


### 2.3 CLASSIFICATION OF REGIONAL ORGANIZATIONS

The ROs can be classified on the basis of their aims and objectives, institutional structures and level of integration. First, they are differentiated on the basis of their distinct aims and activities incorporated in their charters. Some ROs contain a variety of objectives. Thus, Pentland argued, one must focus on the matters in which ROs are “most actively and consistently involved.”\footnote{Charles Pentland, (1976) “International Organizations,” in J.N. Rosenau et al. (eds.), World Politics: an Introduction, (New York: The Free Press Charles Pentland, 1976), 628–9, cited by Archer, 52.} Multi-purpose or general ROs can be distinguished from the specialized ones. The former include those working in all or some of the areas including political, security, economic, and cultural etc. like OAS, OIC etc. The latter can be further divided on the basis of their activities related to “high issues” like military or security or “low politics” like those meant for cooperation in any of the fields like economic, social, cultural, technical, human rights etc.\footnote{Archer, International Organizations, 52–4.} Though the aims and objectives of ROs are usually incorporated in their charter but they may also have “other aim except the stated one.” Moreover, Archer observed, “each member of the organization may harbour slightly different aims in creating the organization or in joining it.” Even the declared objectives of ROs may not be “reflected in actual behaviour” of some of the members which may set aside the principles of mutual cooperation and pursue policies
contradictory to the spirit of regionalism. However, the stated or “proclaimed aim is the most apparent statement of the intentions behind the existence of an organization.” On the basis of their stated aims, ROs are termed “as better or worse in attaining desired ends such as international peace and security, economic growth and prosperity.”

The ROs can also be classified on the basis of the “level of institutional integration they display.” The “tight regionalism” involves a “high level of institutional integration though shared norms, principles, rules, and decision making procedures that limit the autonomy of individual members”, e.g. European Union (EU). On the other hand, the “loose regionalism” does not involve “formal and binding institutional arrangements.” It relies on “informal consultative mechanism and consensus-building measures” e.g. Asia Pacific Economic Cooperation (APEC). Moon claimed that North American Free Trade Area (NAFTA) stood somewhere in the middle of these two types. Another criterion to classify ROs is “their treatment of nonmembers.” Some economic integration schemes do not discriminate nonmembers and manifest “open regionalism.” Their members extend MFN status to nonmembers and pursue global trade liberalization policies as provided under multilateral trade regimes, like General Agreement on Tariffs and Trade (GATT) etc. Almost all of the present day prominent regional arrangements, like EU, NAFTA and APEC etc. pursue open regionalism. On the other hand, the discriminatory or “closed regionalism” exhibit high “protectionist measures” restricting nonmembers from gaining access to members’ markets. It existed in the international trading system during the interwar period that included several

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79 Ibid., 55.
80 Ibid., 48 and 50.
“competing economic blocs” pursuing mercantilist policies to increase their power. However, Moon observed, the “closed regionalism” can lead to “economic warfare and sometimes to military conflict.” Therefore, most of the experts favour open regionalism.\(^\text{82}\)

2.4 **LEVELS OF INTEGRATION**

The regional organizations can also be differentiated on the basis of level of integration. Hashmi observed that regional integration is a “dynamic” but complex and slow process. Nowadays, nation-states can neither be united by use of force “under the hegemonic leadership of a single nation”\(^\text{83}\) nor integrated into federation or even confederation voluntarily and peacefully in a “single long leap”\(^\text{84}\) It is only possible through a long process involving “gradual transfer of national sovereignty.” He also claimed that regional integration approach is a “response to new needs and new demands,” and is influenced and determined not only by the national ruling elites, but also by “those segments of society who are capable of articulating new needs and new demands.”\(^\text{85}\) He has also outlined several stages of regional integration.

Hashmi claimed that there are different levels of regional integration; each creating a “distinct regional system,” determined by the socio-economic and political needs of the region, as realized by member states. When it moves from one stage to another, it involves “a system change” necessitated by “the emergence of new needs and new demands which could not be processed by the old system.” He maintained that integration process might move smoothly and attain “the desired goal.” Otherwise, it can

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\(^{82}\) Moon, “Economic Regionalism,”

\(^{83}\) Hashmi, *Iran, Pakistan and Turkey*, 23.


\(^{85}\) Hashmi, *Iran, Pakistan and Turkey*, 23–4.
face difficulties and stop at any stage. Even it can “go into reverse” and slip back to a lower stage of integration. However, Hashmi observed, regional integration “passes through distinct stages” before reaching to its terminal point. He used Deutsch’s classification of two types of security communities – “pluralistic” and “amalgamated” – as two levels or “ends of regional integration process.” He also added “two other stages” between these two end of the process, i.e. the intergovernmental arrangements and the supra-national organizations. Both of them, he maintained, are the essential stages to create an “amalgamated security community.”

The regional system at each stage can be differentiated from one another on the basis of “four indicators:”

- first, non-violent resolution of conflict within the system;
- second; volume of ‘social interactions’ affected by the system;
- third, degree of centralization of decision making authority over the economic and political sectors of the member nations;
- fourth, shifting exclusive ‘expectations of benefits’ from the national institutions to the regional institutions and thereby creating new ‘loci of identification’ of the population of several national units.

2.4.1 REGIONAL PLURALISTIC SECURITY COMMUNITY

It is the first stage or “lowest level of integration,” which is achieved when political units in a regional system “forego the use of violence” between them and “they are sufficiently favorably oriented toward each other to make possible a pacific settlement of their conflicts.” It is an essential condition of regionalism upon which further growth of the process depends. Until states in a region “accept tacitly or explicitly the principle of non-violent resolution of mutual conflicts,” neither they can expect “mutual cooperation” nor conceive the higher level of integration among them. The progress of European integration in the post war period was the result of the members’

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86 Ibid.,
87 Ibid., 25.
readiness and mutual understanding to not use force against each other. This stage involves “we feeling” or sense of oneness as well as that of amity and friendship among members which in turn promotes mutual responsiveness, appreciation of each others’ needs and problems and increase social and economic transactions among them.  

A pluralistic security community is different from a security organization – a defence pact or alliance. It does not need any “regional institutional framework” because it is based on “psychological factors” and also provides “a psychological infrastructure for further integration.” It transforms the regional system as well as the “pattern of relationship” from that characterized by competition to that of cooperation among member states. Its success depends on three conditions: “the compatibility of major values relevant to political decision making; the capacity of the participating political units to respond to each others needs, messages and actions quickly; and mutual predictability of behavior.”

2.4.2 INTERGOVERNMENTAL REGIONAL ARRANGEMENTS

This is a second stage or higher level of integration than pluralistic one. It results from a feeling of interdependence and “a desire for cooperation beyond the boundaries of the nation-states.” It transforms the prevailing nature of relationship among members, and creates “new institutions” which facilitate member states to communicate, and cooperate with each other as well as coordinate their decisions. It promotes the “social transactions among the members” and contributes enormously to the growth of regionalism. Hashmi believed that it was “the most crucial” stage of integration because it “determines the integrative potential” of the region. This stage requires members to

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88 Ibid., 26–9.
89 Ibid., 27–9.
transform their verbal commitments for mutual cooperation into practice. It tests the members’ capabilities to communicate with each other as well as their mutual responsiveness and readiness to resolve mutual problems through “splitting the difference.” Hashmi claimed that the intergovernmental regional arrangements develop “the habit of working together, thinking together” to address common problems. They help create “new regional elite groups” whose interactions construct regional awareness, create a “new bureaucratic language” and help enhance understanding among members. It is an important stage of integration because its success provides an “institutional infrastructure” for higher level of integration.  

2.4.3 SUPRANATIONAL REGIONAL ORGANIZATIONS

Supranational regional organizations represent further higher stage of integration containing supranational institutions empowered to make binding decisions for member states in specific sectors. It involves “a partial transfer” of sovereignty from national institutions to regional ones though member states preserve their “identity” as independent political units. “The quality of supranational decisions,” Haas claimed, “differs sharply from the federal and the intergovernmental norms.” He maintained:

> In intergovernmental negotiations differing initial positions are usually compromised on the level of the lowest common denominator. That is, the least cooperative participant defines the limits of the compromise … supranational systems feature a bargaining process which I call ‘upgrading common interests.’ It occurs when the participants have great difficulty in arriving at a common policy; yet they do agree that they should have some common stand in order to safeguard other aspects of interdependence among them.

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90 Ibid., 29, 31–2.
91 Ibid., 32.
The supranational institutions can deal with one or more sectors. The integration can “spill–over” from one sector to another, e.g. ECSC spilled–over into EEC. Various sectors have different “spill–over” potentials.93 According to Amitai Etzioni, integration in economic sector has the “greatest” potential for “spill over” because it “affects all societal groups,” i.e. producers, labor, management, consumers, small businessmen and farmers etc. Thus, it can produce “extensive political repercussions.”94 These organizations also have the potential of political “spill–over” which takes place when people and regional actors partially shift their loyalties and expectations from national to regional institutions. The more a supranational institution proves its usefulness, “the more it attracts the loyalties of the people.” It, however, does not mean the complete destruction of, loyalty towards nation-states.95 In fact, loyalty in the words of Harold Guetzkow, “is not a single entity once used up, then exhausted. It is, rather an expandable quantity which can be generated in increasing amounts toward a variety of objects.”96

2.4.4 AMALGAMATED SECURITY COMMUNITY

An “amalgamated security–community” is formed after “formal merger of two or more previously independent units into a single larger unit, with some type of common government after amalgamation.”97 A regional integration to this level means full economic and political union of two or more previously sovereign states. It is the

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93 Ernst B. Haas, The Uniting of Europe, (Stanford, California: Stanford Universal Press, 1958), 283–317, cited by Hashmi, Iran, Pakistan and Turkey, 33.
94 Cited by Hashmi, Iran, Pakistan and Turkey, 34.
95 Hashmi, Iran, Pakistan and Turkey, 34.
96 Cited by Hashmi, 34.
97 Deutsch, e. al. Political Community and the North Atlantic Area, 6, cited by Hashmi, Iran, Pakistan and Turkey, 35.
formation of a larger political unit – a federal or unitary state.\textsuperscript{98} The formation of modern states such as Germany, the US, the UK, and Switzerland are its examples.

Hashmi argued that the description of the various level of integration did not imply that the process must necessarily “go through each of these four stages.” Rather it only points out “certain regularities” in the process and suggests that formation of a pluralistic security community “is a necessary stage” or a “launching pad” for any meaningful further integration. Once the first stage is attained, the integration process can move from the first stage to the third one or from second to the fourth and final stage skipping the intermediate one. However, if it passes thorough all “stages” the possibilities of a stable regional union become great.\textsuperscript{99}

\section*{2.5 DYNAMICS OF REGIONALISM}

Hashmi claimed that some scholars were tended to see “regionalism as a dynamic integrative process through which a regional system of sovereign independent states gradually transforms into an integrated regional system.”\textsuperscript{100} For instance, Ernst B. Haas believed that regional integration was a process:

that links a given concrete international system with a dimly discernible future concrete system. If the present internal scene is conceived of as a series of interaction and mingling national environment, and in terms of their participation in international organizations, then integration would describe the process of increasing the interaction and mingling so as to obscure the boundaries between the system of international organizations and the environment provided by the nation-state members.\textsuperscript{101}

\textsuperscript{98} Hashmi, \textit{Iran, Pakistan and Turkey}, 35.
\textsuperscript{99} Ibid., 35–36.
\textsuperscript{100} Ibid., 10.
\textsuperscript{101} Ernst B. Haas, \textit{Beyond the Nation-State} (California: Stanford University Press, 1964), 29, cited by Hashmi, \textit{Iran, Pakistan and Turkey}, 13.
Haas had defined regional integration as “the process whereby political actors in several national settings are persuaded to shift their loyalties, expectations, and political activities toward a new center, whose institutions possess or demand jurisdiction over the pre-existing national states.” ¹⁰² He argued that this process had an end product, “a new political community, superimposed over the pre-existing ones.”¹⁰³ Etzioni observed: “states are integrated when several states constitute a common agency which enjoys a monopoly over the means of violence, possesses the sole capacity to allocate resources and rewards, and constitutes a central focus for the emotional identification of the population of several states.”¹⁰⁴ Deutsch defined integration as “the attainment, within a territory, of a ‘sense of community’ and of institutions and practices strong enough and widespread enough to assure, for a long time dependable expectations of ‘peaceful change’ among its population.” For Deutsch, the United States and Canada are integrated and form a “pluralistic security community” because they do not anticipate any war with each other to settle their disputes. Deutsch maintained, a security community is “one in which there is real assurance that the members of that community will not fight each other physically but will settle their dispute in some other ways.”¹⁰⁵ Lindberg defined regional integration as an “evolution over time of a collective decision making system among nations. If the collective arena becomes the focus of certain kinds of decision making activity, national actors will in that measure be constrained from independent

¹⁰³ Ernst B. Haas, *The Uniting of Europe*, 16, cited by Hashmi, *Iran, Pakistan and Turkey*, 14.
action.” Balassa had defined regional integration in terms of economic integration which was a “process and a state of affairs.” He maintained that “as a process” regional integration “encompasses measures designed to abolish discrimination between economic units belonging to different national states; viewed as a state of affairs, it can be represented by the absence of various forms of discrimination between national economies. Smith believed that regional integration involved “a series of voluntary decisions by previously sovereign states to remove barriers to the mutual exchange of goods, services, capital, or persons.”

2.5.1 The Contending Ideas about the Rise of Regionalism

The growth of regionalism has been interpreted differently by different scholars. First, it has been seen as a part of the erosion of the nation-states’ authority, and a “movement away from a state-centric world and the beginning of a postnational international order.” Palmer and Perkins observed that the regional arrangements had been seen as “new alternative to the state” believing that the erosion of the nation-state was underway. It would accompany the transformation of the contemporary international system, which might be replaced with another one, possibly that dominated by the regional groupings of states. For instance, Walter Lippmann had argued that “the true constituent members of the international order of the future are communities of states.” Fry claimed that some free trade economists and the regional integration theorists had

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106 Cited by Yi Feng and Gaspare M. Genna, “Regional Integration and Domestic Institutional Homogeneity: A Comparative Analysis of Regional Integration in the Americas, Pacific Asia, and Western Europe,” Review of International Political Economy, 10:2 (May, 2003), 279.
109 Gilpin, Global Political Economy, 357.
viewed this trend as “the stepping stone or building block to an effective global order.” They believed that this intermediate stage would ultimately wither away as and when “global free trade is achieved.” But their critics did not accept this perspective and they argued that this trend was a sign of emergence of the “alternative world order.” Particularly, neomercantilists and neorealists perceive the growth of “discriminatory regionalism” as a movement towards a world characterized by the “competing trading regions.” It would mean fragmentation of the world into “competing blocs.” Regional groupings will form a new world order that, instead of building blocks towards a new global order, would rather undermine it. Yet another perspective is that the regional and global institutions would coexist in a way like federal arrangements. Regionalism would neither serve as a building block nor act as an alternative order to global institutions. Rather the former will supplement the latter, though some scholars even believe that regional institutions would be subservient to, or agent of, working as “conduit for a global governance agenda.” Fry noted that the true relationship between global and regional institutions had varied from region to region but some sort of the supplementary role of the latter to the former was evident, more or less in all regional arrangements.112

Another strong view rejects the assumption that regionalism replaces nation-states due to erosion of its authority. It claims that growth of regionalism is “consistent with the maintenance of state power” because it helps states to consolidate their authority, enhances their bargaining position at global level, strengthen their national economies and their international competitiveness, protect them from external threats to their national security and economic welfare, help express their ambitions and concerns, and

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112 Ibid., 124–25.
promote both their national and collective objectives. Fry claimed that regionalism was a response of the nation-states to “the global encroachments” in states’ sovereignty. It provides “another layer or arena in an increasingly complex and overlapping system of global governance.” Some critics have viewed the growth of regionalism as “legitimating inexcusable behaviour by governments” like human rights violations and intensification of domestic conflicts. However, alternative perspective views this trend as “legitimate” and “counter-hegemonic strategy” of states. Fry argued that regionalism particularly in the non-Western areas had the aim “to strengthen rather than weaken” the state power. Hashmi claimed that regionalism was a legitimate response of states, and a rational and pragmatic approach to address their common problems – political, economic, social and environmental – which are neither national nor global in scope and are actually confined to a particular region and need combined efforts of a few states. However, political will and shared vision is indispensable for the success of regionalism. In sum, the rise of regionalism displaces neither nation-state’s power nor global institutions. Rather there is “an emerging system of overlapping authority and jurisdiction with the relative power of state, regional and global, arena varying from issue to issue, over time, and according to the region concerned, seems more persuasive.”

The significance and the role of regions have also increased the arenas of politics. The regional arrangements occupy a position “between states and global forces and agencies” to perform some functions. They occupy a crucial place, besides national and

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113 Gilpin, Global Political Economy, 357–8.
114 Fry, “A ‘Coming Age of Regionalism,” 121 and 126.
115 Hashmi, Iran, Pakistan and Turkey, 3.
global institutions, where actors compete for advancement of their ideas and values, securing resources, evolving new concepts and norms (intervention or non-intervention), and practices (security and development). They also arbitrate “on the legitimacy of states and governments by policing the right to membership” and provide an arena where “the tension between the global and the local is mediated.”

The growth of regionalism has also been “driven by the dynamics of an economic security dilemma.” The rise of new economic powers or strengthening of economic groupings stimulates nonmembers including the major economic powers to form a new, or strengthen the existing, regional arrangements, e.g. US response to EU success was to support NAFTA and Japan had promoted “Asian-Pacific regionalism.” These powers had also responded to the “threatening globalization” through intensifying regional integration and increasing their economic competitiveness at the global level.

According to Fry, the neoliberal economic theorists support economic regionalism due to its appeal for economic survival, economic welfare and economic justice. They view the process “as a stepping-stone to global free trade order that would maximize growth and welfare.” There are two groups of scholars among them; supporters of open regionalism and supporters of discriminatory regionalism. The former views the discriminatory measures as obstacles to the growth of global free trade order. The advocates of discriminatory regionalism, however, argue that discrimination at regional level is “necessary evil to pressure outsiders into making concessions on reducing barriers to trade.” Neomercantilists share, with neoliberal economists, their “normative

118 Ibid., 123–4.
119 Gilpin, Global Political Economy, 360.
120 Ibid., 357–8.
concern with economic welfare” brought by Regional Trading Arrangements (RTAs) but
they believe that RTAs would become “competitive trading blocs” potentially involved in
“trade wars” with each other. They believe that states are motivated towards regionalism
for the sake of economic survival being challenged by consolidation of regional grouping
of other states. As such, both neoliberal free trade theorists and neomercantilists favour
creation of regional economic organizations like APEC, NAFTA and the EU. However,
the “pure market liberals” oppose both open and discriminatory regionalism because they
believe that they are “not as effective as a global approach” to trade liberalization.
Moreover, they believe that RTAs would become “trading blocs” and that they are
“unnecessary interference with the market mechanism.”

2.5.2. The Regional Integration and Cooperation Debate

Generally, the terms regionalism, regional integration and regional cooperation
are used interchangeably. However, there is a need to distinguish between regional
integration and regional cooperation because the latter can take place even without the
former. The World Bank has also observed that a distinction between the two is
necessary and it can be “on the basis of the degree of sovereignty that countries agree to
transfer to supranational institutions.” However, it is difficult to make clear-cut
borderline between the two. Cooperation lies somewhere in the middle of two
extremes of mutual relationship; harmony and discord. Harmony requires sharing of an
understanding between actors which, despite of having some divergence in mutual
interests, help each other to achieve their respective goals without “too much negotiations
or bargaining.” The discord involves the states’ obstructive behaviour towards each other

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and pursuance of policies and actions aimed to thwart the other state from achieving its objectives, and it does not give states any incentive to change their behaviour. In the extreme case, it may lead the states to “work at cross-purposes or even engage in obstructive activities or direct conflict.” On the other hand, cooperation requires different states to bring their actions “into conformity through a process of policy coordination that, if pursued successfully, can lead beyond mere coordination to extensive collaboration.” It involves “a range of activities” from simple consultation and coordination to “full collaboration” to undertake various activities. In order to achieve mutual cooperation, “each actor must change behaviour contingent on changes in the behaviour of others.” It does not take place for the sake of idealism or some “belief in the ‘common good’” but due to the realization on the part of actors that international cooperation “maximizes benefits.”

Axelrod and Keohane had argued: “Cooperation is not equivalent to harmony. Harmony requires complete identity of interests, but cooperation can only take place in situations that contain a mixture of conflicting and complementary interests. In such situations, cooperation occurs when actors adjust their behavior to the actual or anticipated preferences of others.”

2.6 ECONOMIC REGIONALISM IN THE DEVELOPING WORLD

Mytelka had argued that regional integration, in itself, was neither a motivation nor objective for initiating cooperative arrangements. In fact, it is not an end in itself but one of the means to an end, i.e. to achieve political, military, strategic and economic

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Member states may be motivated due to various reasons to form or join regional arrangements. Generally, the states rely on their “national means” to achieve their objectives related to their strategic, political, economic, technological and developmental needs. When national leaders find their national capabilities insufficient to accomplish the task, they resort to collective efforts at the regional level to achieve these goals. Thus, Mytelka observed, the European integration schemes were “means to the ends of peace, economic reconstruction, and perhaps a reduction of United States influence in postwar Europe.” However, in most cases, the achievement of economic objectives is the main goal of such endeavors. Initial gains from freeing the trade had led Europeans to deepen the process by further reducing trade tariffs among them. Nation-states also join regional groups to resolve their common problems, increase their bargaining positions in global negotiations, and to enhance international competitiveness of the local firms. It provides incentives for the economies of scale to regional firms “while simultaneously denying these advantages to outsiders unless they invest in the internal market and meet member-country demands for local content, technological transfers, and job creation.” Gilpin argued that regional arrangements also help facilitate states to pool together their common resources and create “regional corporate alliances.”

In sum, states use these arrangements as effective tools and a main strategy to enhance their political and economic power. Thus, the developing states also pursue regional integration primarily motivated by the shared political and economic interests. They also

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perceive economic regionalism as “a paradigm” for rapid industrialization. Baldwin and Kay had observed that the growth of economic regionalism among the developing states was caused due to the following three reasons: their failure to get access to the markets of industrialized world for their products; their inability to compete the West in “high-technology products” and; inspiration from the success of the European economic integration. Thus, the developing states “turned to each other” to increase their industrial development expecting more, as well as equitable distribution of, benefits.

2.6.1 Issue of Equity and Durability of Economic Integration Schemes

Mytelka argued that the economic growth of the developing states as well as their ability to attract foreign investment is usually inhibited due to their dependence on the industrialized world, lack of sufficient natural resources and skilled manpower, scarcity of capital for investment and small sized national markets – either due to small population or weak purchasing power of the people. Since, trade stimulates economic activities and brings growth and prosperity, therefore, its expansion is considered as a panacea to underdevelopment. Consequently, the developing states strive to broaden their national markets through regional trade liberalization arrangements. However, developing states mostly expects “immediate and dramatic” benefits as well as “equity” in their distribution. Thus, the issue of even distribution of gains from cooperation becomes crucial one and even it determines “the durability” of regional arrangements. “The creation and durability” of regional economic arrangements, Mytelka claimed, is

132 Ibid., 240.
133 Ibid., 236.
influenced by the expectations and perceptions of the national leaders regarding: potential net economic benefits including “tangible immediate gains;” increase in economic gains over time and; even distribution of gains accruing from cooperation “proportionately faster than losses.”

Barnard had noted that the “survival and successful functioning” of a regional cooperative arrangement relies on “its ability to satisfy” the needs of the grouping for which it is formed as well as its capability to maintain a balance in terms of its costs and benefits for every member. A cooperative scheme gets legitimacy only through achieving development objectives set by its members. When it cannot produce tangible results, its legitimacy is “seriously questioned and probability is high that such challenge will result in [its] disintegration.”

Since the developing states are, generally, the producers of agricultural or mineral products and suppliers of raw material to the West, which prevent them from getting “immediate and dramatic gains” from regional arrangements. Such schemes can only provide benefits in a slow and gradual manner over a long period of time and often through demanding sacrifices by its members in the short run. On the other hand, regional economic arrangements, even in the developed world, do not produce equitable distribution of gains. The inequalities among the developing states “are likely to be greater, with some member countries being sole losers.” Less Developed Countries (LDCs) attract less foreign capital, get fewer gains and pay more price or cost for

134 Ibid., 250.
137 Ibid., 241–43.
economic integration. The initial gains from integration schemes among the developing countries are usually low and unequal for different members. Their asymmetric economic base results in clustering of economic activities in comparatively developed areas leaving rest of the areas backward.\textsuperscript{139} Balassa had argued that regional arrangements in the developing world exhibited dominance of the forces increasing economic disparities at regional level. He had observed: “the limited amount of new investment goes primarily to regions where the availability of related industries and social and economic overhead capital offer higher returns and that the spreading of advances made in more developed regions is hindered by the lack of an adequate interregional transportation and communication system, as well as by sociological and psychological rigidities.”\textsuperscript{140}

Due to “spread” and “backwash” effects, economic growth leads to polarization of region with emergence of “poles of growth” at comparatively developed areas which not only attract investment from outside world but also drain “economic factors from the more backward countries of the region” converting them in to “poles of stagnation.”\textsuperscript{141}

Less developed members are losers in some other respects too. They remain net importers of goods, now from partners in a regional scheme instead of outside world, and face trade deficits and balance of payments problems. Their industries have to compete with, and ultimately lose from, the region-based more developed industries of co-members. They have to import from their partners tariff-free goods and hence lose substantial amount of revenues. The LDCs in a Custom Union have to import comparatively more costly goods from their partners than non-members, and thus their customers have to pay more prices.

\begin{footnotesize}
\begin{itemize}
  \item \textsuperscript{139} Mytelka, “The Salience of Gains,” 243.
  \item \textsuperscript{140} Balassa, \textit{Theory of Economic Integration}, 201, cited by Mytelka, “The Salience of Gains,” 244.
  \item \textsuperscript{141} Axline, “Underdevelopment, Dependence, and Integration,” 86.
\end{itemize}
\end{footnotesize}
Thus, Mytelka had observed: “the industrially less advanced member–states, those which do not attract new industry and must import manufactured goods from their partners in fulfillment of the integration bargain, are being asked to subsidize the industrial development of the industrially more advanced member-states.”

The economic integration among states of asymmetrical economic base increases prevailing economic disparities in the region. It leads to frustration and discontent among some members putting severe stress on, and posing serious threats to the durability of, regional cooperative schemes. When the expectations of rapid industrialization, immediate and equitable gains from integration do not materialize and economic asymmetries increase, the national leaders express their concerns for trade imbalances and regional industrial location policy. It becomes difficult for regional arrangements to survive the ensuing initial strains, and the argument of “social learning” from the integrative process does not work. Mytelka observed, the distributive issues in such arrangements become so sensitive that “what in Europe are noncontroversial matters, amenable to technocratic bargaining, become in developing countries highly politicized issues which the dramatis personae of the political system are called upon to negotiate.” Haas has also observed that the expectations for economic gains “are prematurely politicized” among the developing states which prevent “incremental bargaining on relatively noncontroversial shared objectives.” He maintained, due to limited resources, compromise over mutual gains, particularly involving delayed side-payments, becomes almost “impossible” and due to difficulty in keeping issues separate,

143 Axline, “Underdevelopment, Dependence, and Integration,” 87.
145 Ibid., 237.
the size and power differentials among members disrupt the integration process.\textsuperscript{146} Sharan noted that generally, “the trade creating forces” are likely to shift the factors of production as well as the productive resources “away from high cost centres.” The problem becomes worse when a country cannot increase its exports. Rather it “simply shifts its imports from a low-cost source to a high-cost” regional source and suffers trade imbalance. If prevailed over a longer period of time, the weaker member would resultantly “feel dissatisfied.” It could seriously limit the chances of having friendly relations among member states. Consequently, different members may pursue dissimilar goals and favor “different mechanisms.” Most probably, they would not be able to “agree on a single formula” which can severely hinder the growth of regionalism.\textsuperscript{147}

Axline argued that despite overall economic growth of the region, LDCs may not get benefits of integration and may need some redistributive measures.\textsuperscript{148} Particularly, among the developing states only those economic arrangements can prove their usefulness which can minimize losses and maximize benefits of regional integration for their members.\textsuperscript{149} Thus Mytelka argued to not form comprehensive arrangements in which sacrifices are “unmatched by corresponding gains” with uncertain future viability and durability. Rather he argued that developing states should focus on “sectoral approach to the integration” devised in accordance with the political and economic needs of a particular region.\textsuperscript{150}


\textsuperscript{148} Axline, “Underdevelopment, Dependence, and Integration,” 87.

\textsuperscript{149} Mytelka, “The Salience of Gains,” 250.

\textsuperscript{150} Ibid., 246–7.
2.7 MODELS OF REGIONAL ARRANGEMENT

Several scholars have identified various models of regional economic integration with varying distribution consequences for member states. Vaitsos had identified three models of regional economic integration on the basis of different level of participation by the member states. First model included regional schemes which pursued project integration through taking concrete actions and implementing projects aimed at promoting the interdependence among members for their mutual benefits. However, such schemes might not necessarily result into formation of larger integrated areas. Another model of integration involved different schemes pursing varying degrees of integrated development and might not function on the pattern of market system. This model included mechanisms to formulate and pursue common economic development policies aimed at achieving particular goals. When these arrangements are supplemented by market integration, Vaitsos argued, they include “mechanisms” for intervention in the market phenomenon in order to allocate resources and give direction to economic activities. The third model involves market integration through preferential or free trade agreements, customs unions, common markets and economic and monetary unions. This is the most common and frequently used style of integration practiced both in industrialized as well as in the developing world.\footnote{Constantine V. Vaitsos, “Crises in Regional Economic Cooperation (Integration) among Developing Countries: A Survey,” World Development Vol. 6 (1978), 720–1.} This model involve different “modalities and degrees of market integration” ranging from simple cooperation and Preferential Trade Arrangement (PTA), through Free Trade Agreement / Area (FTA), custom union, common market to full monetary and economic union. The preferential trade agreement involves reduced or lowered tariff rates for goods imported from
members than those for the non-members. The free trade area includes the arrangement in
which the states agree to abolish all tariffs and non-tariff barriers on trade among its
members. It requires “custom points” at national borders of each member to check the
movement of goods. Without custom points, the goods of nonmembers can enter through
any member state having lowest external tariff rates. Another way to address this problem
is the creation of a custom union. A custom union requires its members to erect common
external tariffs for the goods imported from the non-members whereas the products of
member states are traded freely, without tariffs, within the region. A further higher level
of economic integration takes place with the creation of a common market which
includes all the features of a free trade area and a custom union. Besides, it also provides
for free flow of people and money. As such, a common market involves free movement
of the “factors of production” i.e. capital, labour, goods, and services among the member
states. The monetary and economic union provides for a harmonization of, or a common,
fiscal and monetary policy including single currency, and other economic policies for all
members.\textsuperscript{152} However, Vaitsos had argued, the results of this model in the developing
world were not satisfactory as it could not adequately address the development problem.
Rather it had mostly resulted into “accentuation of underdevelopment and dual
productive and income structures.” As such, it had also resulted into “disillusion with
integration itself.”\textsuperscript{153}

Mytelka had also identified three models of integration in the developing world.
He claimed that the first two models included “contradictions.” However, the third model

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\textsuperscript{153} Vaitsos, “Crises in Regional Economic Cooperation,” 720–1.
\end{flushright}
could address them. First model involved regional arrangements based on market integration as advocated by free trade theorists, like formation of preferential and free trade areas, custom unions, common markets and full economic and monetary union. However, he considered this model as inappropriate for the developing world because it “leads to asymmetrical patterns of exchange and to polarization.” He claimed that the ensuing inequalities produce “forces of instability” and frustration among members. It can lead to stalemate and even disintegration of cooperative schemes.

The second model strived to address the problem of unequal distribution of gains. It included measures to seek economic benefits through trade expansion as well as mechanism to ensure equal distribution of the economic gains among members. In order to avoid polarization effects, this model involved corrective and compensatory measures as well as regional planning of development and industrialization including allocation of industry among member states and establishment of regional development banks etc. However, Axline argued that this model was “more complex” and required a considerably “higher level of commitment” by its members in fields of “high politics.”

The last model included some aspects of the first two models. It involved both corrective and compensatory mechanisms to resolve the problems of inequality and polarization of development. It also included measures to address the problem of dependence on the industrialized world, which some believed, was the main barriers to development and the success of integration schemes in the developing world. Axline claimed that these regional arrangements modeled on this type strived to overcome or decrease “the pattern of dependence” on the West as well as provided for a “regional

155 Ibid., 87–8.
policy” to regulate Foreign Direct Investment (FDI). Axline ranked this model quite higher than the first two due to its potential of achieving the “development goals” of the developing states. He claimed that this model best suited to address the “conditions of underdevelopment” in the developing world. Axline argued that this model combined the features of a “customs union to promote import substitution, redistributive mechanisms to offset polarization, and policies to reduce dependence to permit a regionally controlled economy.” However, Axline claimed, this model also contained certain limitations. Economically, this model was the most beneficial for all members but politically it was also ‘the most difficult to achieve.” In order to take measures under this model, it required greater commitment of members towards regionalism demanding higher level of decision making and “more complex” regional institutions. According to Axline, only the Andean Group and CARICOM had sought integration modeled on this style.156

2.8 CREATION OF REGIONAL ECONOMIC COMPLEMENTARITIES

Baldwin observed that some regional arrangements had sought trade liberalization as well as cooperation among member states in industrial and agricultural sectors, development of physical infrastructure for economic growth and formation of regional financial institutions to finance the regional developmental projects. For instance, the Central American Common Market (CACM) had included conditions of a customs union as well as provisions for cooperation among member states in industrial sector. It had provided for the balanced allocation of industries to all five members in a way that no single country could get another industry until rest of the members had one. The products of these industries could be traded freely in the region. The members had also

156 Ibid., 88 and 97.
coordinated their “sugar export policies” and pursued “common policies” to alleviate fluctuation of grain prices. They had also established regional Central American Bank to finance developmental projects. More or less similar provisions were incorporated by the East African Community (EAC). However, EAC neither provided for cooperation in agricultural sector nor possessed regional financial institutions.\(^{157}\)

The members of Regional Cooperation for Development (RCD) had pursued “joint planning of industrial projects” instead of trade liberalization as their main objective. They had also set development of regional infrastructure as another objective to be followed by trade expansion. They had adopted a program for “regional specialization and exchange of goods together with a pooling of research and training resources”\(^{158}\) aimed at creating the planned regional industrial and economic complementarity. In 1967, the members had signed an agreement which provided for “promotion and operation of joint purpose enterprises.”\(^{159}\) Realizing their inability to finance through their national sources, they had decided to pool their skills and resources to launch joint purpose industrial projects: “in various forms such as joint ownership, either in the public and / or private sectors, ownership, ownership by one country or more for making supplies to the others, establishing production facilities in one country for which raw material is produced in the other, long term production agreements based on production facilities in any of the countries.”\(^{160}\)


\(^{159}\) Hashmi, \textit{Iran, Pakistan and Turkey}, 152–53.

The RCD members had agreed to set up “joint ventures” in different members to promote balanced industrial growth with the provision that each member would buy their products in a specified quantity. The RCD Planning Council had allocated joint industries among Pakistan, Iran, and Turkey in a manner so that no single member could become “more industrialized” at the cost of others. Even, some inter-related industrial projects were allocated to all three states to promote intra-industry trade in the region.\footnote{Hashmi, \textit{Iran, Pakistan and Turkey}, 159–63.} They had also considered a proposal to set up a “joint commercial bank” to finance development activities.\footnote{Baldwin and Kay, “International Trade and International Relations,” 109.} The process of setting up the joint ventures was “fairly long” and most of the projects were either at the stage of planning or infancy in late 1970s before RCD was put in shelf after Iranian revolution.\footnote{\textit{Regional Cooperation for Development}, 17, cited by Hashmi, \textit{Iran, Pakistan and Turkey}, 155.} However, RCD model for balanced industrial development was “a unique experiment in Asia.”\footnote{Hashmi, \textit{Iran, Pakistan and Turkey}, 163.}

these schemes had demonstrated the will of member states to create regional arrangements which could ensure equitable economic gains for member states.

CONCLUSION

Regional cooperation requires different states to harmonize their actions through various ways, such as mutual consultation, policy coordination and active collaboration in various fields. It involves a mixture of conflicting and complementarity of states’ interests and takes place when states change their behavior to the expectations of others. It also requires regional states to renounce the use of force in their mutual dealings and to agree on resolving their disputes through peaceful means.

The origin of ROs in primitive form can be traced back to ancient times and they existed throughout most of history. However, the trend of forming ROs proliferated in the post-war era. The growth of regionalism, particularly in the developing world, is viewed as a part of states’ efforts to consolidate their national authority and increase their political and economic power. The developing states perceive economic regionalism as a panacea of their development problems and a “paradigm” for rapid industrialization. They want immediate economic benefits as well as equitable distribution of gains of regional cooperation. The issue of even distribution of gains of cooperation is crucial one and determines the durability and survival of regional arrangements.

There are various models of economic integration based on varying degrees of involvement of member states and having different distributional consequences. The most familiar and widely practiced model is based on market integration but it also contains certain drawbacks. In the past, it mostly intensified underdevelopment through increasing disparities and creating dual economies which caused disappointment with
integration itself. The durability of grouping rests on the ability and willingness of the more advanced members to take redistributing measures in favour of poor members. To avoid such problems, the developing states of unequal economic strata can pursue an alternative model which prioritizes balanced economic development through regional planning and adopting corrective and compensatory measures. It involves regional planning of development such as improvement of physical infrastructure, creation of regional banks to finance development projects, and allocation of industries to create industrial complementarities and economic interdependence. It may also include a regional policy to regulate FDI, joint industrial projects under public or private ownership with provision to supply its products to all or several members. This model strives to ensure that no member becomes more developed at the cost of others. Several ROs including the Andean Group, CARICOM, CACM, the East African Community, RCD and ASEAN had tried some mix of these measures with varying results. This model is more complex and requires high level of understanding and commitment by all members. It also demands some short-term sacrifices from the more developed members.

There existed various experiences successful and unsuccessful economic cooperation schemes. Under the given conditions of South Asia, SAARC members could get benefit from these examples. Thus, several scholars had suggested SAARC to strive for creating regional economic complementarities before pursing “grandiose” goals of trade liberalization and market integration.
Chapter 3

THEORIES OF REGIONALISM

There exists vast literature on regional integration but most of it is based on Eurocentric research. However, Genna observed, “general theories of regionalism are still at the early stages of development.”\textsuperscript{1} Presence of different and too many factors in different regional integration schemes prevent development of a general theory of regional integration.\textsuperscript{2} Still there exist several theories explaining regional integration. According to Web, one of the merits of a good theoretical explanation of regional integration is that it “should be flexible enough to account for both successes and failures in the integration process, and for outcomes that fall between success and failure.”\textsuperscript{3} However, the history of last sixty years has shown that different theories were “proposed or abandoned” with changes in circumstances. According to O’Brien, generally neofunctionalism is employed when “integration progresses smoothly” but in “times of difficulty” the scholars use “state interest theories.”\textsuperscript{4}

The theories explaining regional cooperation or integration can be broadly grouped into economics theories and political science theories. The former explain “the welfare consequences” of integration schemes both for members and non-members. The latter explain the process of regional integration.\textsuperscript{5} The main economic theories of regional

\textsuperscript{1} Gaspare M. Genna, “Power Preponderance, Institutional Homogeneity, and the Likelihood of Regional Integration,” Jean Monnet / Robert Schuman Paper Series, 7 : 12, July 2007, University of Miami, 4.
\textsuperscript{2} Gilpin, Global Political Economy, 359–60.
\textsuperscript{5} Gilpin, Global Political Economy, 344.
integration include neo-institutionalism and the new political economy approach. The first assumes that the international as well as regional institutions are created to address the problems related to market failure, coordination among members and eliminate obstacles in regional cooperation. Gilpin claim that this approach does not explain the political motives of the states to create regional arrangements. The new political economy approach focuses on “interest group politics” and the distributive effects of economic integration. It assumes that such arrangements generally put adverse effects on nonmembers and “create both winners and losers among the members.”

The Marxist theorists of regional integration – both economic and political – attribute the process of economic integration to the efforts of global capitalists who in their bid to increase capital accumulation want to remove national boundaries and form larger political and economic entities. Other important economic theories include: Optimum Currency Area theory that tend to specify the necessary conditions for creation of a common currency in a region; and the Custom Union theory that deals with explaining welfare consequences for non-members after creation of FTAs and custom unions. The political science theories of the regional integration include: federalism, transactionalism, functionalism, neo-functionalism, interdependence theory, neo-institutionalism or regime theory and intergovernmentalism.

3.1 FEDERALISM

Different scholars, leaders and philosophers at times had proposed “variously and vaguely” the European or even world federation in order to bring an end to war and

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ensure permanent peace in the world. The early advocates of federal arrangements included Dante, the Duke de Sully, Immanuel Kant, and Robert Cecil etc. There were strong European federalist movements during and after the Second World War. Even in 1946, British Prime Minister Winston Churchill had urged to develop some form of United States of Europe. Lionel Curtis was among the eloquent advocates of federalism in the twentieth century. The desire for a European federation had generated interest among scholars who put their energies to build theories which would promote the objective of European political integration.

The federalists clearly suggested their “end-product” i.e. political union of previously independent states. They meant integration as “the merging of peoples or governmental units into a single unit.” Federalism, in the words of Mitrany, was “one of the great inventions of political theory and life.” It was adopted several times in different places where it helped unite several adjacent political units which wanted to achieve their political union for some general reasons as well as to preserve their individual identities, e.g. the United States of America, Switzerland and Australia. Generally, federations pursue common defense and foreign policies as their main tasks for which these are also provided with common budgets. A federation can be formed on the basis of some

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common grounds among the constituent units, such as kinship or other relationship as well as a desire of unification with intention to manage most of their affairs separately. The conflicting desire to create unity while retaining identity among participating units is the essence of federation as it provides to combine unity with diversity. Federalism relies on a written and rigid constitution which provides for detailed division of powers and functions between authorities of constituent units which enjoy equal authority and status. The constitution is given with “an armoury of safeguards against its being lightly tampered with.” Federalists assume that people and nations identify their needs and purposes with each other which could be achieved through common federal institutions. They also suggested the “necessary strategies and requisite behaviour patterns” required to create regional solidarities and institutions. In sum, the federal arrangements are characterized by non-centralization, division and separation of powers guaranteed in written and rigid constitutions, and will to unity while maintaining separate identity and territorial integrity of constituent units.

Haas had identified two groups of federalist: ideological and activist. The former was interested in building “a theory of action” aimed at achieving a federation. The latter group was engaged in “tracing and observing patterns of federal integration” and preparing the draft constitutions of possible federations. Both groups shared certain points such as significance of institutions and importance of studying the history of creating federal states. Federalists emphasized the concept of division as well as separation of powers and devised mechanisms to this end. They were also interested to

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16 Ibid.,
evaluate the “merits of rival methods of representation and elections.” Both groups were well aware of the “dual character of federalism,” which could help create a union of two separate political units as well as prescribed for decentralization and distribution of powers in “overly centralized” states. Federalism provided for effective government in some areas through centralization as well as local autonomy through devolution. Haas claimed that the second group of federalists was “tended to lose” its identity as it did not share some assumptions of the first group, i.e., popular needs or imminent and necessary events, concentration or decentralization of powers and federal arrangements as indispensable formula as remedy to all ills of the society. Haas maintained, this group had started to speak with regards to the “federating process” not very differently from “the medley of demands, expectations, rational bargaining, and ad hoc growth of institutions which neo-functionalists seek to trace.”

Federalists like Carl J. Friedrich, had stressed to focus on the process as a dynamic phenomenon, i.e. historical evolution of federal relationship, instead of taking it as a “static design regulated by firm and unalterable rules.” Haas claimed, though they do not deny the importance of institutions and constitutional arrangements for the division of power and jurisdiction but they show their interest more in “What function does a federal relationship have?” Thus, Haas claimed, the federalists believed in “the federal end” but they were “willing to use functional means” to that end.

Mitrany had criticized the federalism on certain grounds. He argued that a federation is generally created “for certain specific ends, and for those only.” As such, it “unites, but it also restricts.” He maintained, political federation is “the political

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20 Ibid., 425.
equivalent of a company with limited liability.” The central government in federal arrangements is generally “by its nature conservative and legalistic. Every attempt to give the central government some new function and power has to knock at the massive and rusty gates of the constitution.” Haas had pointed out that federalists’ assertions are either “normative or descriptive” instead of being explanatory. He claimed, the events that took place in Europe and Africa in the postwar period, had “effectively contradicted” the descriptions, explanations and predictions” made by federalists. “This approach, in its pure form, is probably discarded,” he maintained.

3.2 FUNCTIONALISM

The Functionalists believed in “transnational, technocratic problem-solving encouraged by spillover.” They had sought to obscure sovereignty of traditional nation-states with a network of arrangements made to address specific technical or functional issues. Once transnational organizations show their significance in a technical area, states would find it useful to form such organizations in other areas. It will improve efficiency and welfare in related fields, which in turn, will create demand for further cooperation in more areas – a “process of spill-over would expand the areas that could benefit from increased technical cooperation.” The process will move forward through “learning and experience” till “functional units would become more important than territorial units.”


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23 Huelshoff, “European Integration after the SEA,” 621.
They believed that such arrangements could provide peace and stability in the world.\textsuperscript{25} Archer claimed that Wool was probably first person who had emphasized IOs as independent entities which was a deviation from the traditional lines of “state-centric model.” Wool believed that viewing the world as “divided into isolated compartments (states or nations)” was not based on reality. He had emphasized the importance of international functional organizations formed for promotion of economic and technical cooperation and International Non-Governmental Organizations (INGOs) in the nineteenth century.\textsuperscript{26} David Mitrany also wrote on similar lines and rather more systematically. He expressed his concern over the growing demand of sovereign equality by the rising number of smaller states which were not equal in power with Great Powers. He also believed that the federalist ideas were not resilient to the needs and conditions of the modern era and there was a need “to look for a new political device.” He, therefore, proposed a “sociological framework” or the functional approach aimed at combining “the will for national distinctness and the need for social integration.”\textsuperscript{27}

Functionalism is based on its discomfort with the democratic principles such as the right of self-determination, state sovereignty, egalitarian participation and federalism. Mitrany assumed that free social and economic contacts as well as common international control and central planning “whenever and wherever possible” as well as international government were the natural answers to various problems of the modern era. These could effectively address the problems related to the socio-economic development and the issues arising out of the scientific-technological breakthroughs as well as could help


\textsuperscript{26} Archer, \textit{International Organizations}, 134–5.

\textsuperscript{27} Mitrany, “The Functional Approach to World Organization,” 354.
maintain world peace. However, the “political-constitutional approach” and the emergence of “new states, even without a national base” had deprived the world of these benefits. Mitrany expressed his displeasure over “the near worship of the national-territorial state.”

He argued that the trend of the right of self-determination was in conflict with another trend, i.e. social transformation of the world which demanded international planning. The new nationalism of the twentieth century was a “social nationalism” because each nation wanted “to have its own national house” as well as “a new social life within that house.”

He claimed that the new states of the Third World had exhibited more expressively both of these trends and they were faced with a real threat of undergoing a “regression.” The trend of dividing the world into sovereign states was in conflict with the need of the “division of labour” that binds nations together. This need and practice of mutual cooperation was inhibited due to general inclination towards “political segregation.” Thus, there was a need to reconcile both the trends and to start “international house-building” from the prevailing conditions. Mitrany observed that egalitarian principles had become “a snare and a delusion.” Thus, he advocated for “functional representation” which could address the problem by bringing “together those who know with the things they know, and in which they can both initiate policy and judge its performance.”

Mitrany had opposed the various ideas of one or another sort of federal arrangement because, he believed, it would mean another type of a “closed political system” – unable to meet present-day needs. Federalism contains rigidities as reflected in

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its framework, constitution, structure, work and general life. Under contemporary conditions of active nationalism, diverse and competing political ideologies, and strong urge to preserve national sovereignty, it was neither attainable nor durable. Federalism gives restricted powers to central authority which does not match modern needs of central planning in which federal government must perform too many functions without any restriction. An international federation based on rigid constitutional arrangements and small base with little chances of adaptability and amendment could be disastrous to the development of a genuine international community.\footnote{Ibid., 533–4; Mitrany, “The Functional Approach to World Organization,” 353–4 and 360 (summary of discussion); Mitrany, A Working Peace System, 173, cited by Tanter, “A Working functionalism?” 398–401.} Meanwhile, all federal unions attempted in the postwar period had “failed, some tragically” creating more “disunity behind.” Even some “old federations” and states like Great Britain were facing stresses and pressures from within.\footnote{Mitrany, “The Functional Approach in Historical Perspective,” 535–6.} If attained anyhow, a federal arrangement would only be “a new and larger unit” which could ensure peace among its integrating units but not itself and other states.\footnote{Mitrany, A Working Peace System, 96, cited by Tanter, “A Working functionalism?” 398–401.} The existence of two federations facing each other could be more dangerous to international peace. Regional political unions could pursue protectionist economic policies and divide the world depriving it of the benefits of free trade.\footnote{Mitrany, A Working Peace System, 27, cited by Archer, International Organizations, 138.} Thus, Mitrany asserted, the calls for federations were, in fact, calls for “a new nationalism and not for a new internationalism.” Such a development would not address the problem of political division of the world. Rather it “would change the dimensions of nationalism, but not its nature.”\footnote{Mitrany, “The Functional Approach to World Organization,” 351–2.}
Mitrany claimed that functionalism was aimed at changing the “political device” as well as “political outlook.” It sought to shift the focus on social issues from political ones, i.e. from those which divide to those unite people because they are in their common interests. He maintained that functionalism would “shift the emphasis from power to problem and purpose.” Mitrany argued the people and the states could be united “into a world community” through linking them together “by what unites, not by what divides.” Thus he asserted, the “ways and means to that end must be fitted to that purpose,” as well as relevant, adequate, and must begin from the objective conditions of the world.36

Mitrany stated that he ultimately wanted to create a world federation but it was not possible in the immediate future. However, he observed, there were no immediate prospects of creating even a Western European federation. He noted that the modern states were yet not ready to surrender their sovereignty. However, they can tolerate fairly high when it is related to its social and economic wellbeing. It, along with national desires and needs of material development, can be used as a basis and “guiding line” for “effective beginning” of international cooperation.37 Particularly, the new states of the developing world are in dire need of technical and material assistance to solidify their national independence which could be used resolutely and purposely to establish links for international collaboration. The countries with political and ideological differences may not be willing to join any political union but their need to resolve technical problems can bring them together in functional arrangements. Even it could possibly mend “the breach in the political unity” of South Asia and the Middle East.38 He claimed that functionalism

36 Ibid., 359.
was based on “the common index of need” instead of “the common index of power” and could provide a solid foundation for development of an enduring international society.\(^{39}\)

The functional needs and desires on the part of nation-states to resolve their technical problems could lead them to form functional arrangements due to which they would gradually shed their suspicions and hesitation towards international organizations. Thus, this approach was a way towards “the development of federation by installment.”\(^{40}\)

Mitrany argued that functional “‘neutrality’ was possible, where political ‘neutrality’” was inconceivable. Functionalism had an edge on the political approach because of its two advantages: it is easy to start at any time without waiting for a political arrangement or any other functional organization and; any country, including the adversaries, can join a functional arrangement. Any country may or may not join any organization and even can drop out any time. As such, functional arrangements were “at best complementary, each helping the others, and at worst independent of each other” because one functional organization could progress and prosper irrespective and independent of others. They had the virtues of “autonomous existence,” independent development and “technical self-determination.”\(^{41}\) Mitrany claimed that functionalism was featured to alleviate the problem of national sovereignty because it prescribed just to pool, and not to surrender, sovereignty as much as “needed for the joint performance of the particular task.” As, at the domestic level, national governments at international level can give special powers to the states assigned with to perform special tasks and services.


\(^{41}\) Ibid., 356–8.
Upon the successful performance of functional organizations, they will increase in number and evolve into the world government.\textsuperscript{42}

Mitrany stressed that it was desirable to put virtually all technical matters and activities under “centralized international authority with corresponding powers and means.” It must be “a full-fledged international government.” because technical functions must necessarily be centrally controlled and jointly performed. Mitrany declared that the real choice was not between the prevailing “competitive nationalisms and a lame international federation, but between a full-fledged and comprehensive world government and equally full-fledged but specific and separate functional agencies.” The networking of “interests and relations” across national borders, illustrated in socio-economic fields, could be administered through functional organizations and brought under a “joint international government.” Ultimately, the political divisions and the boundaries would be “overlaid and blurred by this web of joint relations and administrations.”\textsuperscript{43}

Initially it was believed that functionalism was appropriate for “non-controversial” welfare related matters. Later on, Mitrany clarified that even the “most fateful” and “most controversial” global issues could also be addressed only through functional arrangements. He argued that the global problems such as those related to management of seabed, space exploration and the use of nuclear power etc. could not be handled adequately in absence of complete “world government.” These problems need functional arrangements like Non-Proliferation Treaty (NPT). These arrangements could have their own weakness being “partial arrangements” but they were still desirable. Mitrany anticipated that they were likely to increase in number mainly “out of their

\textsuperscript{42} Ibid., 359.

\textsuperscript{43} Ibid., 358–9.
necessity” because new scientific inventions and discoveries would create new problems and need “joint control.” He maintained that there was no need of functional organizations covering “the whole range of international activities.” In fact, the creation of “a peaceful international community” on solid foundations required a gradual and incremental approach. Initially, it would be sufficient to put “under joint control” the functions related to the basic needs of the most of the people as well as “those which by their nature” posed threat to their security. Mitrany observed that any international arrangement covering all range of issues related to all fields would lead to “a totalitarian concentration, inevitably distant and heavy-handed, and so difficult to maintain in willing co-operation.” He claimed that advent of ICBMs, space travel and satellites etc. had created “new problems” which were not in conformity with concepts of national isolation, sovereignty and national frontiers etc. Thus Functionalism, prescribed “a direct attack on problems, mutual problems, as such; in the process building up, sector by sector, effect positive rules of international government” or the “new world law.”

Some functionalists had focused on regional integration in Europe while believing it to be “the indeterminate concept of ‘integration’” that would ultimately lead to global integration. They assumed that regional integration was an “intermediate stage” because a series of such regional integration schemes would culminate “into a universal union.” For instance, Frederick Schuman had advocated a functional approach to promote regional integration which in turn will help global integration, through building “peace in pieces.” The regional integration theorists had argued for “moving beyond state

sovereignty through regional integration towards global peace.” Mitrany had expressed his displeasure with “the regional dimension” of functionalism because a consequence or “the end product” of such integration, in the words of Mitrany, “could only be a restricted political unit.” He asserted that it was not a “neo-functionalism” Rather, he claimed, it was “the semi-functionalism; with one half, the process, new in parts, but the ultimate prospect stuck firmly in the old sovereign-territorial concept of political organization.” Mitrany observed that its “political shape will be changed, but not its political nature.” Thus, he maintained, regional integration schemes can neither ensure international peace nor could solve the emerging global problems arising out of scientific breakthroughs.  

3.3 **NEO-FUNCTIONALISM**

Neofunctionalism was dominant and widely held theory of regional integration till 1970s. It included elements of description, explanation, and prediction of regional integration process. Its popularity in late 1950s and early 1960s, demise in 1970s and renewal in mid-1980s mirrored the success, stagnation and revival of European integration process, respectively. It had its roots in “the modern pluralistic-industrial democratic polity” of the West and represented liberal perspective of international relations. Due to some weaknesses, it needed “clarifications and extensions in the list of forces or conditions which slow down or accelerate the integration process.” Haas had explained the process of European integration by focusing on the role of non-state actors below and above the nation-states i.e., political parties, pressure groups and supranational

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48 Huelshoff, “European Integration after the SEA,” 621.
body (High Authority). He assumed that the regional integration process grew automatically as integration in one area would “spill over” into another one which in turn would create demand for further integration and so on. Moreover, economic integration will spill over into political integration. Neofunctionalists believed that regionalism grew because of growing economic and technological problems which states cannot address adequately single handedly. In order to address these problems through regional efforts, national governments initiate functional organizations. On the success of a cooperative arrangement, the integration process becomes “self-perpetuating through a ‘spillover’ process.” Neofunctionalists emphasized the role of “transnational” linkages between private interest groups and bureaucrats in supranational organs wherein the member states had delegated their sovereignty and which enjoyed autonomy to initiate proposals for integration and coordinate “diverse interests.” They believed that the “problem-solving bureaucrats” commission’s members and intellectuals had established links and supported the integration.

Neofunctionalism was based on a “utilitarian calculus.” It means that man strives to maximize material benefits through mutual cooperation. Neofunctionalism had borrowed, Haas claimed, “the postulates of actor perception and behaviour which are said to explain the character of a pluralistically organized national state; it notes that certain of these seem to coincide with behavior at the regional level and therefore holds that the rest

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of the behaviour is also explicable in terms of the pluralistic national model.”

According to Haas, neofunctionalism took self-interest for granted and on its basis also delineated actors’ perceptions. They emphasized the importance of actors’ interests and explored elites’ adaptability according to specialization of roles. They gave precedence to “incremental decision making over grand designs” and argued that political actors could not foresee diverse consequences of their previous decisions. Thus, they were unable to adopt long-term “purposes behavior because they stumble from one set of decisions into the next.” They claimed that policies capable of transforming the system appear gradually as a result of decisions taken due to initial concerns “over substantively narrow but highly salient issues. A new central authority may emerge as an unintended consequence of incremental earlier steps.”

Haas in his path-breaking study of European integration in early 1950s had refined functionalist assumptions and propounded neo-functionalism theory. He claimed to explore as to “how and why nation-states cease to be wholly sovereign, how and why they voluntarily mingle, merge, and mix with their neighbors so as to lose the factual attributes of sovereignty while acquiring new techniques for resolving conflicts between themselves.” Haas had defined integration as a process “whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations, and political activities towards a new and larger centre, whose institutions possess or demand

57 Ibid., 627.
58 Haas, The Uniting of Europe; and also Haas, “The Challenge of Regionalism,” 440–458.
jurisdiction over the pre-existing national states.”  

Haas and other neofunctionalists had listed a number of variables as background conditions, conditions at the time of initiating the integration process and the process conditions. They had listed 12 independent variables, five of them under the background conditions which included: relative size of the states considering unification; rate of transaction among them; degree of pluralism in each member; extent of elite complementarity and; perception of dependence (on the external world). Three variables included among conditions at the time of union were: convergence of governmental purposes to integrate; objective external pressure and; powers given to the union’s institutions. The four variables were listed as the process conditions which included: decision-making style adopted by union’s organs; rate of transaction among members; “the adaptability of governments in dealing with unforeseen problems and tensions” and; objective external pressure.

Neofunctionalists had emphasized the role of non-state actors below and above the nation-states. They argued that main actors in the integration process were political parties, business communities and other interest groups and the supranational institutions, i.e. High Authority in ECSC and European Commission in EC. Their actions were motivated by their self-interest which meant that these actors promoted regional integration in pursuit of their own interests. Haas had claimed that national interests groups were willing to adjust their aspirations and turn towards supranational institutions

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in order to advance their goals. These groups made transnational alliances to put pressure on their national governments to follow the course of actions which could better serve their interests. Likewise, the supranational institution, motivated by its own interests such as to expand its authority and influence in more and more areas, promoted integration through establishing close ties with interest groups, help making their transnational coalitions, and making their alliances with and influencing the behaviour of national officials in respective governments. Since the Commission had the powers to initiate proposals and policies, therefore, in order to get them approved by Council of Ministers, it built and manipulated alliances with concerned interest groups in the member states deemed supportive to launch a favourable campaign. The presence of community gave interest groups an opportunity to shift their loyalties to supranational centre whereby they could advance their self-interest. Likewise, the “Eurocrats” – civil servants working in the Commission – became more loyal to the Commission than to their respective national governments. They built alliances with their former colleagues, i.e. bureaucrats, in their parent states to advance the agenda and expand powers of the commission. Neofunctionalists asserted that the role of national government was merely responsive. They could “accept, sidestep, ignore or sabotage the decisions of federal authorities.” But due to complexities of interests related to different issues, they could not take steps which would set bad precedent for other governments stumbling cooperation in other fields. They have to submit to the demands of the alliances of non-state actors below and above the nation-states. Neofunctionalists believed in incremental expansion of integration process which would ultimately “spillover” into political integration.

62 Burley and Mattli, “Europe before the Court,” 54–55.
Neofunctionalists had employed spillover in two contexts; first, functional spillover, and; second, political spillover. They claimed that functional spillover resulted because different economic sectors were closely interrelated and an integrative effort in one sector could not be fully accomplished without taking certain integrative measures in a related sector. Thus, integration in one sector created demand for integration in another related sector, which on its accomplishment in turn created further demand and action in yet another sector and so on so forth. Haas put it as sector integration that “begets its own impetus toward extension to the entire economy even in the absence of specific group demands.”\(^63\) The functional spillover also takes place in another way: the “beneficiaries” of previously integrated sectors not only deter “backsliding” but also insist upon further integration; inspired by their successes, other groups demand integration in other fields.\(^64\)

Neofunctionalists such as Haas, Lindberg and Nye had believed that integration process also included “element of political spillover” or “cultivated spillover.”\(^65\) They claimed that political spillover results from “the process of adaptive behaviour.”\(^66\) It takes place when sub-national interests groups and elites rationally and absolutely link “mutually dependent, functionally specific tasks” and, being manipulated by supranational organs and prompted by their self-interests, shift their loyalties from their respective national governments to supranational regional institution.\(^67\) Likewise, the national actors change the values and upgrade their expectations. However, Haas had

\(^63\) Haas, “The Uniting of Europe,” 297, cited by Burley and Mattli, “Europe before the Court,” 55.
\(^65\) Ibid.,
\(^67\) Huelshoff, “Domestic Politics and Dynamic Issue Linkage,” 257; and Huelshoff, “European Integration after the SEA,” 621.
argued that political spillover was “far from automatic.” For neofunctionalists such as Haas and Schmitter “chief dependent variable” was the “automatic politization” which: “comes about ‘automatically’ if the accelerating controversy (over prior technical-economic decisions) results in the accretion – incrementally – of larger powers and competences to the central organs of the union. It could come about ‘deliberately’ if the actors decide to negotiate a new treaty, to establish a federation, or to submit to a central jefe [chief or leader].”

Neofunctionalists believed that chances of political unification would more probably arise from an “automatic process of politization” which they assumed was related “with a ‘high’ core on a series” of twelve independent variables. During the integration process, the member states upgrade common interests and it happens when they find it difficult to reach on a common policy though it becomes necessary for them to agree on a common point to maintain some sort of interdependence for mutual benefits. At this moment, supranational institutions persuade them to not veto the proposals and instead make concessions in related areas.

The European integration suffered a “severe set back” in 1965, when de Gaulle’s France boycotted the Council of Ministers meetings for several months on issues related to budget and decision making process, particularly on the Commission’s powers in EEC. Thus, members had concluded the “Luxembourg Compromise” which severely restricted

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70 Haas and Schmitter, “Economics and Differential Patterns,” 705–37, cited by Barrera and Haas, “The Operationalization of Some Variables,” 150–1. Initially they had listed nine variables but later their number was raised to twelve.
the commission’s powers. It introduced the concordance system and empowered member states to block Commission’s initiatives providing that no proposal “would be put into effect over the strong objections of any single member state.”\(^{72}\) This crisis had led neofunctionalists to introduce some new concepts to overcome failure of the theory to explain stagnation. For instance, Schmitter besides others introduced typologies such as spill-around, spill-back, buildup, retrench, muddle-about and encapsulation.\(^{73}\) Meanwhile, Lindberg and Scheingold had argued that spillover did no exist in EC.\(^{74}\) George claimed that only functional spillover, and not the cultivated or political spillover, was present in it.\(^{75}\) Neofunctionalists “assumption and predictions” were again defeated in early 1970s when European integration stagnated and EC members failed to devise common programs and coordinate policies to react to oil crises. They preferred to follow different economic policies rather than pursuing “further integration.”\(^{76}\) Thus, neofunctionalists observed that actors’ aims, objectives and perceptions had changed which had undermined “the incrementalist logic of spillover.” Meanwhile, external influences, previously ignored by neofunctionalists, had grown and the regional institutions were not as strong as to manage these changes.\(^{77}\) Neofunctionalists observed that “policy coordination in some fields fell short” of their predictions. They noted that


\(^{73}\) Huelshoff, “European Integration after the SEA,” 619; and also Huelshoff, “Domestic Politics and Dynamic Issue Linkage,” 257.


\(^{75}\) Huelshoff, “European Integration after the SEA,” 621.


elites and interests groups had not shifted their loyalties towards the EC institutions. Resultantly, Haas had declared in 1975 that “regional integration theory had become obsolete. Spillover had not proved to be automatic, and interest groups could successfully oppose integration instead of advocating closer ties.”

In 1986, European integration was revived with signing of the Single European Act which renewed interest in neofunctionalism. Its proponents again emphasized the concept of spillover in the process predicting that integration in one economic area would spur integration in other related areas. As such, spillover remained the main belief of neofunctionalism. O’Brien observed that the role of the Commission was also “instrumental,” in line with earlier neofunctionalists’ explanation. It had provided resources for conducting studies, advocated to pursue “ambitious” agenda of regional integration and helped build transnational alliances and coordinated interests groups efforts to deepen integration.

O’Brien observed that neofunctionalism in 1980s was different from that in 1950s in several ways. For instance, now it accepted itself not as “the primary” but one of several theories explaining regional integration. It also started to focus on relationships between political and economic sectors. Moreover, it had abandoned its “teleological nature” as well as insensitivities towards appeal of nationalism and national capabilities.

78 Ibid.,
80 Ibid., 699. O’Brien had explained the expected spillover as under: “the internal market programme was created because decision makers realized that the full benefits of a common market could not be achieved unless nontariff barriers were also eliminated. Similarly, an internal market would require a single currency or fixed exchange rates to generate the maximum benefits. Spillover might also take place from economic to political realms. Thus, the completion of the internal market was seen to require a change in the process of voting from unanimity to qualified majority, so that the disagreement of any single state could be surmounted.”
81 Huelshoff, “European Integration after the SEA,” 621–2.
etc. Neofunctionalists also tried to balance influence of “spillover pressures” on integration process through “placing Europe in the context of a broader environment of interdependence and state competition which could provide incentives for integration or for disintegration.”

3.4 TRANSACTIONALISM

Transactionalists had built their theory on “the logic of isomorphism.” They borrowed “laws from cybernetic theory” and used size of transnational transactions as main indicator of relations between nations. They applied these laws assuming that relations between people and regions would replicate “the logic of causal pattern.” Their units of analysis were nations and they had emphasized more on interactions between people instead of those between elites of different states. However, their focus was on bilateral arrangements instead of IOs. They assumed that Europe was passing through a long period of transformation which involved “patterns of social communication that were once responsible for the formation of nations and nation-states were now giving birth to supranational entities.”

Deutsch had pioneered the conceptualization of regional integration and had combined quantitative techniques and indicators with qualitative ones. He statistically analyzed the “objective trends” such as the trade and flow of mail etc. by correlating

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83 Ibid., 700.
84 The quality or state of being identical or similar.
86 Haas, “The Study of Regional Integration,” 626.
them with “the motive of elites.”

His study was concerned with the question of “elimination of war.”

He had investigated the conditions of “the absence or presence of significant organized preparations for war or large-scale violence” between states in Atlantic region.

The authors included two political scientists and six historians who had studied ten cases of successful and abortive efforts of integrating the states. They explored the conditions found recurring in formation of political unions in Europe in the last millennium.

They also explored the possibility of, and “progress towards integration” in Atlantic Region.

Deutsch did not mean integration necessarily as “the merging of peoples or governmental units into a single unit.” Rather it refers to the achievement of “sense of community” or “the common ‘we’ feeling.”

According to Deutsch, a “security

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89 Ernst B. Haas, “Persistent Themes in Atlantic and European Unity,” review of Political Community and the North Atlantic Area by Deutsch et al., World Politics, 10: 4 (Jul, 1958), 626.


92 Haas, “Persistent Themes in Atlantic and European Unity,” 624–625. Haas observed that the following cases were selected for analysis: the United States, 1789–1877; unification of England in the Middle Ages; England–Wales, late Middle Ages; England–Scotland, until 1707; England–Ireland, until 1921; Italian unification, Napoleon Wars until 1860; German unification, nineteenth century until 1871; Hapsburg monarchy, sixteenth century until 1918; Norway–Sweden, 1814–1907; and Swiss unification, thirteen century until 1848. The guiding methods and concepts were derived from K. W. Deutsch, Nationalism and Social Communication, (New York, 1954) and Political Community at the Internal Level, (Garden City, N. Y., 1955).”

93 Ibid., 624. According to Rosecrance, the joint work included the study of “ten cases of outright political amalgamation and fourteen cases of integration short of federalism.” R. N. Rosecrance, review of Political Community and the North Atlantic Area, by Deutsch et al., Western Political Quarterly, 11: 4 (Dec., 1958), 902–3.

94 Bowle, review of Political Community and the North Atlantic Area, 198–9; Rosecrance, review of Political Community and the North Atlantic Area, 902–3.

95 Archer, International Organizations, 147.


97 Haas, “Persistent Themes in Atlantic and European Unity,” 624.
“community” includes “a group of people which has become integrated” and its members are assured that they “will not fight each other physically, but will settle their disputes in some other way.” The security communities could either be “amalgamated” or “pluralistic.” The former comes into being when two or more independent states formally merge together to form a single state with a common central government, i.e., federal or unitary state. The latter refers to the relationship between two sovereign states which maintain their “legal independence” and separate identity and enjoy cordial relations with each other e.g. the United States and Canada. Its examples also included “confederations, perpetual alliances, or close permanent political co-operation” among independent states. Deutsch had preferred pluralistic communities because they were easily achievable, durable and “at least as effective as amalgamated ones in keeping the peace” within their members.

Deutsch had also reported “the ‘background conditions” which could help facilitate regional integration. He also explored the influence of “the immediate factors” such as the role of political leadership, opposition parties, and policies pursued in the attempted cases of regional integration. He identified fourteen conditions, thought to be ‘essential or helpful’ in formation of a security community. These included:

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100 Haas, “Persistent Themes in Atlantic and European Unity,” 624.
102 Ibid.,
103 Haas, “Persistent Themes in Atlantic and European Unity,” 624. The essential conditions were those in absence of which “success of the union, while logically possible…, was not in fact observed in the cases studied.” Whereas helping conditions are those in absence of which “successful unions did occur…, though
compatibility of major values; distinctive way of life; strength within the core area; superior economic growth; wide range of mutual transactions; reluctance to wage “fratricidal” war; outside military threat; broadening of elites; mutual responsiveness; an expectation of joint economic reward from integration; free mobility of persons; unbroken links of social communication; strong economic ties and; ethnic or linguistic assimilation. The study found that last two conditions were not “essential” for either form of integration.

Transactionalists observed that twelve conditions were necessary for creation of an amalgamated security community. However, creation of a pluralistic community needed only three of them: “the compatibility of major values relevant to political decision-making” among the political units to be integrated; “mutual responsiveness” and; the “mutual predictability of behaviour.” According to Deutsch, “main values” of participating states could be determined from their domestic politics. Mutual responsiveness refers to the capability and willingness of member states “to respond to each other’s needs, messages and actions quickly, adequately, and without resort to violence.” Plano and Riggs claimed that mutual responsiveness required appropriate attitudes and effective communication between states. Most importantly, it needed

not commonly.” However, the writers did not elaborate as to “how many such conditions” might be needed” for successful integration.

The writers found that the Atlantic community possessed the first eight conditions but missed the ninth and was in weak in conditions listed at number ten to twelve. Miller, review of Political Community and the North Atlantic Area, 166–7.

Ibid.,


Deutsch et. al. Political Community and the North Atlantic Area, 47, cited by Hashmi, Pakistan, Iran and Turkey, 17.

prevalence of mutual trust, sympathy, and recognition of shared interests and objectives that can generate “the will to respond.”\textsuperscript{109} The mutual predictability of behaviour implies that members of a security community “must be able to expect from one another some dependable interlocking, interchanging, or at least compatible behavior; and they must therefore be able, at least to that extent, to predict one another’s action.”\textsuperscript{110} However, these conditions also depend on member governments’ capacity to respond and the attitudes of their elites. The latter is influenced by mutual knowledge, “the level of compatibility” of their interests and values.\textsuperscript{111} Hashmi had argued that just the presence of the “background conditions” could not guarantee that “integration will definitely take place.” They merely indicate the potential of integration and could “facilitate the process.”\textsuperscript{112} Moreover, these were conditioned by other variables. For instance, geographical proximity could facilitate states to “communicate with each other, to respond to each other’s needs and messages, and to establish common institution”\textsuperscript{113} but its success was conditioned by presence of “homogeneity, interaction or transactions and mutual knowledge.”\textsuperscript{114} Likewise, the “mutual knowledge and understanding among people” was an essential condition for integration\textsuperscript{115} because without it people might not


\textsuperscript{110} Deutsch \textit{et. al.}, \textit{Political Community and the North Atlantic Area}, 56, cited by Hashmi, \textit{Pakistan, Iran and Turkey}, 18–19.

\textsuperscript{111} Plano and Riggs, \textit{Forging World Order}, 519, cited by Hashmi, \textit{Pakistan, Iran and Turkey}, 19.

\textsuperscript{112} Hashmi, \textit{Pakistan, Iran and Turkey}, 20.

\textsuperscript{113} Ibid., 16.

\textsuperscript{114} Phillip E. Jacob and James V. Toscano (eds.), \textit{The Integration of Political Communities}, (New York: J. B. Lippincott Company, 1964), 16–7, cited by Hashmi, \textit{Pakistan, Iran and Turkey}, 16.

\textsuperscript{115} Hasmi, \textit{Pakistan, Iran and Turkey}, 18.
make political or social alliances. However, mutual knowledge can only contribute positively when it is related with some favourable past memories or experiences.\textsuperscript{116}

Transactionalists observed that security communities had been more developing “around cores of strength.”\textsuperscript{117} The potential “core area” required for promotion of integration must be superior in terms of “economic growth with advanced techniques of political decision-making, administration, and defense.” If its ruling elites are “sufficiently responsive,” it can attract the attention of the ruling elites of weaker and less developed neighboring states.\textsuperscript{118} However, the area to be integrated must provide for free movement of people and should involve frequent and all kinds of intergroup and interpersonal communications as well as high hopes for economic gains by integration. It must include significant communication links among all segments of society, “both vertically in each country and horizontally among the countries to be united.” It must also provide for “a general broadening of the elite structure.”\textsuperscript{119} There could be different types of “institutionalized communication between societies” which will strengthen existing institutions. Deutsch had observed: “If the way to integration, domestic or international, is enough the achievement of a sense of community that undergirds institutions, then it seems likely that an increased sense of community would help to strengthen whatever institutions – supranational or international – are already operating.”\textsuperscript{120}

\textsuperscript{116} Jacob and Toscano (eds.), \textit{The Integration of Political Communities}, 26 and 28, cited by Hashmi, \textit{Pakistan, Iran and Turkey}, 18.

\textsuperscript{117} Rosecrance, review of \textit{Political Community and the North Atlantic Area}, 902.

\textsuperscript{118} Haas, “Persistent Themes in Atlantic and European Unity,” 624–5.

\textsuperscript{119} Ibid.,

The transactionalists observed that the use of military means do not promote integration or prevent wars between forcefully integrated units. They rejected the notions that functionalism was a necessary path to integration or federal arrangements or a world state was an essential remedy to war among states. Transactionalists also gave the “notion of the ‘take-off’ in integration.” They noted, integration “depends on the preexisting complementarity of values, and profits from the deliberate de-emphasis of ‘integration’ as an end in itself.” Rather it gets momentum whenever integration is “presented as a means to other, more directly desired, ends.”

Deutsch was the great exponent of transactionalism. He believed that states with high rate of transactions between them had more potential of mutual integration. The following three types of transactions were identified as more significant: social transactions i.e., exchange of “messages through mail, telephone, and radio;” transactions of goods and services, i.e. increased trade and; the movement of people, in terms of increased transport links, tourism and political exchanges. Keohane and Nye had observed that there existed four types of interactions at the international level, which included; communication, i.e., flow of information and ideas; transportation, i.e., the flow of goods of all types; finance, i.e. money etc. and: travel, i.e. the movement of people.

Deutsch had argued that level of integration among political units could be calculated by measuring the movement of “certain transactions” as quantitative indicators

121 Rosecrance, review of Political Community and the North Atlantic Area, 902–3.
122 Haas, “Persistent Themes in Atlantic and European Unity,” 626.
123 Hashmi, Pakistan, Iran and Turkey, 21; Jackson and Sorenson, Introduction to International Relations, 111; and Archer, International Organizations, 147.
of integration among them.\textsuperscript{125} He claimed that high level of transactions between nations could lead to peaceful relations among them which amounted to “more than the mere absence of war.”\textsuperscript{126} The “increased transactions” between states raise mutual interdependence, which along with mutual responsiveness creates a sense of community. It would rule out the use of force to resolve conflicts and help build “a feeling of trust and security in the relationship.”\textsuperscript{127} Transactionalists assumed that “under conditions of balanced loads and capabilities,” the increased rate of transactions between political units would increase elite responsiveness among them which, in presence of some other variables, i.e., “trust, friendship, complementarity and responsiveness,” would create a security community.\textsuperscript{128}

Other theorists also argued that increased transnational interactions created new sense of identity among people. Different groups of people, including religious communities, business classes and labour groups, living in various nation-states had different kinds of interests and relations among them. This “cross-cutting or overlapping group membership” had reduced the risk of serious differences between people and states and as such had positive effects for world peace. Due to better opportunities for education and foreign travel and advancement in means of communication, individuals had increased transactional activities. Rosenau argued that nation-states had lost control on their citizens and economy. As such, individuals were “more mobile” and “better-informed.” They were “less tied than before to their states.” It had given rise to “a new

\begin{footnotesize}
\begin{enumerate}
\item[127] Archer, \textit{International Organizations}, 147.
\item[128] Cited by Haas, “The Study of Regional Integration, 626.
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‘multi-centric’ world” comprising various “sovereignty-free collectivities, apart from and in competition with the state-centric world of ‘sovereign-bound’ actors.”

3.5 **INTERDEPENDENCE THEORY**

Interdependence refers to a condition of “mutual dependence.” It means that the events and actions of the people and governments in a state affect people and the governments in other states and vice versa. It means that “a higher level of transnational relations between countries means a higher level of interdependence.” The modernization, specialization and “high division of labour” increases international economic interdependence which radically transform the world in which the use of force becomes least desirable and war unthinkable. Welfare and economic development related issues become more important and international cooperation characterizes world politics. After the failure of neofunctionalism to explain the crises in European integration in 1970s, Haas had argued to focus on “the general condition of interdependence” which he believed were “much more pervasive” than European integration process. This gave rise to interdependence theory which focuses on political economy and bringing peaceful change in international relations.

Interdependence theory had its roots in the writings of Immanuel Kant. He had argued that that international trade promoted international peace, as it promoted wealth and created interests groups which opposed wars. They as well as their governments would not like to disrupt trade links and the process of accumulating wealth. Thus, international trade would create interdependence, which would promote international

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130 Ibid., 114 and 118.
cooperation and the wellbeing of people. In 1909, Norman Angel, in his book *The Great Illusion*, also wrote on the similar lines. He had argued that wars and conquests had become politically divisive and costly because it disrupted international trade – a negative effect for modernization. Modernization requires states to import things like raw material, finance, technology or export products in external markets which promote economic interdependence. Growing interdependence, in turn, affects inter-state relations, with war becoming unprofitable, less likely and even far less desirable. It also helps develop international law to regulate growing interdependence.

In 1970s, Keohane and Nye further developed these ideas and presented a general theory of complex interdependence. They claimed that the world had exhibited complex interdependence in the post war period which was “qualitatively different from earlier and simple kinds of interdependence.” The latter was more influenced by actions of state-leaders who actually directed the international relations in the past. They could use force to resolve conflicts. The “high politics” or the issues of state survival and security had precedence over social and economic issues, i.e. “low politics.” However, the relations between the industrialized pluralist states of the West, linked with their socio-economic development (as they needed sustained development being welfare states) in the post war period, were characterized by complex interdependence.

They observed that there were various forms of significant and ever growing interactions among different groups of societies, economies and states besides political

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135 Jackson and Sorenson, *Introduction to International Relations*, 118.
relations among their governments. These interactions existed at intergovernmental, transgovernmental and transnational level and were being conducted at several levels by different actors and government branches as well as individuals and groups beyond their national borders. Thus, the use or threat of use of force was no more an optimal policy option. Resultantly, other elements of power such as negotiating skill etc. had become more important. The security related issues enjoyed no more priority over welfare related issues. Rather, states were then more concerned to the issues of “low politics” than to the “high politics.” International Relations had become similar to the domestic politics in which diverse “issues generate different coalitions, both within governments and across them, and involve different degrees of conflict.” Thus, they argued, cooperative and friendly relations among Western states had three consequences for International Relations: both state and non-state actors such as MNCs and NGOs, pursued their own and separate objectives which were different and free from each others’ control; states could use “power resources” most of the time “to specific issue areas” and; the importance of international organization had increased as they provided forum to small states to pursue their objectives, encourage alliance formation and set agendas.

Keohane and Nye had initially argued that “the state-centric paradigm,” i.e. realism was “inadequate and was increasingly becoming “more inadequate.” However, later on, they observed that realism was still relevant because the use of or threat to use

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military force, in a “dramatic conflict or revolutionary change” among Western states over an economic matter “might become plausible.”

Jackson and Sorenson claimed that interdependence theorists were “more balanced in their approach.” as they had realized the need to, not discredit realism completely, but to “realize its limitations and to supplement it with insights from the liberal approach.”

Richard Rosecrance argued that the postwar period had witnessed the rise of many industrialized trading states such as Japan and Germany. They had “refrained from the traditional military-political option of high military expenditure and economic self-sufficiency.” They had realized that the building of military might and occupation of “territories and material resources” had lost its value. Rather, nowadays trained labour, knowledge, and finance had become the means to success. Thus they pursued economic growth and international trade thinking them as more appropriate means to achieve prosperity, power and prestige in the world. Such policies gave rise to interdependence among the developed states of the world. Though, the risk of modern state being sliding back “to the military option” cannot be completely ruled out but it is least likely. However, Rosecrance observed that the wars frequently occur in the Third World where interdependence and modernization is weak and due to low level of development “land continues to be the dominant factor of production.”

3.6 NEO-INSTITUTIONALISM

The decline of neofunctionalism gave rise to new theories including the regime theory. In 1980s, the focus was on international institutions or regimes generally known

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141 Jackson and Sorenson, *Introduction to International Relations*, 118.
as the “global arrangements in particular areas.” Krasner had defined regimes as “sets of implicit or explicit principles, norms, rules and decision-making procedures around which actors’ expectations converge in a given area of international relations.”

International regimes, in the words of Archer, are “subsets of international society and its institutions.” According to Archer, regimes are mostly the “specialized arrangements” restricted by a geographical region or a function. They regulate international cooperation and “are thus more widely drawn than international organizations.” They exist in shape of a formal IO such as NATO, EU, and UNO etc. or “less formal sets of agreements” among states to deal with their shared problems and activities. Jackson and Sorenson argued that regimes include “a set of rules which govern state action in particular areas” like aviation, environment, communication and shipping. Often both IOs and regimes “go together” e.g. WTO.

Neo-liberal institutionalism is based on an earlier liberal belief that international institutions can ameliorate the anarchic international system and ensure world peace. Wilson had dreamt of “transforming international relations from a ‘jungle’ of chaotic power politics to a ‘zoo’ of regulated and peaceful intercourse;” through creation of international organizations. But neo-institutionalists do not believe that institutions could

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146 Archer, International Organizations, 134.

147 Jackson and Sorenson, Introduction to International Relations, 49–50.

148 Ibid., 119.
give a guarantee to transform international politics “from ‘jungle’ to ‘zoo.’” They recognized that powerful states could not be fully controlled easily.¹⁴⁹

Huelshoff claimed that neo-institutionalists had “supplanted” interdependence theory while criticizing structural realists.¹⁵⁰ The latter believed that international institutions were just the “scrape of papers” which had existed “at complete mercy of powerful states.” However, neo-institutionalists claimed that international institutions were something “more than mere handmaidens of strong states” because they could play independent role in promotion of international cooperation. With growing interdependence, states were inclined towards creation of new regimes and international institutions to address their common problems.¹⁵¹ Neo-institutionalists argued that international regimes addressed market failures, reduce transaction cost, increase transparency and overcome collective action problem or fear of free riding. They help build linkages of issues, strategies for reciprocal gains, “make international commitments more credible” by ensuring implementation of agreements among members. In sum, they build trust and promote international cooperation.¹⁵²

Institutions provide information to their members about each others’ actions as well as their underlying causes and hence improve transparency. They provide forum and opportunities for international negotiations and to link issues for reciprocal gains through providing for side-payments. They help states to make and keep international agreements and formulate rules and procedures and thus eliminate fears of free riding or cheating by others. Institutions enhance states’ ability to observe that other states are complying with

¹⁴⁹ Ibid.
¹⁵¹ Jackson and Sorenson, Introduction to International Relations, 49–50 and 119.
¹⁵² Genna, Power Preponderance, Institutional Homogeneity, 4.
the agreed rules and encourage them to implement international agreements. They also help build states’ capability to “make credible commitments” through strengthening existing expectations towards international regimes. As such, institutions help build trust between states, ensure continuity and stability in their mutual interactions and promote inter-state cooperation.\(^{153}\) Young claimed that IOs played instrumental role in regime formation as well as implementation and administration of the rules and provisions of its system.\(^{154}\) Neo-institutionalists argued that institutionalized interactions among states effectively changed states’ behaviour towards international cooperation.\(^{155}\) Questions of relative gains, which according to realists inhibit international cooperation, are observed in “very specific conditions (tight bipolar)” and becomes irrelevant when members attach importance to absolute benefits. Moreover, this concern is reduced when members are partners in an alliance or the likelihood of war among them is decreased.\(^{156}\) Keohane argued that institutions had served as “buffers which helped absorb the shocks sent through Western Europe by the end of the Cold War and the reunification of Germany.”\(^{157}\) While focusing on EU institutions, i.e. EU Commission, European Parliament etc. the regimes theorists claimed that international institutions not only facilitated “efficiency gains” in integration, but they also played instrumental role in agenda-setting and providing “focal points – precedents and symbols around which actors’ behaviors converge that help determine particular choices made at critical


\(^{155}\) Archer, *International Organizations*, 134.


Jackson and Sorenson observed that “a high level of institutionalization” had considerably decreased “the destabilizing effects of multipolar anarchy” and created conditions which promoted international peace and stability.\(^{159}\)

The US had played an important role in creating and maintaining international institutions in the post war era. But its power and willingness to devote resources to maintain them was declining since 1965. On the other hand, the need and importance of international regimes had increased.\(^{160}\) Keohane had argued that the existing regimes would serve to facilitate international cooperation and would meet the needs of future, if adapted to the new situations. Keohane also attempted to address the question as to how international institutions could change after the decline of the hegemonic power.\(^{161}\) He had argued that international regimes could be created and sustained “even after the decline of a hegemonic power,” due to two reasons: institutions over the time gain the strength of their own to be sustained as well as also demonstrate their benefits to convince member to maintain them, and; experiences and benefits of regimes encourage states to create new ones to expand international cooperation.\(^{162}\)

### 3.7 INTERGOVERNMENTALISM

Intergovernmentalism is based on realist and neorealist assumptions, i.e., states are main actors in an anarchic international system. Their primary concern is survival and security. They have preferences for their national interests and are concerned about relative gains and even distribution of benefits, fearful of loss of sovereignty and

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\(^{159}\) Jackson & Sorenson, *Introduction to International Relations*, 121–2.


apprehensive of cheating and defection by others which prevent international cooperation.\textsuperscript{163} Waltz claimed that no non-state actor has so far developed “to the point of rivaling or surpassing the great powers, not just a few of the minor ones.” So theories emphasizing the role of non-state actors in international relations are weak.\textsuperscript{164} Schwarzenberger had argued that international functional organizations were restricted to that field of IR which was “irrelevant from the standpoint of ‘high politics.’”\textsuperscript{165} Realists argued that international institutions reflected the uneven power distribution in the international system. Their creation and continuity was linked with the role of a “main hegemonic power.”\textsuperscript{166} Krasner argued, the “stronger states have simply done what they have pleased.”\textsuperscript{167} The powerful states used them as instruments to promote their foreign policy objectives and they reflected the “hegemony of the most powerful members.”\textsuperscript{168} However, Keohane observed that over a period of time international institutions acquired power of their own to be sustained.\textsuperscript{169}

Some neorealists believed that economic cooperation was possible and even desirable among the alliance partners as it strengthened the allies and as such the alliance itself.\textsuperscript{170} It was also possible when states hoped that it would not undermine their

\textsuperscript{166} Archer, \textit{International Organizations}, 123–4.
\textsuperscript{168} Archer, \textit{International Organizations}, 125.
\textsuperscript{169} Keohane, “Institutional Theory and Realist Challenge,” 259, cited by Ibid., 124.
sovereignty, gains would be evenly distributed and “defection can be effectively sanctioned.” Some neorealists, such as Grieco, had realized the weakness of their theory in relation to its inability to explain the inclination of states to undertake international cooperation “through institutionalized institutions.” Thus they reviewed some of their prepositions about international institutions and relative gains problem. They acknowledged the importance of institutions to mitigate the problem of free riding or cheating, trust deficit and concern for relative gains during international cooperation. The European Commission, in particular, had successfully mitigated these problems by providing information, building trust and addressing the collective goods problem. This helped facilitated international cooperation among EC countries. Taylor argued that institutionalized interactions had promoted cooperation among European states than in the larger international system. He observed, however, that state’s “search for balanced net benefits, and concern about defection, limit agreement in the EC.” Archer argued that realists and neorealists had explained growth of European integration as a consequence of the bipolar system expecting that it would stop at the end of the Cold War. Later on, they explained its success and making of EU in 1990s as efforts on the part of member states to create “collaborative rules for a common interest.” Grieco argued that the weaker states had strived in the process to formulate rules that could give them “effective voice opportunities” and “ameliorate their domination by stronger

173 Huelshoff, “European Integration after the SEA,” 622–3.
partners.” Some neorealists had argued that the “weak states – such as Belgium, Portugal or even France in the EU – were trying to bind the stronger – Germany in this case – into a form of relationship that avoids domination.” Huelshoff observed that intergovernmentalists were optimistic about the prospects of international cooperation, because they were interested to study “sovereignty pooling” in regional organizations.

Intergovernmentalists had rejected the idea that the nation-state or its sovereignty was fading away. They had explained the slow progress of European integration since mid-1960s as a result of reluctance of the states to pool their sovereignty. The failure of neofunctionalism to explain the stagnation of European integration process in 1970s gave rise of rival theories including intergovernmentalism. Earlier, the cut on the powers of the commission and growing importance of European Council in EEC had set the primacy of the national governments in the integration process. These events helped rise of intergovernmentalism. It had asserted that national governments were the key actors in integration. The “coalition-building among otherwise independent states” was the crucial factor to determine the fate of integration process.

Earlier, Stanley Hoffman had argued that state structures, nationalism, external environment, national interests and preferences of the nation-states had played vital role in “determining the pace and limits of” European integration. He had focused on the level of national consciousness, national situations and nationalism in the EEC members.

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178 Ibid.,
181 Huelshoff, “European Integration after the SEA,” 22.
He had claimed to find a “temporary demise of nationalism” in all of the six members of ECSC and “political collapse” of European states in the post war period. Europe not only had lost power, wealth and prestige but also had fallen under “the two hegemonies.” Despite of differences in their internal situations and preferences, the national interests, as determined by their ruling elites, of all six members converged to pursue supranational course of action. It had led them to launch ECSC. Later on, when their preferences and interests did not converge, the efforts to create European Defence Community (EDC) had failed. Furthermore, with the rise of nationalism in France and its national consciousness to play its role as a great power in the world politics inhibited further European integration in mid 1960s.\(^\text{182}\) He claimed that integration moved ahead easily on issues of “low politics” but it became difficult on issues of “high politics.” He maintained, states are generally sensitive to their sovereignty and responsive to international environment. Thus, European states could not cut them off from the international environment and its pressures which had affected their behavior towards integration.\(^\text{183}\)

Intergovernmentalists’ position was further strengthened when Denmark and France found it difficult to ratify Maastricht Treaty in 1992. Hoffman had argued that French national interests had a clash with those of Britain. Moreover, the preferences of general public differed widely from those of the ruling elites.\(^\text{184}\) The other intergovernmentalists also emphasized that nation-states were the dominant actors in international politics. They claimed that states gave primacy to their national interests and concluded agreement only when they expected even distribution of benefits from

integration. Interstate bargaining among EC countries had shown that members were concerned about, and had strived to maximize, relative gains in the process. As such, these were important factors to determine the stagnation or growth of regional integration. Intergovernmentalists had recognized that the domestic groups, supranational institutions and spill-over effects as well as global economic pressures were important in deepening European integration in 1980s. However, the “interstate bargains” were the essential conditions for growth of European integration. Moravcsik had claimed that he main sources of European integration were the states’ interests. The revitalized Commission’s active role in deepening European integration in 1980s was possible only after the commission’s leader Jacques Delors, who had previously served as French Economic Minister, convinced President Mitterrand that deepening of European integration would help France to “pursue its policy agenda at the European level.” Moravcsik had argued that EU was a “successful intergovernmental regime” which was formed “to manage economic interdependence through negotiated policy coordination.” O’Brien had observed that the signing of Single European Act was the result of “the convergence of national interests” of three larger members: Germany,

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188 O’Brien, “North American Integration,” 699–700. He further notes that “Stephen George has suggested that the 1992 programme, the push for scientific collaboration, the drive to monetary union and the social charter all bore the hallmark of a plan devised in Paris at the end of the 1981 – 1984 French reflection failure.”
France and Britain. Haggard had suggested that the larger members had played crucial role in shaping “the bargaining agenda” of economic integration in the Western hemisphere and Asia, though to a lesser extent, the interests of smaller states had also affected treaties. He argued that the preferences convergence among partners to regional arrangements was an important factor to “facilitate the bargaining and construction of regional economic blocs.” For him, “the differences between the developments of East Asian and Latin American regional integration are due to the differences in the convergence or divergence of preferences of member countries about the direction and extent of economic integration.” Moravcsik had argued that “power and preferences” of the government of member states had dominated the European integration process. He claimed that the governments had promoted integration process as they found it helpful to increase their influence in their domestic politics.

3.7.1 Liberal Intergovernmentalism

Several scholars had linked domestic politics with the positions of the respective governments in interstate bargaining during treaty negotiations. For instance, Sandholtz and Zysman while focusing on “elite bargains” and Keohane and Hoffmann emphasizing upon “preference-convergence” hypotheses had highlighted the importance of domestic politics. However, the liberal intergovernmentalists had more systematically linked them together. They had argued that economic policies had “different distributional

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190 O’Brien has explained it as under: “France saw the SEA as an attempt to bolster European options following its failure at national reflection in the early 1980s, Britain sought extension of deregulation among its EC partners and Germany sought to maintain its position as a supporter of European integration.” O’Brien, “North American Integration,” 701.

191 Genna, Power Preponderance, Institutional Homogeneity, 6.


consequences” for different internal groups. The groups expecting to lose from integration would oppose it while potential winners would support the process. Since the national leaders want to retain power, they take in to account the interests of those who matter for them. Thus, domestic group politics influences government economic policy. It is most likely that government policies reflect the interests and “preferences of the more powerful and better organized interest groups in society.”

Putnam and Garrett and Lange had argued that the desire of national leaders to retain power serves as an important principle to guide policy making. They have their own interests and preferences which are influenced by domestic politics and interest group pressures. National political institutions determine the patterns of relationship between domestic groups as well as to decide whose interests will prevail over others.

Putnam suggested that national leaders make alliances in domestic politics to seek power and “maximize their ability to meet domestic demands and protect domestic interests in the international game.” During the interstate bargaining, the respective governments take the positions reflecting the interests of more powerful domestic groups. Such positions must satisfy the demand of and as such win “broad public support” which in turn will also “ease ratification of international agreements.”

Huelshoff had observed that national leaders are, at least partly, interested to protect or reward some domestic groups. Thus, interstate bargaining has a link with domestic politics as the former is influenced by the pattern of interest group bargaining in the domestic politics.

Richards had also argued

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195 Ibid.,
197 Ibid., 624–5.
198 Ibid.,
that international institutions are instruments of big states because international regimes produce uneven results in which some states gain and others lose. National leaders create and maintain international institutions when they perceive them as beneficial to “maximize domestic political advantage,” i.e. help them to win political support. As such, the creation of international institutions generates a “fierce domestic political battle.”

Moravcsik had argued that economic benefits were crucial incentive for regionalism. He maintained that “business interests of leading domestic producers, macroeconomic preferences of ruling governmental coalitions, bargaining among powerful national governments over the distributive and institutional issues account for the developments of European integration.”

In sum, intergovernmentalists and liberal intergovernmentalists argue that national governments play key role in the regional integration process. The governments are concerned about national sovereignty, relative gains and national interests as well as they have national preferences. They are responsive towards international environment and domestic pressures and demands and rely on general public support for gaining and retaining power. These factors influence the position of the states during treaty negotiations and bargaining with other states. The bargaining power of different members and convergence of interests with other states affect coalition-building among group partners and outcome of the inter-states bargains. Their concerns for relative gains lead them to seek maximization of benefits through regional integration to win public support and retain power. The positions of national leaders at interstate bargains generally reflect


the interests and preferences of the better organized and the most powerful domestic groups. Whereas the international treaties are the outcome of the preferences convergence among the more powerful partners of the regional integration schemes. The linkage politics approach link regional and domestic level politics to explain formation of states’ preferences, shaped “as a result of aggregation of domestic desires” or demands. The latter results out of the competing domestic interest groups politics with “the preferences of the more power groups” will prevail and expressed during interstate bargains.  

3.8 SOUTH ASIAN REGIONALISM AND INTEGRATION THEORY: THE THEORETICAL FRAMEWORK OF THE STUDY

In the context of South Asian regionalism, which is heavily “Indo-centric,” it is imperative to explore the influence of power differences among member states on the growth of cooperative arrangement in a region. The literature on regional integration suggests that power distribution in a region is an important variable to affect the integration process. However, the scholars disagree as to how power inequalities affect the process. In the context of vast power differential in South Asia, a systematic study of the relationship between power asymmetry and growth of regionalism is very important. More precisely, it is worth exploring as to how does the largest member state of a regional grouping influence the outcome of a cooperative arrangement?

Genna claimed that unequal power distribution helped promote interdependence “due to ability of the preponderant power to coordinate efforts and distribute incentives to other members.” Fratianni and Pattison had argued that a regional integration scheme among structurally unequal states could be effective in case a regional hegemonic state

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201 Genna, _Power Preponderance, Institutional Homogeneity_, 7.
perceived it beneficial to provide collective good, i.e. integration agreement.\textsuperscript{203} The World Bank had also supported such asymmetric regional integration schemes among the developing states.\textsuperscript{204} Gilpin had argued that the successful political or economic integration generally required leadership of a powerful state in the region which must have the capacity and interest in promoting regionalism, e.g., Germany, the US, Japan, Brazil and Indonesia in EU, NAFTA, Pacific Asia, MERCOSER and ASEAN, respectfully.\textsuperscript{205} He claimed that in the nineteenth century Prussia had also exercised hegemonic position in German Custom Union (Zollverein) on political ground, such as to maintain its dominant position and keep Austria out of the arrangement.\textsuperscript{206} Lombaerde and Langenhove, claimed that such ideas were the “regional application and implication of hegemonic stability theory.”\textsuperscript{207} However, besides others, Stakhovitz had questioned this hypothesis on empirical basis.\textsuperscript{208} Narain and Upreti also observed that regional groupings where some members had played “a more domineering role” could not realize the fruits of regionalism.\textsuperscript{209} Thornton argued that a regional power can play either a positive or negative role in the process of regional cooperation. The presence of a powerful member is crucial in a regional grouping around which other members can “coalesce.” In case, the powerful member is able to “establish a balanced relationship” in the region, the chances of success of regional grouping become bright. It entails the


\textsuperscript{204} Ibid.

\textsuperscript{205} Gilpin, \textit{Global Political Economy}, 357.

\textsuperscript{206} Gilpin, \textit{Global Political Economy}, 356.

\textsuperscript{207} Lombaerde and Langenhove, \textit{Indicators of Regional Integration}, 11.

\textsuperscript{208} Ibid.,

relationship in which smaller states feel that their interests and concerns get due consideration by the larger member whose superior position is accepted by them. He argued that Indonesia’s readiness to play a low profile role and acceptance of a status which was less then its entitlement based on its “size and power” had played a crucial role in the success of ASEAN. Similarly, Germany had also played a “constructive and low-key” role to promote European integration.²¹⁰

Both transactionalists and neofunctionalists had noted that regionalism flourished around a big power. Deutsch and associates had observed that “security communities tend to develop around cores of strength.”²¹¹ The potential ‘core area’ required for promotion of integration must be superior in terms of “economic growth with advanced techniques of political decision-making, administration, and defense.” If its ruling elites are “sufficiently responsive,” it can “serve as a center of attention for less developed and weaker neighboring elites.”²¹² He defined responsiveness as member states’ capacity “to respond to each other’s needs, messages and actions quickly, adequately, and without resort to violence.”²¹³ It required presence of appropriate means of communication, mutual trust and sympathy, positive attitude and shared interests to create the necessary “will to respond.”²¹⁴ It also requires the core state to denounce the use or threat of use of force in its dealings with smaller states, and demonstrate its commitment to peaceful resolution of mutual disputes. Haas had also observed that differences in size and power

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²¹¹ Rosecrance, review of *Political Community and the North Atlantic Area*, 902.
²¹⁴ Haas, “Persistent Themes in Atlantic and European Unity,” 624.
“may spur integration in some economic and military task-setting if the ‘core area’ can provide special payoffs” or if the smaller members, have a political objective to “control the ‘core area’,” e.g. OAS. The neorealists such as Grieco had argued that success of European integration in the post-Cold War era was made possible due to efforts of smaller partners including France to bind their stronger partner Germany in a kind of relationship that could help avoid its domination and provide them equal voice opportunities. Mattli have also argued that Prussia and Germany had played an important role as undisputed leaders in the German Zollverain and EU respectively, to make them successful regional groupings. He claimed that Brazil and Indonesia had played similar role in MERCOSER and ASEAN, respectively. Thus, there is a kind of consensus among various theorists that the core state in a regional grouping must agree in dominance-free cooperative arrangement under which smaller states could feel militarily and politically secure in order to make regionalism successful.

Some studies have suggested that at least two regional states must play the leading role in a cooperative scheme in order to make its successful. According to Gilpin, realists or more precisely “state-centric” realists assumed that success of a political or economic integration scheme requires “one or more core political entities” which must champion this cause and exercise their influence and power to promote the process. Germany and France had provided regional leadership to promote European integration

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217 Mattli, The Logic of Regional Integration, 46–57.
process.\textsuperscript{219} William Wallace argued that a balance created between two major regional states, i.e. Germany and France in EU, Indonesia and Malaysia in ASEAN and Brazil and Argentine in MERCOSER, played important role in the success of these groupings.\textsuperscript{220} Nevertheless, the role of the largest member, i.e. Germany in EU and Indonesia in ASEAN, was more important than France and Malaysia. Both Germany and Indonesia had played an instrumental role in converting their traditional rivals and perceived or real enemies into their trusted and willing partners in the regional cooperative schemes.

In the post-war period, France and other Western European states were fearful of a rearmed and resurgent Germany due to its past aggressions against them. They wanted to put reins on it as well as to use its national power to serve collective European goals. Thus, France had presented a supranational scheme of regional cooperation wherein some of German sovereign rights, including those on use of its coal and steel resources, were to be placed under joint control, i.e. High Authority. The scheme was also aimed at giving France more influence than Germany in European affairs and to lay the foundation of building a “united Europe under French leadership.” Germany for various reasons accepted the scheme that included restrictions on its sovereignty. It shed the fears of other states and helped give a solid foundation to create a lasting European community.\textsuperscript{221}

The role of Indonesia in ASEAN is even more telling. The smaller states in Southeast Asia, though motivated by different political, economic and developmental objectives, had mainly sought their place as “equal” partners with larger ones, through

\textsuperscript{219} Gilpin, \textit{Global Political Economy}, 356.

\textsuperscript{220} Wallace, \textit{review of The Logic of Regional Integration}, 146–7.

\textsuperscript{221} John Spanier and Steven W. Hook, \textit{American Foreign Policy since World War-II}, 13\textsuperscript{th} ed. (Washington, DC: Congressional Quarterly Inc., 1995), 57–8. German interest to participate in European integration schemes through ECSC and EDC was to regain “full equality with the other Western powers,” assert “political prestige” and recover its “sovereignty … with certain limitations.”
regional arrangement. They wanted to “put the reign on Indonesia,” the largest country of the region by all means, and thus to avoid the “risks of hegemony and ineffectiveness.”

The new leadership under Suharto had abandoned the radical and confrontationist policies of the past. It helped shed the fears among smaller states of Indonesian domination and paved the way for building ASEAN on solid foundation. Soesastro claimed that the creation of ASEAN was “a part of package to end” Indonesia’s confrontation against Malaysia. It also symbolized a drastic change in “Indonesia’s foreign policy orientation, from being a revolutionary force to becoming a responsible member of a regional community.” Sabur claimed that in the past, Indonesia’s policy behaviour towards its neighbours was at times far more aggressive. However, under Suharto, its behaviour was an illustration of its “rejection of its hegemonic pretensions of the past.” Jakarta adopted “a conscious policy approach aimed at transforming its erstwhile role of a regional troublemaker into that of a constructive partner.” Its leadership displayed “the farsightedness and political acumen” that played vital role in normalization of regional “politicoo-security environment.” It also helped members to “devise a common ground where Indonesia’s regional ambitions and consequential security concerns could be accommodated.” Indonesia had supported the creation of a “peaceful regional order” in Southeast Asia due to which other countries in the region no longer perceived Suharto-led Indonesia as a threat to them. Still, some of the regional

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223 Ibid., 83–84.


states retained their military alliances with superpowers, which were originally formed to ensure their security against any possible threat from Jakarta. Suharto regime had accommodated such alliances which gradually lost their relevance due to change in Indonesian foreign policy orientation.\textsuperscript{226} In the post Sukarno era, Indonesian leadership displayed a very high degree of caution and restraint behaviour towards its smaller neighbours, while dealing with regional conflicts and during the crises situations. Sometimes, it even mediated and helped cool off the tension between other members. It convinced other regional states that Indonesia was seriously committed to promote regional cooperation.\textsuperscript{227} In order to meet the challenges of revolutionary forces operative in the region, Indonesia floated the idea of “regional resilience” widening its conception of “national resilience” to the entire region. According to Soesastro, it was “a comprehensive security approach” which was based on the idea of ensuring peace and security in the region through increasing regional cooperation in economic and social fields and building national economies of the regional states. Though, ASEAN members in their domestic affairs were anti-communist, but they portrayed themselves as non-aligned nations as was then championed by Indonesia. Indonesia had provided leadership primarily in the political field and its efforts to strengthen ASEAN helped it to gain confidence of its neighbours. It never exercised its leadership through dictating policies or “through an assertive posture.” Rather, Jakarta mostly tried to build consensus among its partners on several important issues through constructive diplomacy.\textsuperscript{228} Indonesia had also provided the driving force in creating Southeast Asian Zone for Peace, Freedom, and

\textsuperscript{226} Soesastro, “Indonesia’s Role in ASEAN,” 3.
\textsuperscript{227} Sabur, “Management of Inra-Group Conflicts in SAARC,” 90–91 and 95.
\textsuperscript{228} Soesastro, “Indonesia’s Role in ASEAN,” 4.
Neutrality (ZOPFAN), in 1971, which was aimed at reducing the influence of great powers in the region as a whole. Quite recently, Indonesia pioneered the idea of an ASEAN Security Community (ASC), one of the three pillars of proposed ASEAN Community to be effective from 2020. Jakarta believed that ASC would help enhance regional peace and security and build political and diplomatic clout of ASEAN.

The regional arrangement assuring “preservation of sovereignty” to member states creates a better environment for regional cooperation. Positive perceptions and approach on the part of major partner encourage co-members to increase their commitment towards regionalism. Subramanyam observed that both Germany and Indonesia had even given up their territorial claims against their neighbours. Gooneratne observed that both Germany and Indonesia had stopped harbouring hegemonic ambitions against their neighbours which played an important role in bringing an end to mutual hostilities. Both of them had adjusted their national interests with regional ones and covered their national ambitions under regional integration schemes.

There were at least two sources of changes in policy and behaviour of Germany and Indonesia; ideological and material interests. In the post-war era, a democratic regime was in place in Germany whose ideological outlook was quite different from that of authoritarian (particularly Nazi) Germany. The latter had a totalitarian ideology which wanted to unite all German speaking people and rule the world being a superior race.

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230 Soesastro, “Indonesia’s Role In ASEAN,” 5.
Such ambitions had no place under a democratic regime in Germany. Similarly, the ideological outlook of Suharto government was quite different from that of the previous regime. Sukarno’s Indonesia was revolutionary, socialist and anti-West. Suharto regime had quite opposite ideological orientation. Moreover, in the post-war era, Germany was still under occupation by the allied powers and it wanted to regain its sovereignty – even with certain limitations – political prestige and status of an equal power in world affairs. This urged it to accept some reins on its national power.\footnote{Spanier and Hook, \textit{American Foreign Policy}, 58.}

There was a strong domestic source for a change in Indonesian policy orientation. When Suharto came to power, Indonesia was “virtually bankrupt” and economic recovery and development required a peaceful and stable regional political environment. It necessitated bringing an end to the policy of confrontation and improving relations with neighbours so that energies and valuable resources could be diverted to socio-economic development of the country.\footnote{Soesastro, “Indonesia’s Role in ASEAN,” 3.}

Thus, these were economic compulsions which had forced Indonesia to pursue regional cooperation. However, for whatever reasons, both Germany and Indonesia had renounced the use or threat of use of force, implicitly or explicitly, as stressed by Deutsch, which was an important step towards creation of pluralistic security communities. It ultimately helped successful growth of regionalism in their respective areas.

The ROs may contain some incentives or disincentives which might attract or distract nation-states, particularly the larger states, and influence their behaviour towards regionalism. Generally the states rely first on their national capabilities to achieve their security, political, and economic interests because joining a cooperative arrangements always involve curbs on their “autonomy” and “freedom of action” to some extent, even
if the ROs is vested small “management authority.” Feld, Jordan and Hurwitz had argued that membership in a cooperative arrangement and interactions with its members “impose differing and often unforeseeable restraints” on states’ policy choices and behaviour. However, when state leaders find that national resources and capabilities are not as enough as to effectively pursue their domestic or foreign policy objectives, they are likely to join or form cooperative organizations to meet their ends. Thus, states’ calculations of their national interests play important role in shaping their decisions with regard to joining ROs.²³⁶ Brar claimed that in order to make regionalism successful, two conditions must be satisfied, i.e. every member must have the conviction that: its national interests would be better served through regional arrangements than unilaterally; and regionalism would not compromise or constrain its political identity and sovereign rights.²³⁷ Haas had observed that the experience of regionalism in the developing world had showed that states having confidence in their resource base and size had pursued independent policies and took “a very slight interest” in promoting regionalism. Under these circumstances, disparities in size and power impeded growth of regionalism.²³⁸

The literature shows that several factors promote regionalism. On the other hand, several conditions, if developed, certainly impede growth of regionalism. In such circumstances, some remedial measures become inevitable for success of regional cooperation scheme. Differences in the level of industrialization and socio-economic development, resource base and national economic planning as well as ideological


divergences of the national leaders of member states prevented growth of regionalism. The states with strong central government and vibrant nationalism inhibited growth of regionalism. Haas observed that the national leaders of states “poorly integrated internally” were generally reluctant in regional integration schemes fearing “to further undermine their control at home.” The smaller and less-developed members generally resented dependence on the core state “with varying degrees of intensity and consistency.” They were, therefore, “eager to minimize dependence on the more developed” partners. Haas had termed this relationship as “a disintegrative force.” He claimed that increased “volume and rate of transactions” among states created sense of interdependence. It was perceived as “positive” if its benefits were equally distributed among the partners. It was interpreted as “negative” by some members when they perceived that they got less than their partners. Sharan argued, in case the benefits of regional cooperation are not equally distributed among its members, it creates tension among them. He maintained that “full reciprocity in treatment and equal distribution of benefits are the key to success” of regional arrangements. When members of a regional organization are of unequal economic base and development level, the full reciprocity and equal distribution of gains become unattainable. The economic benefits “tend to polarize in favour of well-off members” which under these conditions “have to shoulder greater responsibility.” They have to take the lead in furthering the objectives of regional cooperation through initiating development projects through aid, trade, and investment, particularly among the less-developed members. Even they have to make some short-term sacrifices to generate development in neighboring countries. Mattli observed

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239 Ibid., 614–21.
240 Sharan, *India’s Role in South Asian Regional Cooperation*, 1–2 and 121.
that both Prussia and Germany role was the key in the success of EU and German Zollverain, respectively. Both these states had played the role of a “paymaster, easing distributional tensions and thus smoothing the path of integration.”

Genna observed that a preponderant power can promote regionalism, if its partners are satisfied with trade interdependence. It promotes institutional homogeneity and harmonization of policies such as taxation, inflation targets, international exchange and government regulation etc. The satisfaction among partners gives credibility and confidence to the preferences of preponderant power and strengthens the integration process.

Thus, satisfaction over mutual trade relationship is also an important factor for success of a regional cooperation scheme and the core state has to play the role of a “paymaster” to this end.

The dependence on the external world can either promote or impede regionalism. The former takes place when the states feel “being victimized” in the global system and think regional integration as a “way of ‘getting out from under.’” Otherwise, the “perceptions of dependence on a larger system may be so pervasive, as to be disincentive to regional efforts.” An external power can promote regionalism through providing necessary support for the process. It can impede it through offering payoffs to the members and detracting them from the regional efforts. The presence or absence of rival regional groupings can also promote or hinder growth of regionalism, respectively.

Liberal intergovernmentalists have demonstrated that policies and preferences of national government are shaped by the nature of their political system and power structure in domestic politics. The governments are concerned about national sovereignty,

241 Mattli, *the Logic of Regional Integration*, 46–57.
relative gains and national interests as well as they have national preferences. Their concerns for relative gains lead them to seek maximization of benefits through regional integration to win public support and retain power. They are responsive towards international environment and domestic pressures and demands and rely on general public support for gaining and retaining power. These factors influence the position of the states during treaty negotiations and bargaining with other states. The bargaining power of different members and convergence of interests with other states affect coalition-building among group partners and outcome of the inter-states bargains. However, the positions of national leaders at interstate bargains generally reflect the interests and preferences of the better organized and the most powerful domestic groups.\(^{244}\)

In sum, the leading state has to take the responsibility of making regionalism successful through addressing the fears and concerns of smaller states through adopting a restraint and responsible behaviour. It also has to ensure equitable distribution of the gains of regional cooperation through generating development impulses in smaller states, making short term sacrifices, and even playing the role of a paymaster in the grouping. However, confidence in national capabilities, domestic pressures and favourable international environment may induce a core state to pursue independent course of action and take slight or insignificant interest in promoting regionalism.

**CONCLUSION**

There exist several theories explaining regional integration process, though most of them are Eurocentric. Federalism provides a legal-constitutional approach to the political unification of two or more independent states. Functionalism prescribes creation

of IOs, governed by technocrats, in various areas, to ensure international peace, reap the benefits of free trade and address the problems of underdevelopment and to handle those issues which require joint control. A web of functionally specific IOs would blur the boundaries and make national borders irrelevant. Neofunctionalists focused on the role of non-state actors above (supranational institution) and below the state (political parties, business groups and interest lobbies). These actors, motivated by their self-interest, made transnational alliances and shifted their loyalties and expectations from a national to a regional institution. Under certain conditions, regional integration in one economic sector would expand into other economic sectors and economic integration would “spillover” into political integration. Transactionalists gave a different concept of regional integration. For them it was a condition which emerges with formation of a sense of community. A security community comes into being when regional states are sure that they would not fight each other and would settle their disputes through peaceful means. Interdependence theorists claimed that international trade increased wealth and created interest groups which opposed wars as it could disrupt wealth accumulation. Regime theorists claimed that international institutions facilitate international cooperation.

Intergovernmentalists argued that national governments were the main actors in integration process. Integration was easy on issues of “low politics” but it became difficult on matters related to “high politics.” State structures, nationalism, external environment, national interests and preferences of national leaders determined the pace and limits of the process. Liberal intergovernmentalism explained that states’ preferences were shaped by domestic politics. The business interests of main domestic groups,
preferences of national leaders, bargaining power of governments and coalition-building and convergence of interests of leading members play crucial role in the process.

In the context of South Asia regionalism, it is noteworthy that the presence of a powerful member is an important factor for success of a grouping. It can play either a positive or negative role in the process. In order to make regionalism successful, the core member has to play a crucial role. To this end, it must: synchronize its national interests with larger regional ones; renounce the use of force, tacitly or implicitly, in mutual dealings with its regional partners; show its sincerity towards peaceful resolution of mutual disputes; and adopt restraint behaviour in regional affairs. The core state has to accept a dominance-free regional arrangement which can assure smaller states of preservation of their national security, territorial integrity, political independence and sovereign equality. The leading state must be willing to show large-heartedness, magnanimity, responsiveness and accommodation towards the genuine needs, demands, concerns and aspirations of its partners. It must also play a role to ensure just distribution of gains of regional cooperation through: generating development impulses in its weak regional partners; making short-term sacrifices; promoting joint projects; creating regional economic complementarities; and playing the role of a paymaster in the cooperative arrangement. However, a state having confidence in its national capabilities may not take interest in growth of regionalism to achieve its objectives. Rather, it can employ alternative means and national power to advance its interests.
ORIGIN AND GROWTH OF REGIONAL COOPERATION IN SOUTH ASIA

The South Asian states did not have exclusive regional cooperation arrangements till early 1980s. However, they had actively participated in formation of several IOs, and cooperated with one another at various forums such as Asian Relations Conferences, the Non-Aligned Movement (NAM), Colombo Plan, Central Asian-African Legal Consultative Committee (AALCC), Asian Productivity Organization (APO), ESCAP, and the British Commonwealth.¹ The US had tried fruitlessly to encourage South Asian states to form some sort of regional arrangement in 1960s. However, some external “proposals and events,” such as success of regionalism in other parts of the world, 1971 war and Russian occupation of Afghanistan had influenced formation of SAARC.²

4.1 ORIGIN OF REGIONAL COOPERATION

The former President of Bangladesh, Ziaur Rehman had the credit to initiate idea of South Asian regionalism. Inspired by successful and “extremely beneficial” cooperative schemes in other parts of the world, he had noted that South Asia was the only region without any such organization despite having enormous scope of regional cooperation. If fully exploited, it could bring enormous economic benefits, individually and collectively, to the regional states – comprised of one-fifth of the world population. He believed that South Asia nations shared several values “rooted in their social, ethnic,

cultural and historical traditions,” which were important factors for success of regionalism. He had the conviction that prevailing political climate was conducive for growth of regionalism and South Asian states must “make the most of this opportunity.”

First, he discussed the proposal with leaders of Pakistan, India, Nepal and Sri Lanka during his visits to these countries from 1977 to 1980 which helped clarified perspectives and views of South Asian states on regional cooperation. In Nov. 1980, he addressed letters to heads of states or government of regional states on the subject. His government circulated a working paper containing objectives, principles, possible areas of cooperation as well as charter of proposed regional arrangement and as such provided almost a complete blueprint of regional cooperation in South Asia. President Zia had also proposed convening of a summit meeting to consider its launching but other states wanted to adopt a gradual approach.³ Thus, it was agreed to move carefully in the context of regional history and to first undertake some homework necessary to make such summit fruitful. It was agreed to initially convene a meeting of the foreign secretaries.

4.2 INSTITUTIONALIZATION OF REGIONAL COOPERATION

The process of institutionalizing regionalism in South Asia passed through three phases. The first phase (1981 – 1983) involved meetings of foreign secretaries and other officials of the regional states which helped finalize the “basic framework of regional cooperation” and paved the way for the meetings of their foreign ministers. It had elevated the process to political level from the official level.⁴ During the first phase foreign secretaries held four meetings besides a preparatory meeting at their level before

the first ever meeting of their Foreign Ministers. The foreign secretaries in their first meeting, held in Colombo, on Apr. 21–23, 1981, agreed to “proceed, step by step” and to make decisions “on the basis of unanimity.” They also agreed to exclude “bilateral and contentious issues” in their discussions. They set the aims, objectives, and principles of regional cooperation which were, subsequently, also included in the SAARC charter. They identified five areas of possible cooperation and set up five study groups which were assigned to conduct in-depth studies on potential, scope as well as cost and benefits of cooperation in their respective areas. They also set up a Committee of the Whole (COW) comprising the senior officials of regional states and coordinated by Sri Lanka to “identify and report on other areas of possible cooperation.” The COW had identified thirteen areas of possible cooperation.

The foreign secretaries in their second meeting, held in Katmandu on Nov. 2–4, 1981, approved the recommendations of the five study groups and converted them into Working Groups with the task to prepare a comprehensive action plan for regional cooperation in short and long terms. They also considered and endorsed the recommendations of COW. They set up three more study groups.

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5 SAARC Secretariat, *From SARC to SAARC*, 9.
6 Ibid., 9–10. These study groups were established in these fields: 1) agriculture, 2) rural development, 3) telecommunications, 4) meteorology, and 5) health and population activities.
7 Ibid., 10–2. These thirteen areas included: 1) Education and Training, 2) Cultural Exchanges, 3) Scientific and Technological Cooperation including cooperation in the field of New and Renewable Sources of Energy, 4) Tourism, 5) Transport, 6) Shipping, 7) Monetary Cooperation, 8) Cooperation in International Economic Negotiations and negotiations with Multilateral Corporations, 9) Information and Mass Communications, 10) Environment including Marine Pollution Control, 11) Postal Services (as a part of Telecommunications), 12) Coordination of Policies on Manpower Export, 13) Promotion of cooperation amongst Regional Planners, Non-governmental organizations, Academic, Research and Other institutions.
8 Ibid., 22–3. Three more study groups were established in these areas: Transport; Postal Services; and Science and Technology.
In their third meeting, foreign secretaries approved recommendations of three study groups and converted them into working groups. They also set up another study group on Sports, Arts and Culture. They considered and approved the reports of five previously established working groups. Foreign secretaries also decided to convene a meeting of officials of their national planning departments in New Delhi prior to their next meeting. They had agreed to convene their foreign ministers meeting between May and September, 1983. Foreign secretaries also set up another COW under the chairmanship of Sri Lanka to prepare an Integrated Programme of Action (IPA). The COW in its meeting, held in Colombo on Jan. 10–13, 1983, gathered the sectoral programmes, based on the recommendations of eight Working Groups, into an IPA. The foreign secretaries, in their 4th meeting, held in Dhaka, on Mar. 28–30, 1983, approved recommendations of COW. While noting that they had completed the preparatory work necessary for institutionalizing regional cooperation, they agreed to convene their foreign ministers meeting in New Delhi in July or August 1983. The foreign secretaries in the preparatory meeting, held in New Delhi on Jul. 28–29, 1983, considered the report of study group on Sports, Arts and Culture and incorporated its recommendations in IPA.

The second phase (1983 – 85) involved four meetings of the foreign ministers, the last one being preparatory to the summit meeting. In their first ever meeting held in New Delhi on Aug. 1–2, 1983, the ministers approved IPA in nine areas and launched South Asian Regional Cooperation (SARC). They signed SARC declaration on August 02, 1983 and set out the objectives and principles of regional cooperation as well as its

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9 Ibid., 24–5.
10 Ibid., 27 and 55.
11 Ibid., 56–57.
institutional and financial arrangements which were more or less also incorporated in SAARC charter. They also decided to meet once a year to review progress on SARC.\textsuperscript{12} In their second meeting held in Male, on Jul. 10–11, 1984, the foreign ministers agreed on convening first summit meeting in Dhaka at the end of the year 1985. They emphasized to focus on preparation of detailed projects and operational activities and to convene ministerial level meetings on some of the vital sectors related to agreed areas of cooperation.\textsuperscript{13} In their third meeting, held in Thimpu on May 13–14, 1985, the ministers agreed to the proposal made by the Government of Bangladesh to hold summit meeting on December 7–8, 1985.\textsuperscript{14} The ministers in their fourth meeting, held in Dhaka on Dec. 05, 1985, reviewed the arrangements for first SAARC summit as well as implementation of IPA. They recommended adoption of the text of the Draft Declaration as well as SAARC Emblem by the Summit.\textsuperscript{15}

### 4.3 SUMMIT MEETINGS


\textsuperscript{12} Ibid., 58–61. The nine areas included: Agriculture, Rural Development, Meteorology, Telecommunication, Scientific and Technological Cooperation, Health and Population Activities, Transport, Postal Services and Sports, Arts and Culture.

\textsuperscript{13} Ibid., 70–1.

\textsuperscript{14} Ibid., 82.

\textsuperscript{15} Ibid., 94–5.

4.4 INSTITUTIONAL ARRANGEMENTS

The first summit launched SAARC on December 8, 1985 in Dhaka and signed its charter containing 10 articles setting out its aims, objectives, principles, and institutional and financial arrangements.

4.4.1 Aims, Objectives, Principles and General Provisions

The SAARC members declared that they desired to promote “peace, stability, amity and progress in the region,” and to resolve their common problems and attain “national and collective self-reliance” through joint efforts in various fields. Article-I of SAARC charter laid down these objectives; to promote the welfare and quality of life of people; to accelerate economic growth, social progress and cultural development; to promote and strengthen collective self-reliance of member states; to build mutual trust, understanding, and appreciation of each other’s problems; promote regional cooperation in economic, social, cultural, technical and scientific fields; help adopt common positions in international forums on issues of common interests and; to promote cooperation with other international organizations having similar objectives. Article-II mentioned that the regional cooperation would be accomplished under these principles; mutual respect for sovereign equality, territorial integrity, political independence, non-interference in each others’ internal affairs and mutual benefits. It also stated that regional cooperation would

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16 Declarations of SAARC Summits.
not “substitute for bilateral and multilateral obligations.” While, the general provisions (Article-X) stated that decisions at all levels would be made on the basis of unanimity and bilateral and contentious issues would be excluded from the deliberations.¹⁷

4.4.2 Organizational Structure

According to the SAARC charter, the highest authority lies with the heads of state or government who would meet “once a year or more often as and when considered necessary by the Member States.” The Council of Ministers, comprising foreign ministers, is the second highest body. It must meet twice a year and its extraordinary session can be called by agreement among members. Its responsibilities include: formulation of policies; review of progress on cooperation in agreed areas; taking decision on new areas of cooperation; establishment of additional mechanism under SAARC and; making decision on other matters of general interest to the association. The Standing Committee consists of foreign secretaries, and it meets as often as necessary, submits periodic reports to the Council of Ministers and can “make reference to it as and when necessary for decisions on policy matters.” The Standing Committee performs following functions: overall monitoring and coordination of programmes of cooperation; approval of projects and programmes, and the modalities of their financing; determination of inter-sectoral priorities; mobilization of regional and external resources and; identification of new areas of cooperation on the basis of appropriate studies. The Programming Committee includes the senior officials of member states and meets before meetings of the Standing Committee. It performs functions like scrutiny of the Secretariat budget, finalization of calendar of activities of SAARC programmes and other tasks

¹⁷ Charter of the South Asian Association for Regional Cooperation.
assigned to it from time to time by the Standing Committee. There exist several Technical Committees (TCs) comprising of the representatives of member states. Each TC submit its report to Standing Committee and can use following mechanism to perform its responsibilities; convene meetings of heads of national technical agencies or experts in specific fields and contact amongst recognized centers of excellence in the region. TCs are responsible to perform these functions: to explore the potential and the scope of regional cooperation in agreed areas; to prepare programmes and projects; to determine financial implications of sectoral programmes; to make recommendations on apportionment of costs; to implement and coordinate sectoral programmes and; to monitor progress in implementation. The charter also provides that the Standing Committee can establish Action Committees comprising of representatives of concerned sates to implement projects involving more than two but not all SAARC members. Under reconstituted Regional Integrated Programme of Action (RIPA), effective from January 2004, five Working Groups were also established for promoting regional cooperation in their respective areas.¹⁸ Several meetings (1983–1991) between the heads /officials of national planning organizations of member states considered prospects of economic cooperation. However, a high level Committee on Economic Cooperation (CEC) was formed in 1991 to identify and implement programmes in areas of economic cooperation and trade liberalization. Besides, SAARC ministerial meetings on specific areas have also become a common practice which provides for focused consultation and preparation of action plan for cooperation in respective fields.¹⁹


¹⁹ SAARC Secretariat, “SAARC in Brief.” 122–3. Recognizing its importance as early as in 1982, the Foreign Secretaries had decided to hold meetings of officials of their planning departments. Their first
4.4.3 **Financial Arrangements and Regional Funds**

The members apportion funds in their national budgets and annually announce it in Standing Committee meeting, for SAARC activities and programs and contribute on an agreed formula for the annual budget of the secretariat and the regional institutions.\(^{20}\) In 1991, they had created a SAARC Fund for Regional Projects (SFRP) for provision of loans to identify and develop regional projects. A Regional Council of Development Financing Institutions of the SAARC members was entrusted to manage the fund.\(^{21}\) The members also created a SAARC Regional Fund (SRF), administered by members themselves, to help implement approved projects/programs under IPA. The sources of the SRF included donations from the private sector and grants from donors including foreign governments, and international organizations and agencies etc.\(^{22}\) In June 1996, SFRP and SRF were merged to establish a “three -window” South Asian Development Fund (SADF) headquartered in Dhaka.\(^{23}\) The thirteenth summit established a SAARC Poverty Alleviation Fund (SPAF) under SADF, which has been reconstituted as SAARC Development Fund (SDF) to serve as “the umbrella financial institution for all SAARC projects and programmes.” The SDF included three windows: social, infrastructure and economic. The working and decision–making in SDF is consistent with the SAARC

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\(^{20}\) Ibid. The host country bears 40 percent of the institutional cost of regional institution while the rest of the expenditures are met by others members on an agreed formula. The host country bears the capital expenditure of the regional institutions while programme expenditures are met by all members.


\(^{22}\) SAARC Secretariat, “SAARC in Brief,” 138. SRF could provide funds for SAARC regional institutions, costs of program component of networking arrangements, projects and programs involving high costs, development of scientific and technical projects and long term training programs etc.

Charter. Later, the members signed SDF charter, operationalized it from the available funds and launched or identified various projects under its social window. The fifteenth summit approved to set up SDF secretariat in Thimphu, Bhutan which became operational with appointment of its first Chief Executive Officer (CEO).

4.5 INSTITUTIONAL DEVELOPMENTS

4.5.1 The Secretariat

The members had decided to establish a SAARC secretariat and agreed to locate it in Katmandu, Nepal. They appointed Abul Ahsan of Bangladesh the first Secretary General who took charge on January 16, 1987. The Secretariat signed a Headquarters Agreement with the host Government. Ninth summit fixed the term of the Secretary-General as non-renewable three years.

4.5.2 Admission of New Members and Observers and Creation of Linkages

The third summit entrusted Standing Committee to examine matters related to admission of new members and observers to SAARC and to create linkages with other


27 SAARC Secretariat, SAARC Summits, 95 and 98. The Foreign Minister signed the Memorandum of Understanding (MOU) at the eve of Second SAARC Summit.

28 Ibid., 95, 98, 151 and 153.

29 Ibid., 211.

30 SAARC Secretariat, SAARC Documents, vol.VI, 367. Ninth SAARC summit had amended Article V (1) of the MOU on secretariat and fixed the tenure of the Secretary-General as non-renewable three years.
organizations.\textsuperscript{31} The fourth summit approved its recommendations “that any country in the region subscribing to the objectives and principles of the SAARC Charter may be admitted as a member of the Association by a unanimous decision of the Heads of State or Government.”\textsuperscript{32} The seventh summit entrusted SAARC Expert Group to scrutinize applications for grant of observer status in SAARC.\textsuperscript{33} The thirteenth summit agreed to admit Afghanistan as new member and Japan and China as observers.\textsuperscript{34} Afghanistan joined formally as eighth SAARC member during the fourteenth SAARC summit held in India on April 3–4, 2007. Subsequently, Japan, China, the European Union, Korea, Iran, the United States, Mauritius, Australia and Myanmar also joined as observers.\textsuperscript{35}

The fourth summit mandated the Secretary General to contact international organizations with similar aims and objectives.\textsuperscript{36} The members authorized the SAARC secretariat to exchange studies, publications and reports and share information with EU and ASEAN in identified areas.\textsuperscript{37} The tenth summit considered prospects of launching SAARC programmes and projects in collaboration with other international organizations having links with SAARC and also to initiate cooperation between SAARC and individual states outside the region on the basis of mutuality of benefits. The UN General Assembly at its fifty–ninth annual session granted SAARC observer status.\textsuperscript{38}

\textsuperscript{31} SAARC Secretariat, \textit{SAARC Summits}, 154.
\textsuperscript{32} Ibid., 209 and 216.
\textsuperscript{33} SAARC Secretariat, \textit{SAARC Summits}, vol. II, 131.
\textsuperscript{34} Thirteenth SAARC Summit, \textquotedblright Dhaka Declaration.	extquotedblright
\textsuperscript{35} Fourteenth SAARC Summit, \textquotedblright New Delhi Declaration;\textquotedblright Fifteenth SAARC Summit, \textquotedblright Colombo Declaration;\textquotedblright Sixteenth SAARC Summit, \textquotedblright Thimphu Declaration.	extquotedblright
\textsuperscript{36} SAARC Secretariat, \textit{SAARC Summits}, 211.
\textsuperscript{37} SAARC Secretariat, \textit{SAARC Summits}, vol. II, 55.
\textsuperscript{38} SAARC Secretariat, \textit{SAARC Documents}, vol. VI, 380; Thirteenth SAARC Summit, \textquotedblright Dhaka Declaration.	extquotedblright
4.5.3 **Strengthening of SAARC**

In order to make the process of regional cooperation more effective, the members agreed to adopt a functional and more business-like approach in conducting SAARC meetings and to arrange informal meetings between summits.\(^{39}\) They called for strengthening “institutional capabilities” of SAARC commensurate to its expanding agenda and increased demand on implementation of its plans and programmes.\(^{40}\) In order to promote solidarity and development in the region, the members stressed the need to develop “specific projects” according to the particular needs of three or more SAARC members. The fifteenth summit agreed that each member state would take lead in at least one regional or sub–regional SAARC project.\(^{41}\)

4.6 **PROGRESS OF REGIONAL COOPERATION IN AGREED AREAS**

At the time of launching of SAARC in 1985 nine TCs were created to accomplish their responsibilities in their respective identified areas.\(^{42}\) Subsequently, some new areas of cooperation were identified and more TCs created.\(^{43}\) Meanwhile, some of TCs were also merged together.\(^{44}\) The IPA was reconstituted as SAARC Integrated Programme of

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\(^{39}\) SAARC Secretariat, *SAARC Summits*, vol. II, 56 and 124.

\(^{40}\) Thirteenth SAARC Summit, “Dhaka Declaration.”

\(^{41}\) SAARC Secretariat, *SAARC Documents*, vol. VI, 367–8; Fifteenth SAARC Summit, “Colombo Declaration.” Articles VII and X of SAARC charter provide for such projects.


\(^{44}\) Ibid., The subject of forestry was assigned to TC on Agriculture. Two separate TCs on Postal Services and Telecommunications were merged into a single TC on Communications. TC on Education was merged with that on Sports, Arts and Culture to form single TC on Education and Culture w.e.f.1993. Two separate TCs on Environment and Meteorology were also merged together.
Action (SIPA) in 1999 and then as RIPA which became effective from January 2004. Under reconstituted SIPA and RIPA, several TC were amalgamated together and their number was reduced from eleven to seven which covered these areas: Agriculture and Rural Development (also include Livestock and Fisheries); Health and Population Activities (also include nutrition and drug related issues); Women, Youth and Children; Environment and Forestry; Science and Technology, and Meteorology; Human Resource Development (include Education, Skill Development, arts, culture and sports), and; Transport (Land, Water, Railway and Civil Aviation). The RIPA also included five working groups on: Telecommunications, and Information and Communication Technology (ICT); Biotechnology; Intellectual Property Rights (also include traditional knowledge); Tourism, and; Energy.

4.6.1 **Agriculture and Rural Development**

Agriculture and rural development deserved special attention of SAARC members due to their immense importance in regional economies. Agricultural sector not only contributes significantly to GDP of regional countries but also provides employment to millions of people particularly those living in rural areas. Both sectors are closely interrelated due to which separate TCs on them were merged together to form a single TC on Agriculture and Rural Development (TC-ARD) in July 2000. The members agreed to increase regional cooperation in agricultural research. As an initial step of cooperation in agriculture, they established the SAARC Agricultural Information Center (SAIC) in 1989 to network agricultural research and information in the region. In 2006, it

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was upgraded and renamed as SAARC Agricultural Center (SAC) to deal with all sub-sectors related to agriculture. The members explored regional cooperation in conservation and management of water resources for agricultural purpose and to establish SAARC Quadrangle Milk Grid between Bangladesh, Bhutan, India and Nepal. They agreed to share agriculture research and best practices among them. The TC-ARD finalized “the SAARC Agricultural Perspective/Vision 2000” which focused on long-term challenges and priorities of regional states. They decided to undertake specific projects through collaboration among SAARC members to develop agriculture in the region.49

4.6.1.1 Regional Food Security

Being concerned over the common challenges of malnutrition and food insecurity faced by regional states, SAARC members signed an agreement (1987) to establish a South Asian Food Security Reserve (SAFSR) which became operational on 12 August 1988.50 They agreed to cooperate in the area of bio-technology to achieve long-term food security and called for sharing knowledge on genetic conservation and maintenance of germplasm banks. They also called for cooperation to catalogue genetic resources stored in different SAARC members. India offered to provide necessary training facilities to this end.51 They explored prospects of forming SAARC seed security reserve and protecting the Intellectual Property Rights (IPRs) of its seeds.52 They agreed to make SAFSR more effective and signed an agreement to establish SAARC Food Bank (SFB) to help manage

50 SAARC Secretariat, SAARC Summits, 151, 153, 209 and 215.
emergencies during calamities and food shortages during normal time.\textsuperscript{53} They operationalized SFP Board in October 2008 and adopted SAARC Regional Strategy (SRS) as well as Regional Programme for Food Security (RPFS).\textsuperscript{54}

4.6.1.2 \textbf{Water Resources}

The importance of water is manifold for South Asian economies particularly for agricultural sector for which water is as vital as blood for human body. The SAARC members expressed their concerns over the alarming world water crises and affirmed to take the lead in the world to focus on conservation of water resources. They agreed to initiate capacity building and research related to rain water conservation and river basin management. They called for developing regional projects and sharing their knowledge, experiences and technology for management and conservation of water resources.\textsuperscript{55}

4.6.2 \textbf{Communication and Transport}

Two separate TCs on telecommunications and postal services were merged together to form a single TC on Communication in 1993 which was replaced with a Working Group on Telecommunications, and Information and Communication Technology (ICT) in 2004. While TC on Transport established in 1983 survived under reconstituted RIPA and looks all matters related to land, water, railway and civil-aviation.

Recognizing that lack of appropriate communications facilities among regional states was a main barrier to economic cooperation in South Asia, SAARC leaders underscored the need to develop communication infrastructure, simplify transactional software and documentation procedures for facilitating economic contacts among

\textsuperscript{53} Ibid, 392; Fourteenth SAARC Summit, “New Delhi Declaration.”
\textsuperscript{54} \url{http://www.saarc-sec.org/areaofcooperation/cat-detail.php?cat_id=44} accessed on 08.2.2011.
\textsuperscript{55} Fifteenth SAARC Summit, “Colombo Declaration;” Sixteenth SAARC Summit, “Thimphu Declaration.”
regional states and to establish direct air links between regional capitals. The SAARC Foreign Ministers, in their meeting in July 1994, agreed that concerned TC should consider proposals and submit report to Standing Committee regarding improving telecommunications and air transport links between regional capitals. The SAARC Communication Ministers in their first ever meeting held in Colombo in May, 1998 adopted a Plan of Action. The members stressed the need of regional cooperation to narrow the “digital divide” and building knowledge-based societies so that all people of South Asia could benefit of advancement in ICT. Realizing importance of regional cooperation in the field, they established “a collaborative health care project” involving a regional telemedicine-network. They also decided to upgrade national and regional telecom infrastructure and rationalize telecom tariffs on reciprocal basis. Fifteenth summit had noted with satisfaction that the work to upgrade the regional telecommunication infrastructure was in progress.

The members agreed to “improve intra-regional connectivity” envisioning a South Asian community providing for movement of ideas, knowledge, money, goods, services, people, and culture in the region. They conducted a SAARC Regional Multimodal Transport Study (SRMTS) and directed the Inter-Governmental Group on Transport (IGGT) to identify and develop regional and sub-regional projects – to begin with pilot projects based on SRMTS – and to develop regional agreements. SAARC Transport Ministers meetings were also held. The SAARC considered a draft Motor Vehicle

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56 SAARC Secretariat, *SAARC Documents*, vol.VI, 369 and 373.
57 SAARC Secretariat, *From SARC to SAARC*, 71.
58 SAARC Secretariat, *SAARC Documents*, vol. VI, 385.
60 Fourteenth SAARC Summits, “New Delhi Declaration;” Fifteenth SAARC Summit, “Colombo Declaration.”
Agreement (MVA), technical reports on Regional Transport and Transit Agreement (RTTA) and Regional Multilateral Railway Agreement (RMRA). It declared 2010–2020 as the “Decade of Intra-regional Connectivity in SAARC.”

4.6.3 **Human Resource Development**

Two separate TCs on education (1989) and sports, arts and culture were merged into a single TC on Education and Culture in 1993 which was renamed as TC on Human Resource Development (TC-HRM) in 1999. Under reconstituted RIPA, TC-HRM was assigned matters related to education, skill development, arts, culture and sports.

4.6.3.1 **Education and Skill Development**

Recognizing the importance of HRM for their socio-economic development, the member states established SAARC Human Resource Development Center (SHRD) in Islamabad to contribute to human resource development in the region. The members also agreed to strengthen HRD programmes through skills development, strengthening local skills and vocational training in various fields particularly those related to poverty alleviation. The twelfth summit stressed the need to invest in HRD for socio-economic development of member states and to establish links between regional centers of higher education and training and skill development organizations.

The SAARC members recognized from the onset that education was one of the main areas which required their immediate attention and included it in the agreed areas of

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64 SAARC Secretariat, *SAARC Documents*, vol. VI, 384; *SAARC Documents*, vol. VII, 382.
cooperation. They decided to share their experiences and technical expertise to achieve the goal of giving primary education to all children between the ages of 6–14 years by the year 2000. They observed 1996 as the “SAARC Year of Literacy.” Nonetheless, the SAARC had to reset educational targets particularly those related to universal primary education. The eleventh summit called for preparing action plans to ensure that all children especially girls have access to primary education by 2015, to increase adult literacy by fifty percent, and eliminate gender inequalities in access to education. The thirteenth summit declared that eradication of illiteracy from the region was a main goal of SAARC in the third decade of its existence. It was agreed to make collective efforts to achieve the goal of universal primary education in South Asia as part of pursuing the Millennium Development Goals (MDGs).

The SAARC members agreed to utilize their national education related institutional facilities at regional level and to use innovative and cost effective methods like “Open Learning and Distance Education” to meet regional needs for vocational and higher education. They established a “SAARC Forum of Vice Chancellors of Open Universities” and agreed to utilize developments in IT to promote distance education. They agreed to devise strategies to enhance their educational standard through exchange of information among regional universities, adopting uniform methods of instruction and teaching aids, and to include SAARC in their national syllabi. The fourteenth summit

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66 SAARC Secretariat, SAARC Summits, 209.
67 SAARC Secretariat, SAARC Summits, vol. II, 89.
70 Thirteenth SAARC Summit, “Dhaka Declaration.”
71 SAARC Secretariat, SAARC Documents, vol. VI, 371 and 384.
agreed to institute an enlarged SAARC Scholarship Scheme in ICT and related areas, and enhance educational cooperation through institutionalized exchanges of academics, experts, policymakers, students and teachers as well as inter-institutional cooperation and partnerships etc.\textsuperscript{73} It decided to establish South Asian University (SAU) in India which started its first academic session from August 2010. The sixteenth summit directed to finalize modalities to establish its regional campuses in other member states.\textsuperscript{74}

\textbf{4.6.3.2 Arts, Sports and Culture}

Due to their immense potential to contribute towards promotion of mutual understanding and regional identity, the member states decided to include arts, sports and culture in the agreed areas of cooperation from the onset. The launching of South Asian Games in 1984 was an important step towards this direction. These games are held in rotation in SAARC members after regular intervals and help create regional identity.\textsuperscript{75}

The regional leaders had declared that despite their diverse religious and cultural traditions, they were heirs to “a profound common civilizational continuum of great antiquity which constitutes a historical basis for sustaining harmonious relations among the people of the region.”\textsuperscript{76} India hosted the first “South Asian Festival of SAARC Countries” in 1992 to give regional states opportunities to share their rich cultural heritage. It was expected that these festivals would be organized on regular basis.\textsuperscript{77} The SAARC Ministers of Cultural Affairs in their meeting held in Sri Lanka finalized an Action Plan to connect their national cultural institutes. Sri Lanka also organized first

\begin{itemize}
\item \textsuperscript{73} Fourteenth SAARC Summit, “New Delhi Declaration.”
\item \textsuperscript{74} Sixteenth SAARC Summit, “Thimphu Declaration.”
\item \textsuperscript{75} See http://www.facts-about-india.com/saf-games.php accessed on 25.5.2010.
\item \textsuperscript{76} SAARC Secretariat, \textit{SAARC Documents}, vol. VI, 379.
\item \textsuperscript{77} SAARC Secretariat, \textit{SAARC Summits}, vol. II, 128.
\end{itemize}
ever SAARC Film Festival in Colombo in 1998.\textsuperscript{78} The SAARC Cultural Centre was established in Kandy to preserve traditional skills and crafts, promote cultural heritage and project distinct South Asian identity.\textsuperscript{79} India offered to establish a SAARC Museum of Textiles and Handicrafts. The members launched the SAARC Agenda for Culture at the eve of fourteenth summit.\textsuperscript{80} They institutionalized annual SAARC festivals for cultural exchanges and agreed to charge each others’ nationals entry fees, into archeological and heritage sites, as applicable to their own nationals.\textsuperscript{81}

4.6.4 Environment, Forestry and Meteorology

The regional leaders noted with concerns the devastating effects of environmental degradation on the lives and property of the people as well as on socio-economic development of member states which arose in the shape of recurring floods, droughts, landslides, cyclones, tidal waves, global warming and rise in the sea level. The members decided to strengthen their disaster management capabilities and conducted a study on protection and preservation of the environment and to the causes and consequences of natural disasters. They also undertook a joint study on the greenhouse effect.\textsuperscript{82} Both studies were completed by 1992 and their recommendations were considered by a Committee on Environment which was later re-designated as a TC on Environment in 1992.\textsuperscript{83} The members observed 1992 as the “SAARC Year of Environment.”\textsuperscript{84}

\begin{thebibliography}{9}
\bibitem{SAARC Secretariat, SAARC Documents, vol. VI, 379, and 382–3.}
\bibitem{SAARC Secretariat, SAARC Documents, vol. VII, 393.}
\bibitem{Thirteenth SAARC Summit, “Dhaka Declaration.”}
\bibitem{Fourteenth SAARC Summit, “New Delhi Declaration.”}
\bibitem{SAARC Secretariat, SAARC Summits, vol. II, 164–5; and SAARC Secretariat, “SAARC in Brief, 126; and also http://www.saarc-sec.org/areaofcooperation/cat-detail.php?cat_id=54 accessed on 08.2.2011. It was merged with TC on Meteorology to form a single TC on Environment and Meteorology. Under reconstituted RIPA, meteorology was separated from environment merged with Technical Committee on Science and Technology.}
\end{thebibliography}
While observing that the developed states were responsible for environmental degradation, the SAARC members demanded them to provide South Asian countries with necessary resources to face environmental challenges. They called for harmonization of environmental and developmental goals and to avoid one-sided and arbitrary conditions. The SAARC members took common positions on various international conferences and forums on environment related issues and stressed the need of international cooperation to enhance national capabilities, technology transfer and strengthening research activities and developing multilateral projects related to reduce natural disasters. The ninth summit stressed the need of exploring the possibility of drawing up a Regional Treaty on Environment. It also called for sharing of information, strategies and technologies to address air and water pollution and adopting common minimum standards, and agreed to cooperate with each other to protect and preserve bio-diversity, identify and create “contiguous protected areas” along shared borders, and to prevent illegal trafficking in flora and fauna. It was decided to convene regional Environment Ministers meetings on an annual basis. In their first ever meeting held in Male in Oct. 1997, the Ministers prepared the SAARC Environment Action Plan. The members had agreed to formulate national action plans on environment and reports on state of the environment. To promote their objectives, the members established the Coastal Zone Management Centre (CZMC) in the Maldives in 2004 and the SAARC Forestry Centre (SFC) in Bhutan in 2007. Subsequently, they agreed to enhance capacity of CZMC. The thirteenth summit

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84 SAARC Secretariat, SAARC Summits, vol. II, 52.
85 Ibid, 89, 126, 164–5.
approved to launch regional programmes and projects related to early warning, preparedness and management of natural disasters and to address the problem of arsenic contamination of ground water. They observed 2007 as the “Year of Green South Asia” with a focus to launch a region-wide reforestation campaign.\(^8^9\) The twenty-ninth session of the Council of Ministers adopted the SAARC Declaration on Climate Change for the United Nations Framework Convention on Climate Change (UNFCCC). The SAARC Environment Ministers in their meeting, held in Dhaka on July 3, 2008, adopted a SAARC Action Plan and Dhaka Declaration on Climate Change.\(^9^0\) The Environment Ministers recommended for initiating steps to conserve trans-border bio-diversity zones, aquatic ecosystem, systematic and regular sharing of scientific data and creation of automated network of weather stations.\(^9^1\) The SAARC created a Natural Disaster Rapid Response Mechanism under the aegis of the SAARC Disaster Management Centre, established in New Delhi in October 2006.\(^9^2\) The “Climate Change” was the theme of the sixteenth summit when the members signed the SAARC Convention on Cooperation on Environment and stressed the need to early finalize the “SAARC Agreement on Rapid Response to Natural Disasters.”\(^9^3\)

4.6.4.1 **Meteorology**

Realizing its importance from the onset, the members included meteorology in the first five areas of cooperation agreed in the first meeting of Foreign Secretary in 1981.

\(^{88}\) SAARC Secretariat, *SAARC Documents*, vol. VII, 393; Thirteenth SAARC Summit, “Dhaka Declaration.”

\(^{89}\) Thirteenth SAARC Summit, “Dhaka Declaration.”

\(^{90}\) Fifteenth SAARC Summit, “Colombo Declaration.”

\(^{91}\) Sixteenth SAARC Summit, “Thimphu Declaration.”


\(^{93}\) Sixteenth SAARC Summit, “Thimphu Declaration.”
They merged TC on meteorology with that on environment and later with another on science and technology under RIPA. An important step to promote regional cooperation particularly in the area of collecting information and research in the field of meteorology was the establishment of SAARC Meteorological Research Center (SMRC) in Bangladesh in 1995. Later on, they decided to enhance capacity of SMRC.

4.6.5 Science and Technology

The SAARC members acknowledged the importance of regional cooperation in science and technology from the onset and included a TC on the subject in original IPA. They worked out to cooperate in field of biotechnology and under RIPA established a separate working group on Biotechnology. Being conscious of the fact that breakthroughs in the field of science and technology presented vast potential to contribute towards wellbeing of their people, SAARC members considered cooperation in the field as vital to extract maximum benefits from it. They agreed to institutionalize regional cooperation in the field of bio-technology. The SAARC also called for sharing of information, facilitating research, and to create links between regional research and development centres particularly in the fields of biotechnology, genetic engineering, energy modeling techniques, low-cost housing and building technologies and other agreed areas. The members made some progress towards these ends. They found impediments to the free mobility of technology from the developed world, and underscored the need of regional cooperation in scientific research and development to achieve regional self-sufficiency particularly in preparing low-cost and easily replicable

94 www.saarc-smrc.org accessed on 08.2.2011; and also Thirteenth SAARC Summit, “Dhaka Declaration.”
95 SAARC Secretariat, SAARC Summits, vol. II, 92.
96 Ibid, 90, 127 and 166.
technologies suitable to local conditions for availability of clean drinking water and sanitation and improving the living standard of the people in the rural areas.\footnote{SAARC Secretariat, \textit{SAARC Documents}, vol. VI, 370–3 and 385.}

A special meeting of regional Ministers of Science and Technology considered “SAARC Technology Initiative” in order to identify and implement specific regional projects related to telecommunications, drinking water and sanitation and raising the living standards of the people particularly those living in rural areas. The tenth summit called for, in the context of IPRs and patent laws, to be careful at the regional level against any possible external “encroachment on the regional bio-diversity heritage”\footnote{Ibid, 385.} The members also called for sharing of expertise, joint research and development, and industrial application of higher technology, to accelerate socio-economic development in South Asia.\footnote{SAARC Secretariat, \textit{SAARC Documents}, vol. VII, 392.} The thirteenth summit called for preparing a SAARC action plan on ICT and Science and Technology.\footnote{Thirteenth SAARC Summit, “Dhaka Declaration.”}

\subsection*{4.6.6 Social Development}

The SAARC members set social development as one of their objectives and announced intentions to take measures in the field of women development, protection and development of children and welfare of youth and disabled persons, health and population activities, and formulation of SAARC Social Charter etc.\footnote{http://www.saarc-sec.org/areaofcooperation/cat-detail.php?cat_id=50 accessed on 08.2.2011.} They had also agreed to work together to achieve the targets of general vaccination by 1990, child and maternal nutrition, access to safe drinking water and shelter and universal primary education by the 2000. The fourth summit had launched the “SAARC–2000–A Basic
Needs Perspective.” It called for a plan to achieve targets by the end of the century in the fields of food, clothing, shelter, education, health and population and environment.102

4.6.6.1 Health and Population Activities

Realizing the adverse affects of population explosion on their national development, the SAARC members agreed to deal with this problem through collective efforts. They accepted each others sovereign rights to pursue their population policies independently in accordance with their values, traditions and cultures. They also underscored to integrate their “demographic objectives and population strategies” to devise development policies and to share experiences to deal with population problem.103

The members also agreed to cooperate in health sector. The tenth summit noted that SAARC states had a “rich heritage” of Traditional Systems of Medicine (TSM) and regional cooperation in this field was vital to meet basic health needs of their people. The members also called for increasing cooperation among their pharmaceutical industries.104 They agreed to prepare a regional action plan for cooperation in the fields of medical expertise, pharmaceuticals, production of inexpensive medicines and ensuring their availability in all member states, traditional medicines, and harmonization of standards and certification procedures etc.105 The members established the SAARC Tuberculosis Center (STC) in Katmandu. The twelfth summit called for combating TB, HIV/ AIDS and other deadly diseases, through collective efforts. It also called for devising “culturally appropriate preventive measures, an affordable treatment regime” and particularly to

102 SAARC Secretariat, SAARC Summits, 95, 211 and 214.
103 SAARC Secretariat, SAARC Summits, vol. II, 126.
104 SAARC Secretariat, SAARC Documents, vol. VI, 387.
focus on more vulnerable groups. It stressed that SAARC must collaborate with civil society and international organizations and STC should play coordinating role to this end.106 The members had devised the SAARC strategy to collectively prevent the spread of HIV / AIDS and called for preparing regional plans to prevent and cure various infectious diseases like dengue and malaria etc. They agreed to promote traditional medicines and protect their IPRs and called for regional cooperation to prepare for and address health emergencies, prevent and “control pandemics like avian influenza.”107 SAARC health ministers met in emergency in Male’ in April 2003 to discuss problems related to SARS epidemic. Yet in their another meeting in New Delhi, the Ministers recommended, and the twelfth summit approved, to establish SAARC Health Surveillance Center (SHSC) and a Rapid Deployment Health Response System (RDHRS) and to network regional health institutions working on malaria and other communicable diseases. The summit also called for documentation of traditional knowledge to safeguard IPRs.108 The members declared 2004 as “SAARC Awareness Year for TB and HIV/AIDS.”109 They also agreed to launch a regional health initiative to provide basic healthcare services and sanitation in rural areas and share each other experiences.110

4.6.6.2 Shelter

The members noted with concern the presence of millions of homeless people in the region and took it as a challenge to provide them a better environment. They declared

107 Thirteenth SAARC Summit, “Dhaka Declaration.”
109 Ibid. 392.
110 Thirteenth SAARC Summit, “Dhaka Declaration.”
1991 as “SAARC Year of Shelter.” They had agreed to share their experiences and to work together to achieve the global objective of “Shelter for All by the Year 2000.” SAARC members had recognized that governments could play vital role in facilitating and supporting the efforts of non-governmental sector, through providing suitable sites, house finance facilities, development of necessary infrastructure, providing affordable building materials, involving people in decision-making and linking shelter related activities to poverty alleviation policies. They had agreed to share their knowledge, personnel, research and information etc. and to establish “SHELTERNET” – a shelter information network.

4.6.6.3 Poverty Alleviation

The SAARC members had noted from the onset that “the sheer magnitude and complexity of South Asian poverty constituted a major political and economic challenge” to them. They agreed to work together to address this problem and set priority to eradicate it from the region “in the shortest possible time.” They included the “theme of ‘Poverty Alleviation’” in their regional plan “SAARC 2000 – A Basic Needs Perspective” and agreed to adopt a “‘Daal–Bhaat’ or assured nutritional standards approach” to meet basic needs of the poor. SAARC had formed an Independent South Asian Commission on Poverty Alleviation (ISACPA), comprising eminent personalities from each member, to conduct a study on members’ experiences on poverty

112 Ibid, 56, 90 and 126.
113 Ibid, 90.
115 Ibid, 55–6 and 89.
alleviation. The members had agreed that they would devise pro-poor national plans, consistent with structural adjustment programs and liberal economies and pursue “pro-poor development strategies” at micro and macro levels. Meanwhile, they also pledged to follow an agenda of action to eradicate poverty from South Asia, by the year 2002. SAARC had established a “three-tier institutional structure” to serve as a platform to share information on research studies, policies, strategies and technologies helpful to poverty alleviation programmes. The members observed 1995 as the “SAARC Year of Poverty Eradication” and 1997 as the “SAARC Year of Participatory Governance,” realizing the importance of greater social mobilization and participation of target groups in formulation and implementation of poverty eradication programmes. They decided to expand the scope of micro-credit schemes and to strengthen HRD programmes through skills development, vocational training and increasing cooperation in agricultural research, “indigenous skills” and cottage and small scale industries.

In the new millennium, they had to review their targets and strengthen poverty alleviation activities in the context of the regional and global commitments such as the UN MDGs agreed in 2000 to reduce world poverty in half by 2015. They decided to prepare, update and submit periodic regional poverty profile on regular basis.

\begin{itemize}
\item \footnote{Ibid, 89.} \footnote{Ibid, 124–5.} \footnote{The first-tier included the members’ secretaries of the department concerned with poverty alleviation and social development while second and third-tier consisted secretaries and ministers of planning / finance, respectively. SAARC Secretariat, \textit{SAARC Summits}, vol. II, 161; SAARC Secretariat, \textit{SAARC Documents}, vol. VI, 368, 384; and also \url{http://www.saarc-sec.org/areaofcooperation/cat-detail.php?cat_id=51} accessed on 08.2.2011.} \footnote{SAARC Secretariat, \textit{SAARC Summits}, vol. II, 162.} \footnote{SAARC Secretariat, \textit{SAARC Documents}, vol. VI, 368.} \footnote{Ibid., 368 and 384; and SAARC Secretariat, \textit{SAARC Documents}, vol. VII, 382.} \footnote{SAARC Secretariat, \textit{SAARC Documents}, vol. VII, 382 and 392.}
\end{itemize}
twelfth summit approved the Action Plan on Poverty Alleviation, prepared by SAARC Finance /Planning Ministers in their meeting held in Islamabad in 2002. It set up a Poverty Alleviation Cell (PAC) at SAARC Secretariat to follow up the summit decisions on the subject. The summit reconstituted ISACPA with the mandate to “continue its advocacy role” and prepare the SAARC Development Goals (SDGs) on poverty alleviation, education, health and environment.\textsuperscript{123} The thirteenth summit approved the proposed SDGs and declared to observe 2006–2015 as “the SAARC Decade of Poverty Alleviation.” It replaced the three-tier poverty alleviation mechanism by a two-tier one, comprising the Ministers and the Secretaries dealing with poverty alleviation at the national level. It was assigned the task of monitoring the progress and help adopt pro-poor growth approaches. The members established a SAARC Poverty Alleviation Fund (SPAF) and agreed to designate one rural community in each country, as SAARC Village, to serve as development model.\textsuperscript{124} They also underscored to initiate regional and sub-regional projects to achieve SDGs.\textsuperscript{125}

4.6.6.4 \textbf{Women Development}

Underscoring the importance of increased women participation in regional development process, the first summit directed to convene a ministerial level conference on the subject.\textsuperscript{126} The SAARC had established a TC on Women Development in 1986 and also focused on problems of the girl child. The members declared 1990 as the “SAARC Year of the Girl Child” and the years 1991–2000 as the “SAARC Decade of the

\textsuperscript{124} Thirteenth SAARC Summit, “Dhaka Declaration;” Fourteenth SAARC Summit, “New Delhi Declaration.”
\textsuperscript{125} Sixteenth SAARC Summit, “Thimphu Declaration.”
\textsuperscript{126} SAARC Secretariat, \textit{SAARC Summits}, 49.
Girl Child.” Several ministerial meetings on women development, from time to time, had adopted various resolutions which were endorsed in subsequent summits.

The SAARC members had prepared national action plans to improve the status of girl child taking measures to ensure her survival, safety and growth. The eighth summit directed to conduct an assessment on the situation of girl children because some sections of girl children especially those in difficult circumstances such as disabled, exploited and orphaned were faced with grave threats. Since exploitation of girl children reflected the women status in a society, the members affirmed to use all means to remove all kinds of injustices against girl children and women. The ninth summit considered and endorsed the recommendations, to create better socio-economic environment in the region through providing equal opportunities to girl child in all economic spheres to improve the situation of GCEDC. The members also agreed to address the problem of the trafficking of women through coordinated efforts, particularly strictly enforcing their national laws and simplifying procedures to repatriate the victims. They signed and ratified the “SAARC Convention on Preventing and Combating the Trafficking in Women and Children for Prostitution” and established a voluntary fund for rehabilitation of the

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128 The fifth summit endorsed the recommendations of the second ministerial meeting held in Islamabad in June 1990. SAARC Secretariat, SAARC Summits, vol. II, 51; “Kathmandu Resolution on Women and Family Health” was adopted in November 1993 which was endorsed in 8th summit. SAARC Secretariat, SAARC Summits, vol. II, 163; The ninth summit endorsed the recommendations of Dhaka Resolution on Women adopted in ministerial meeting held in Dhaka and called for bringing the women into mainstream of socio-economic development. SAARC Secretariat, SAARC Documents, vol. VI, 369–70.


130 SAARC Secretariat, SAARC Documents, vol. VI, 370.
victims.\textsuperscript{131} They also agreed to involve media and NGOs to create awareness and an increased coordination among their enforcement agencies to curb the problem.\textsuperscript{132}

The ninth summit considered “the mid-decade review of the SAARC Plan of Action on the Girl-Child,” and reaffirmed to pace up efforts aimed at increasing the welfare of girl child and reducing population growth rate through decreasing malnutrition and mortality rates as well as the ratio of early marriages among girls, increasing their education and literacy rate, and delaying the age of their first pregnancy.\textsuperscript{133} The members agreed to make necessary legislation to prevent all sorts of discrimination against women and to empower them through providing equal opportunities in education, health and nutrition. The tenth summit expressed its concerns over the problems faced by girl children and women in conflict situations. It also called for creating “a gender disaggregated data-base” which could help devise national and regional policies related to development of women and girl child.\textsuperscript{134} The members agreed to take measures ensuring that women and girl children can get full benefits from their inherent potentials. They also decided to form “SAARC Autonomous Advocacy Group of Prominent Women Personalities (SAWAG)” to make recommendations on gender-related issues and to encourage businesswomen to play their role in the socio-economic development of the region.\textsuperscript{135} They affirmed to work together for skills development and economic empowerment of women, address their health related problems, prevent violence against them and guarantee their rights, particularly of widows to ensure their dignified position.

\textsuperscript{131} SAARC Secretariat, \textit{SAARC Documents}, vol. VII, 383. The member states, individual, and donor agencies and other states contribute for the fund.
\textsuperscript{132} Thirteenth SAARC Summit, “Dhaka Declaration.”
\textsuperscript{133} SAARC Secretariat, \textit{SAARC Documents}, vol. VI, 370.
\textsuperscript{134} Ibid, 386–7.
\textsuperscript{135} SAARC Secretariat, \textit{SAARC Documents}, vol. VII, 383–4 and 392.
in the society. They sixteenth summit appreciated Maldives on nominating a woman as the tenth SAARC secretary general as it was a sign of empowerment of women.\textsuperscript{136}

4.6.6.5 \textbf{Children Development}

Recognizing that children must be given the greatest attention in national planning, the SAARC members decided to focus on the well-being of children and promotion of their rights. They set their goal to achieve universal immunization by 1990, and provide universal primary education and ensure maternal and child nutrition before 2000. The members had agreed to work collectively to ensure, by the end of the twentieth century, that “no child need die or be denied development, for reasons of material poverty in the family.” They decided to monitor programs and share each other experiences as well as prepare annual reviews on the situation of children in member states.\textsuperscript{137} The annual reviews for the year 1993, 1994, 1995 and 1996 suggested a significant decrease in infant mortality rate and considerable progress in immunization of children in the region. To consolidate these gains the member designated December 7, 1997 and January 18, 1998 as “SAARC Polio Immunization Days.”\textsuperscript{138} The fourth summit underscored to give priority to the child welfare, particularly providing them education and health facilities, in national development planning and human resource development schemes.\textsuperscript{139} Underscoring the importance of child survival, protection and development, the members adopted a Plan of Action on Children for South Asia as well as another Plan of Action to observe 1991 – 2000 as the “SAARC Decade of the Girl Child” and agreed to prepare

\textsuperscript{136} Fifteenth SAARC Summit, “Colombo Declaration;” Sixteenth SAARC Summit, “Thimphu Declaration.”
\textsuperscript{137} SAARC Secretariat, \textit{SAARC Summits}, 95.
\textsuperscript{139} SAARC Secretariat, \textit{SAARC Summits}, 210.
annual reviews on its implementation. The members prepared National Plans of Action on Children.\textsuperscript{140} They also organized several ministerial conferences on children and their recommendations were endorsed in subsequent summit meetings. Third ministerial conference had called for eliminating child–labour from South Asia by 2010.\textsuperscript{141} The ninth summit endorsed Rawalpindi declaration and set up a study group to examine the social compulsions that lead to exploitation of children.\textsuperscript{142} The South Asian High-level Meeting on Children, held in Katmandu in May 2001, also focused on child welfare.\textsuperscript{143}

The SAARC nations agreed to work collectively for protection of children against all forms of discrimination, neglect, exploitation and cruelty. They also agreed to pace up efforts to attain mid-decade goals of the World Summit for Children. In this respect, SAARC members also became party to the Convention on the Rights of the Child.\textsuperscript{144} The SAARC declared the years 2001–2010 as “the SAARC Decade of the Rights of the Child.” It also decided to launch “an Initiative on Nutrition” which was aimed at ensuring “availability of food of essential nutritional value to individual household” to particularly benefit the women and children.\textsuperscript{145} At the eve of eleventh summit, the members signed and subsequently ratified “the SAARC Convention on Regional Arrangements for the Promotion of Child Welfare in South Asia.” They also called for taking steps to make investment in children on priority basis considering it as an important mean of

\textsuperscript{140} SAARC Secretariat, \textit{SAARC Summits}, vol. II, 90–1 and 126–7.

\textsuperscript{141} The Second SAARC Ministerial Conference on Children was held in Colombo in September 1992 and its recommendations were endorsed in seventh summit. While third ministerial conference was held in Rawalpindi in August 1996 and ninth summit endorsed its recommendations. SAARC Secretariat, \textit{SAARC Summits}, vol. II, 126; SAARC Secretariat, \textit{SAARC Documents}, vol. VI, 370.

\textsuperscript{142} SAARC Secretariat, \textit{SAARC Documents}, vol. VI, 370.

\textsuperscript{143} SAARC Secretariat, \textit{SAARC Documents}, vol. VII, 384.

\textsuperscript{144} SAARC Secretariat, \textit{SAARC Summits}, vol. II, 127 and 163.

\textsuperscript{145} SAARC Secretariat, \textit{SAARC Documents}, vol. VI, 370.
eradicating poverty in the long run. The members agreed to make efforts to achieve the goals related to protection of children such as eradication of polio by 2005, prevention of children from transmission of HIV/AIDS from the mother and provision of quality education within a set time period. In 2006, they had conducted a mid-term review of the progress and then an in-depth assessment of achievements of goals of “the SAARC Decade on the Rights of the Child (2001 – 2010)” on completion of the decade.

4.6.6.6 Youth

While realizing that the youth is “a vital resource” and its mobilization could contribute significantly in their national development, South Asia leaders had stressed the need to give “special attention on the needs of the Youth.” They had observed 1994 as the “SAARC Year of the Youth.” The eighth summit had endorsed the recommendations of the Male Resolution adopted in the Ministerial Conference on Youth in South Asia, held in Male in May 1994. The members had also launched the SAARC Youth Awards Scheme and underscored the need to develop national and regional programs to provide opportunities to youth to participate in their national development. Bangladesh had organized the first SAARC Youth Camp in 2007. The sixteenth summit directed to formulate a SAARC Youth Action Plan consistent with the SAARC Youth Charter. It also stressed the need of holding a SAARC Youth Summit to prepare the charter.

4.6.6.7 Plan of Action for the Disabled Persons

Showing their concern for the plight of the millions of disabled persons living in South Asia, the regional states decided to work together for their well-being and observed 1993 as the “SAARC Year of Disabled Persons.” They adopted the Regional Plan of Action for the Disabled Persons and agreed to take steps to implement it.\textsuperscript{150} Pakistan hosted a Ministerial Conference on Disabled Persons in 1993 and the eighth summit endorsed its recommendations. The summit also welcomed the activities and programmes pursued by the member states for protection and development of disabled persons. Subsequently, the members agreed to adopt “a very definite humanistic approach” in order to ensure the well-being of millions of disabled people in South Asia. They accepted Bangladeshi proposal to establish a SAARC Voluntary Fund for Disabled Persons.\textsuperscript{151}

4.6.6.8 SAARC Social Charter

The tenth summit while reviewing the progress made in the social sector, assigned the Council of Ministers to prepare a SAARC Social Charter (SSC) and signed it at the eve of the twelfth summit. It contained provisions related to the welfare of all important segments of people in the region, such as poverty alleviation, population stabilization, empowerment of women, youth mobilization, human resource development, promotion of health and nutrition and protection and development of children etc.\textsuperscript{152} The fifteenth summit underscored the need to prepare programmes and projects both at national and regional level to achieve these goals. The SAARC members also established National Coordination Committees (NCCs) and agreed to convene meetings of their heads on

\textsuperscript{150} SAARC Secretariat, \textit{SAARC Summits}, vol. II, 127.
\textsuperscript{151} Ibid., 164; SAARC Secretariat, \textit{SAARC Documents}, vol. VI, 387.
\textsuperscript{152} Ibid. 384–5; SAARC Secretariat, \textit{SAARC Documents}, vol. VII, 392.
annual basis. NCCs were asked to prepare programmes and projects and to mobilize civil society organizations for implementation of SSC as well as to evolve effective and efficient evaluation and monitoring mechanisms to review progress in its implementation. The SAARC also called for peoples’ participation in initiating strategies, planning and execution of projects to ensure their ownership and responsibility. It also underscored the need to prepare a course of action for welfare and protection of the rights of the senior citizens.

4.6.7 Tourism

The SAARC members realized the vast potential of regional cooperation in the field of tourism which could promote people-to-people contacts, attract foreign tourists and contribute to economic growth of the region. The TC on tourism was established in 1991. In its first meeting, it devised an Action Plan on Tourism. The task of promoting tourism was assigned to the Tourism Council of Chamber of Commerce and Industries (SCCI) in 1999. Sooner, the members realized the importance of the subject and decided to take it at government level. They formed a Working Group on Tourism under RIPA.

The members had agreed to launch a scheme for promotion of Organized Tourism and to involve their civil aviation authorities and arrange meeting of heads of their national air lines to facilitate tourists in the region. The First SAARC Tourist Ministers meeting, held in Colombo in 1997, decided to encourage private sector participation in

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153 Thirteenth SAARC Summit, “Dhaka Declaration.”
155 Fifteenth SAARC Summit, “Colombo Declaration.”
156 SAARC Secretariat, SAARC Summits, 150.
regional and international tourism in South Asia, increase coordination among regional
tour operators, improve air and other travel links, announce special regional fares, and
simplify visa procedures for tourists and pilgrims.\textsuperscript{159} The SAARC also called for
developing infrastructure and air links, simplifying and harmonizing regional
administrative procedures, increasing training and joint marketing to project South Asia
as a common tourist destination. It observed 2006 as “South Asia Tourism Year.” The
second Tourist Ministers meeting, held in Bangladesh in 2006, adopted a “comprehensive
action plan” to promote tourism in the region.\textsuperscript{160}

\textbf{4.6.8 People-to-People Contacts}

The SAARC leaders had realized from the onset that the increased involvement of
civil society and greater interaction among their people was vital for success of South
Asian regionalism. They had stressed the need to promote regular and frequent exchanges
of businessmen, scholars, academics, artists and writers etc. The promotion of tourism,
cultural exchanges and increased participation of NGOs and professional groups could
contribute significantly to create “the SAARC spirit” and promote regional identity.\textsuperscript{161}

The second summit approved various proposals to expand regional cooperation
through: South Asian Audio Visual (SAVE) programs; promoting regional tourism
including extending facility of limited convertibility of national currency to tourists from
South Asia; giving access to students, scholars and researchers to information on
technical, scientific and developmental matters, particularly through regional
documentation center serving as a depository of information; promotion of interaction

\textsuperscript{159} Ibid, 373 and 385.
\textsuperscript{160} Ibid, 382 and 392; Thirteenth SAARC Summit, “Dhaka Declaration;” Fifteenth SAARC Summit,
“Colombo Declaration.”
\textsuperscript{161} SAARC Secretariat, \textit{SAARC Documents}, 47, 98, 151, and 153.
among students, scholars and academics of member countries, and launching of exchange programmes of scholars, institution of SAARC chairs, fellowships and scholarships; and involving youth in development programmes and launching of Organized Volunteer Programs providing volunteers of any member country to work in any other member in the fields of agriculture and forestry. The members launched SAVE programme at the eve of third summit and agreed, later on, to also include social, economic and technical themes in it. Meanwhile, they also launched SAARC Chairs, Fellowships and Scholarship scheme as well as the Youth Volunteers Program.\(^{162}\)

The SAARC members believed that linking their capital through direct air services and involvement of regional NGOs and professional bodies in SAARC activities would help promote people-to-people contacts. To further this objective, they launched Special SAARC Travel Document (SSTD) which exempted entitled persons from visas for travel within South Asia.\(^{163}\) It was initially approved for the region’s Supreme Court judges, members of the national parliaments, heads of national academic institutions, their spouses and dependent children. The scheme became operational from 1st March 1992. The sixth summit called for its extension to include other categories of people.\(^{164}\)

The members also called for simplifying travel facilities to increase people-to-people contacts particularly between pilgrims, journalists, artists, intellectuals, eminent persons and other professional groups. They agreed to increase involvement of civil

\(^{162}\) Ibid, 98, 150 and 209.

\(^{163}\) SAARC Secretariat, *SAARC Documents*, vol. VI, 373; SAARC Secretariat, *SAARC Summits*, 211.

\(^{164}\) SAARC Secretariat, *SAARC Summits*, vol. II, 55 and 92.
society organizations, business community and professional groups as well as promote youth exchange programmes in the fields of culture, sports, and tourism.\textsuperscript{165}

\textbf{4.6.8.1 Formation of Regional Bodies}

Realizing that formation of transnational linkages and regional bodies could promote people-to-people contacts, help create a regional identity and sustain the SAARC spirit, the members had decided to encourage such endeavors. The sixth summit noted that business and professional organizations, academics, scholars, cultural councils and media associations were trying to form regional bodies. The seventh summit stressed the need of formulating procedures regarding extending recognition to regional bodies which could strengthen people level regional cooperation.\textsuperscript{166} The speakers of the parliaments of SAARC states took the initiative and formed Association of SAARC Speakers and Parliamentarians in 1992.\textsuperscript{167} Later on, the members also agreed to convene a “Conclave of SAARC Parliamentarians.”\textsuperscript{168} The business community of member states had formed the SCCI which played an important role in giving out information regarding opportunities of trade liberalization and market integration in the region.\textsuperscript{169} The SCCI facilitated involvement of private sector in enhancing economic interactions in the region and helped established links with other regions to promote members exports. Its president had presented the SAARC Council of Ministers a document entitled “Road Map to SAFTA.”\textsuperscript{170} The South Asian lawyers had formed “SAARCLAW” in 1991. Thus,

\textsuperscript{165} SAARC Secretariat, \textit{SAARC Documents}, vol. VI, 383 and 385; Thirteenth SAARC Summit, “Dhaka Declaration.”
\textsuperscript{167} SAARC Secretariat, \textit{SAARC Summits}, vol. II, 128.
\textsuperscript{168} Sixteenth SAARC Summit, “Thimphu Declaration.”
\textsuperscript{169} SAARC Secretariat, \textit{SAARC Summits}, vol. II, 166.
\textsuperscript{170} SAARC Secretariat, \textit{SAARC Documents}, vol. VI, 383.

The members also considered formation of a network of researchers comprising representatives from private and public sectors including central banks, planning organizations, think tanks and prominent economists nominated by member states to help identify, analyze and resolve financial, economic and development problems faced by member states.\(^ {172}\) The SAARC Chief Election Commissioners met for the first time in February 1999 and discussed the matters related to holding of free and fair elections.\(^ {173}\)

\(^{171}\) SAARC Secretariat, *SAARC: A Profile*, 82–6.

\(^{172}\) SAARC Secretariat, *SAARC Documents*, vol. VI, 381–2.

The members decided to establish a “South Asia Forum” comprising the region’s eminent persons of various backgrounds to serve as a platform for discussions, debates and exchange of views on future development of South Asia. It would provide inputs to chart out future vision of SAARC and could function on public–private partnership basis. Earlier, the member states had instituted the SAARC Award to honour and encourage regional organizations and individuals on their outstanding work in the fields of peace, economic development, poverty alleviation and other areas of regional cooperation.

4.6.8.2 Media

The SAARC members realized that media and flow of information could play an important role in enhancing regional peace, progress and harmony and agreed to promote regional cooperation in the area. The fifth summit had directed the Secretary General to promote interaction between media organizations, news agencies and journalists’ associations of the member countries. They underscored the need of preparing practical programmes on information and media exchanges, involvement of media organizations and utilization of technological developments in the field. It could promote deeper understanding of common issues and projection of balanced perspective on developments taking place in the region. The regional Information Ministers meetings were important steps towards this end. The meetings between SAARC editors and journalists were also organized by member states. The members decided to telecast and broadcast regular

174 Sixteenth SAARC Summit, “Thimphu Declaration.”
175 SAARC Secretariat, SAARC Documents, vol. VII, 393.
177 SAARC Secretariat, SAARC Documents, vol. VI, 387.
“SAARC Roundup” and “SAARC News” programmes from their national TV and Radio channels, respectively. The also decided to establish a SIC in Katmandu.178

4.6.9 Economic Cooperation

SAARC members had also initiated regional cooperation in vital economic sector. The Bangladesh’s proposal had highlighted the importance of economic cooperation through market expansion, reaping the benefits of economies of scale and attracting foreign investment and technology transfer etc. It had stated that the joint ventures could provide the “most potent field for reaping all these advantages” SAARC members.179

4.6.9.1 Joint Ventures

The SAARC had agreed to take measures to establish joint projects in the field of cottage industries and handicrafts and directed SAARC Secretary General to appoint a group of experts to suggest its modalities and indicate their financing.180 The members noted that promotion and protection of investment, enhancing economic complementarities, and developing joint projects in the region would help increase economic cooperation and regional trade. They also agreed that development of “trade-creating joint ventures” would be helpful in ensuring more balanced and extensive benefits of economic liberalization in South Asia.181 It was recognized that regional cooperation in joint ventures under private and public sectors had great potential and was important for progress towards SAARC project cooperation. The members also agreed to work together to create “dynamic complementarities” in HRD and to launch SAARC

179 SAARC Secretariat, SARC to SAARC, 5.
181 SAARC Secretariat, SAARC Documents, vol. VI, 369 and 382.
project cooperation among members to undertake ventures in social and economic sectors including poverty reduction and HRD consistent with SAARC charter.182

4.6.9.2 Trade Liberalization

The SAARC Foreign Secretaries, as early as in 1982, decided to hold meeting of heads or officials of their national planning departments. Their first meeting was held in 1983 and second in 1987 followed by four annual meetings till 1991.183 The fourth summit had directed the fourth meeting of planners to examine prospects of cooperation in trade, manufactures and services.184 Meanwhile, the members completed their national studies as well as regional study on trade, manufactures and services by June 1991 and established CEC. They agreed on trade liberalization in a phased manner such that all members could take its benefits equitably.185 The Inter Governmental Group (IGG), formed on the recommendation of CEC, was assigned the task of preparing and seeking agreement on trade liberalization. The members had signed SAPTA in April 1993.186 It became effective on December 7, 1995 after which members started talks on extending each other trade preferences under the agreement and had completed four rounds of negotiations on trade concessions, covering 5000 items by 2004.187 Meanwhile, the SAARC Commerce Ministers in their first meeting held in New Delhi in 1996, had decided to hold their meetings on an annual basis.188

183 “SAARC in Brief,” 122–23.
185 SAARC Secretariat, SAARC Summits, vol. II, 52 and 89.
186 Ibid, 89, 125 and 162.
188 SAARC Secretariat, SAARC Documents, vol. VI, 369.
The ninth summit stressed the need to conclude SAFTA by 2001 while the tenth summit formed a Committee of Experts to prepare a draft treaty on SAFTA. The eleventh summit directed the SAARC Secretary General to help finalize regional investment framework to meet members’ investment needs. The members signed the Framework Agreement on SAFTA in 2004 which became effective on Jan. 1, 2006. The fifteenth summit approved to revise the sensitive lists of items and to give special consideration to the position of LDCs in the process. The Protocol on Afghanistan’s accession to SAFTA was also signed during the summit.

The SAARC states had realized the importance of cooperation towards customs standardization and arbitration as well as developing infrastructure and communication networks, simplifying documentation procedures and transactional software to facilitate regional economic relations. The members agreed to work together to harmonize standards, simplify custom procedures and initiate cooperation among their central banks. During the thirteenth summit, the members had signed agreements on: Mutual Administrative Assistance in Customs Matters; Establishment of SAARC Arbitration Council and; The Limited Agreement on Avoidance of Double Taxation and Mutual Administrative Assistance in Tax Matters. The members formed the SAARC Standards Coordination Board (SSCB) which served as a precursor to South Asian Regional Standards Organization (SARSO) established during the fifteenth summit.

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189 Ibid., 369 and 382; SAARC Secretariat, *SAARC Documents*, vol. VII, 382.
191 Fifteenth SAARC Summit, “Colombo Declaration.”
194 Thirteenth SAARC Summit, “Dhaka Declaration.”
fifteenth summit directed to finalize the draft agreement on Investment Promotion and Protection and to operationalize the SAARC Arbitration Council.195

The SAARC had underscored the need of increased private sector participation in areas of trade, investment and finance to strengthen regional economic cooperation.196 The thirteenth summit agreed to promote trade-creating investment in SAARC and called for expanding the scope of SAFTA to include trade in services.197 Meanwhile, the SAARC Finance Ministers finalized the framework of regional cooperation on financial matters.198 The member states signed the SAARC Agreement on trade in services at the eve of sixteenth summit which also called for reducing the size of the sensitive lists, improving trade facilitation measures and to remove non–tariff, para–tariff and other barriers to regional trade for complete implementation of SAFTA.199

4.6.9.3 Energy

Recognizing the importance of regional cooperation in energy sector, the members established a TC on energy (2000) and later on a working group, replacing the former, in 2004. It was noted that there exist a vast potential of regional cooperation, including integrated development of regional and sub-regional energy resources, capacity building, technology transfer and trade in energy etc.200 The members had underlined the need to initiate a study on prospects of regional cooperation in energy sector including

196 SAARC Secretariat, SAARC Documents, vol. VI, 369.
197 Thirteenth SAARC Summit, “Dhaka Declaration.”
198 Fourteenth SAARC Summit, “New Delhi Declaration.”
199 Sixteenth SAARC Summit, “Thimphu Declaration.”
200 Fifteenth SAARC Summit, “Colombo Declaration.”
creation of an Energy Ring.\textsuperscript{201} The first meeting of SAARC Energy Ministers was held in Islamabad in October 2005. The thirteenth summit approved to establish the SAARC Energy Centre (SEC) in Islamabad\textsuperscript{202} while South Asian Energy Dialogue (SAED) began in New Delhi in March 2007. The SAED process involved officials, experts, academics, environmentalists and NGOs to give input to the working group on energy.\textsuperscript{203} The fifteenth summit stressed the need to implement its recommendations. It also underscored the need to develop hydro-power potential and other efficient conventional and renewable energy sources, grid connectivity and gas pipelines in the region, facilitating trade in energy and to explore prospects of developing regional energy projects, and possibility of concluding regional framework agreement.\textsuperscript{204} The SAARC also called for regional cooperation in effectiveness, protection and expansion of classification and “standardization of appliances,” sharing of knowledge, experiences, technologies and creating web portal on energy conservation. It assigned the SEC to prepare an action plan on conservation of energy in consultation with member states. Meanwhile, India proposed to prepare a roadmap for creation of a “SAARC Market for Electricity”.\textsuperscript{205}

4.6.10 Terrorism and Drug Trafficking

The regional leaders from the onset realized that terrorism and drug trafficking posed serious threats to their national security and regional stability as well as put devastating effects on their socio-economic development. SAARC Foreign Ministers in

\textsuperscript{201} SAARC Secretariat, \textit{SAARC Documents}, vol. VII, 391.
\textsuperscript{202} Thirteenth SAARC Summit, “Dhaka Declaration.” Its objectives included; “to promote development of energy resources, including hydropower; and energy trade in the region; to develop renewable and alternative energy resources; and promote energy efficiency and conservation in the region.”
\textsuperscript{203} Thirteenth SAARC Summit, “Dhaka Declaration;” Fourteenth SAARC Summit, “New Delhi Declaration.”
\textsuperscript{204} Fifteenth SAARC Summit, “Colombo Declaration.”
\textsuperscript{205} Sixteenth SAARC Summit, “Thimphu Declaration.”
December 1985, under the other Items of Agenda, considered proposals and directed the Standing Committee to convene a meeting of experts to discuss the problems of drug-trafficking and international terrorism. They agreed to address these problems collectively and setup a Study Group on Terrorism and another on Drug Trafficking. The latter was subsequently converted into TC. The members observed 1989 as the “SAARC Year for Combating Drug Abuse and Drug Trafficking.”\textsuperscript{207} The SAARC countries expressed their concerns over “the growing linkages between drug trafficking and international arms trade and terrorist activities.” They also signed the SAARC Convention on Narcotic Drugs and Psychotropic Substances during Male summit. It became effective in September 1993.\textsuperscript{208}

The members signed the SAARC Regional Convention on Suppression of Terrorism at the eve of third summit which came into effect on August 22, 1988.\textsuperscript{209} They also stressed for early adoption of 1996 UN Declaration on Measures to Eliminate International Terrorism, prevention of the abuse of Refugee Conventions and preventing terrorists from collection of funds in South Asia. The members established the SAARC Terrorist Offences Monitoring Desk (STOMD) and the SAARC Drug Offences Monitoring Desk (SDOMD) in Colombo to share information. The First SAARC Conference on cooperation in police matters was held in Colombo in 1996, which called for regional cooperation on police investigations related to organised crime.\textsuperscript{210} The members had expressed their support to the UN Security Council Resolution no. 1373

\textsuperscript{206} SAARC Secretariat, \textit{From SARC to SAARC}, 94.
\textsuperscript{207} Ibid, 101 and 183; SAARC Secretariat, \textit{SAARC Summits}, 210.
\textsuperscript{208} SAARC Secretariat, \textit{SAARC Summits}, vol. II, 52 and 166.
\textsuperscript{209} SAARC Secretariat, \textit{SAARC Summits}, 151, 153 and 210.
\textsuperscript{210} SAARC Secretariat, \textit{SAARC Documents}, vol. VI, 372.
adopted on Sep. 28, 2001 regarding fight against terrorism. They signed the Additional Protocol to the SAARC Regional Convention on Combating Terrorism and subsequently ratified it. The members decided to strengthen cooperation among their relevant agencies and to hold annual meetings of their interior secretaries and ministers. They also signed the SAARC Convention on Mutual Legal Assistance in Criminal Matters.

4.6.11 Political and Security Cooperation

The members underlined the importance of enhancing political cooperation among them and observed that informal political consultations and discussions could help understand mutual problems and perceptions and make decisions in agreed areas. The summit meetings were thought to be helpful in charting out common strategies required to achieve shared goals. The members reaffirmed their commitment to the promotion of peace, amity, stability, freedom, social justice and economic development through fostering good neighbourly relations, building confidence, relieving tensions, and resolving differences and disputes through dialogue and other peaceful means.

4.6.12 Regional Institutions and Centres

The SAARC members had realized that regional centres could play an important role in harnessing regional resources and capabilities and resolving their common problems. They must, however, pursue “action and result–oriented programmes.”

Earlier, while considering a report on administrative structuring and financing of regional

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212 Thirteenth SAARC Summit, “Dhaka Declaration.”
213 Fifteenth SAARC Summit, “Colombo Declaration.”
institutions, the members agreed that the establishment of such institutions should be justified on the basis of their efficiency, viability and potential economic benefits for the member states.\textsuperscript{217} Subsequently, the members established the following regional institutions: the SAARC Agricultural Information Centre (SAIC) at Dhaka (1988) renamed as the SAARC Agricultural Centre (SAC) in 2006; the SAARC Tuberculosis Centre (STC) in Nepal (1992); the SAARC Documentation Centre (SDC) in India (1994); the SAARC Meteorological Research Centre (SMRC) at Dhaka in (1995); the Human Resource Development Centre (SHRDC) in Islamabad (1988);\textsuperscript{218} SAARC Information Centre in Katmandu (2005); the SAARC Cultural Centre (SCC) in Kandy (2005);\textsuperscript{219} the SAARC Energy Centre (SEC) in Islamabad; the SAARC Coastal Zone Management Centre (SCZMC) in the Maldives in 2004, the SAARC Forestry Centre (SFC) in Bhutan in 2007\textsuperscript{220} and the SAARC Disaster Management Centre (SDMC) in India in 2006. The fourteenth summit had decided to establish a South Asian University in New Delhi, India which started its first academic session in August 2010.\textsuperscript{221}

4.7 \textbf{AN ANALYSIS OF SAARC’S PERFORMANCE}

The SAARC was created with great enthusiasm and high hopes with setting its highest priority to promote the welfare of the people of the region and to improve the quality of their lives. An overview of the prevailing socio-economic conditions in the region would suggest that SAARC has not been able to achieve most, if any, of its goals.

\textsuperscript{217} SAARC Secretariat, \textit{SAARC Summits}, 150.
\textsuperscript{218} SAARC Secretariat, \textit{SAARC: A Profile}, 21–6.
\textsuperscript{219} Ibid.; SAARC Secretariat, \textit{SAARC Documents}, vol. VII, 383 and 393.
\textsuperscript{221} Fourteenth SAARC Summit, “New Delhi Declaration;” Fifteenth SAARC Summit, “Colombo Declaration;” and, Sixteenth SAARC Summit, “Thimphu Declaration.”
It could not achieve its targets such as eradication of poverty, illiteracy, malnutrition, child labour and the discrimination against the women etc.

Time and again, the regional leaders declared that time had come for SAARC members to launch “well-defined, target-oriented and time-bound” programs and projects in order to ensure real benefits for people of South Asia.\textsuperscript{222} However, nothing concrete has so far been achieved. For instance, the members in order to mark the completion of first decade of SAARC had convened a commemorative session of the Council of Ministers on the theme “SAARC – Vision for the Second Decade” in New Delhi in December 1995. The meeting had declared that SAARC had “matured as an institution” but it was still away from meeting its stated goals. Meanwhile, the ninth summit had constituted a Group of Eminent Persons (GEP) to carry out a full evaluation of SAARC performance and to suggest measures to increase its effectiveness. The GEP had prepared a “SAARC Agenda for 2000 and Beyond” which was considered in the tenth summit.\textsuperscript{223} Consequently, the members had agreed to a common vision of a South Asian Economic Union (SAEU) in a phased and planned manner. However, they also noted that its realization would require creation of a “suitable political and economic environment” in the region.\textsuperscript{224} On completion of twenty years of SAARC’s existence, the members again undertook a detailed study by experts to suggest reforms of “all SAARC institutions and mechanisms.” In fact, SAARC had badly failed to implement its plans and achieve its targets. Recognizing the failure of SAARC in achieving any substantial results, the thirteenth summit had “directed all SAARC institutions and mechanisms to work

\begin{footnotes}
\item [223] SAARC Secretariat, \textit{SAARC Documents}, vol. VI, 367 and 380.
\item [224] SAARC Secretariat, \textit{SAARC Documents}, vol. VII, 381 and 391.
\end{footnotes}
collectively towards a decade dedicated to implementation.”\textsuperscript{225} The sixteenth summit which had marked the completion of 25 years of SAARC existence was concluded after signing of Silver Jubilee Declaration with the slogan “Towards a Green and Happy South Asia.” It noted that “SAARC had achieved a number of important milestones with the completion of twenty five years of its establishment.” It had played an important role in “providing a platform for regional cooperation to accomplish the Charter objectives.” However, the summit also noted that despite an expansion in “scope and substance” of regional cooperation, its “meaningful and tangible benefits” had yet not reached to the people of South Asia. Thus, it underlined the need of undertaking “more efficient, focused, time-bound and people-centric activities.” It also expressed the resolve of members states to work collectively towards “making SAARC truly action oriented by fulfilling commitments, implementing declarations and decisions and operationalizing instruments and living up to the hopes and aspirations of one fifth of humanity.”\textsuperscript{226} However, such rhetoric was apparently a repetition of several of its kinds made time and again in the past. SAARC has not been successful to achieve its objectives so eloquently enshrined in its charted and reiterated again and again in its summit meetings.

**CONCLUSION**

A study of SAARC indicated that the organization has not benefitted much from experiences of other regional arrangements. Its main objective was to promote the welfare and quality of life of people through accelerating economic growth, and strengthening collective self-reliance of member states. It focused its activities in various areas, such as: agriculture and rural development; health and population; women, youth

\textsuperscript{225} Thirteenth SAARC Summit, “Dhaka Declaration.”

\textsuperscript{226} Sixteenth SAARC Summit, “Thimphu Declaration.”
and children; environment and forestry; science and technology, and meteorology; education, arts, culture and sports; transport; telecommunications, and ICT; biotechnology; intellectual property rights; tourism and; energy. The SAARC undertook various steps to attain its goals. Its members signed various regional conventions and set up several regional centres in different members and a university in India. They also set up a regional food reserve and regional food bank to ensure food security in the region. The SAARC took various measures to promote people-to-people contacts and create regional identity. The members also made progress towards strengthening economic cooperation and signed agreements on trade liberalization such as SAPTA and SAFTA. The SAARC adopted a social charter and agreed on taking measures for the welfare of women, children, disabled, and youth and its members time and again reaffirmed their commitment to work collectively to provide basic facilities, such as education, health and shelter, to their people and eradicate poverty from the region and improve the living standards of common men of South Asia. However, SAARC failed to translate its promises into practice and implement its decisions. It could not meet its targets, such as general vaccination of children, universal primary education, provision of shelter and clean water to people, child and mother nutrition, and poverty alleviation by the year 2000. The evidence suggests that SAARC members would be short of achieving MDGs and SDGs. Thus SAARC has badly failed to achieve its objectives and bring a visible change in the lives of the people of South Asia.
A regional cooperative scheme must correspond to the needs of its member states, otherwise, it cannot move forward.¹ In order to understand the true nature of any regional cooperation process in any area of the world, it is imperative to objectively and comprehensively explore the prevailing political and socio-economic conditions that influence the demand for regionalism in that area. In order to understand the true nature of South Asian regionalism, a brief knowledge about the region itself and the constituent states is required. South Asia is centered around India and so the regional cooperation among SAARC members. Therefore, it necessitates to investigate as to how Indian politics and policies influence political and socio-economic conditions of other regional states and hence, the demand for regionalism in South Asia. The idea of SAARC was first floated by the smaller states and thus, it is necessary to know as to what objectives these states had sought to pursue through regional cooperative arrangements.

5.1 A PROFILE OF SOUTH ASIA

Most of the IR scholars agree that South Asia, bounded by the mighty Himalayas in the north and northwest and Indian Ocean in other sides, forms a single geographical unit, though the use of the word South Asia itself has a very short history. There is disagreement among the scholars as where does South Asia begin or end. Some scholars only include seven founding members of SAARC as true part of the region while some

others contest to also incorporate Afghanistan and Myanmar in South Asia.\textsuperscript{2} The region occupies about 3 percent of the world geographic area. It is the most densely populated region inhabited by over 1.5 billion people but has one of the lowest urbanization rates in the world.\textsuperscript{3} The regional states containing about 23 percent of world population have a total gross income of $3 trillion.\textsuperscript{4} In 2005, South Asian share in the world trade and GDP was reportedly about 1 percent and 1.5 percent, respectively. About 450 million of the poorest people and 50 percent of illiterates of the world lived in the region.\textsuperscript{5} South Asia has been ranked as one of the “poorest regions” where about two-thirds of the world’s poor lived. Its youth is “the least literate and the most malnourished” in the world.\textsuperscript{6} It has been termed as “one of the most strife-torn and militarized regions of the world.”\textsuperscript{7}

There exist several commonalities among its inhabitants, such as common civilization and historical experiences, culture and traditions etc. but it is also probably the most diverse region of the world. South Asia is, in fact, in the words of a Bangladeshi scholar, “a world in miniature.” It is diverse in religious, cultural, racial, linguistic, political and ideological terms.\textsuperscript{8} Once the President of Sri Lanka had highlighted diversities in South Asia in these words:

\begin{itemize}
\item \textsuperscript{4} Jhamb, “India’s Regional Trading Arrangements,” 42.
\item \textsuperscript{6} Sonu Jain, “Regional Cooperation in South Asia: India Perspectives,” in Ahmed, Kelegama, and Ghani, eds. Promoting Economic Cooperation, 300.
\item \textsuperscript{7} South Asian Partnership – International and South Asia Partnership Pakistan, \textit{Third South Asian People’s Summit- Islamabad Pakistan: 11 – 13 January 2003}, December 2003, 152.
\end{itemize}
The countries in the South Asia Region assembled at this Conference consist of Monarchies; Republics with elected Presidents and multi-party system and Republics with Presidents but no multi-party system yet. They are populated with people of Aryan, Dravidian, Arab and Mongolian descent. A billion and a quarter people live here; some of them the richest and some the poorest in the World. Two of the World’s great religions Hinduism and Buddhism originated here, and Christianity and Islam have millions of followers going back to the years of their origin.9

SAARC states have large divergences. In 2005, India was inhabited by 74 percent of South Asian population and shared 80 percent of its GDP. Pakistan, Bangladesh, Sri Lanka and Nepal had 13 percent, 10 percent, 1 percent and 2 percent of regional population, respectively. Their share in regional output was 11 percent, 6 percent, 2.3 percent and 0.7 percent, respectively. The share of Bhutan and Maldives in South Asian GDP is minimal.10 The differences in their per capita incomes are also large. For instance, the per capita income of Bhutan and Maldives is greater than that of India and Pakistan. The large populations, of India, Pakistan and Bangladesh, put “debilitating effects” on their per capita incomes. Sri Lanka having small population and developing economy has the third highest per capita income in the region. Among the LDCs, Bangladesh has the largest economy but its per capita income is far below than those of Bhutan and Maldives. Nepal stands lowest in terms of per capita income in the region. Bangladesh and Nepal mainly export manufactured items such as textiles but Bhutan and Maldives only export primary goods.11

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9 Junius Richard Jayewardene, President of Sri Lanka, Address to the inaugural session of the first summit, SAARC Secretariat, SAARC Summits, 26.


South Asia as a region as well as the most of the regional states, are diverse under different criteria. For instance, at the time of creation of SAARC, India had 6 main religious communities and huge ethnic diversity with 550 sub-dialects, 80 main dialects and 14 official languages. Other states are also multi-religious, multi-cultural, and multi-ethnic countries. Moreover, one religious community is in majority and hence dominant in every regional state, i.e., Hindus in India and Nepal, Muslims in Pakistan, Bangladesh, and Maldives, and Buddhists in Sri Lanka and Bhutan. Different religious minorities also live in different states and their grievances, for whatever reasons, not only inflame tensions within their own states but also create cross-border conflicts. As such, religious divisions, along-with some other factors, have been major sources of divisions and conflicts among and within the regional states. These conflicts also brought wars and internal strife in South Asia.

South Asia possesses some unique attributes “in terms of its historical background, geo-political configuration and cultural systems.” The geopolitical characteristics of the South Asia are also unique in the world. India is the largest, both in terms of geography and population, and the most powerful nation – both in economic and military terms. It occupies central position in the region separating all other states from each other. None of other founding members has a common border with each other while India shared borders in land or sea with all of them. India is also the largest country of the region – even about three times larger than the rest combined. India possessed

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12 Imtiaz H. Bokhari, “South Asian Regional Cooperation: Progress, Problems, Potential, and Prospects,” Asian Survey, 25 : 4, SARC: Four Views and a Comparative Perspective. (Apr., 1985), 372. However, these figures have been changed since then.
14 Jha, SAARC the Period Ahead, 118.
15 Ibid, 48.
about three-fourths of region’s geographic area and population, and four-fifths of regional GNP and exports.\textsuperscript{16} India was also far ahead than other members in military and political terms. Among the South Asian states, India was regarded as a “dominant major power” Pakistan as a “significant and reasonably cohesive middle power” and Bangladesh “a weak and dependent middle power.” The rest of the regional states were categorized as weak small powers (Sri Lanka and Nepal) and mini-states (Bhutan and Maldives).\textsuperscript{17} The UN included four out of the seven founding SAARC members, i.e. Bangladesh, Bhutan, the Maldives and Nepal, in the list of the Least Developed Countries (LDCs).\textsuperscript{18} Whereas, rest of the member states fell in the category of developing countries, India being more developed than others. India has been observed as the most resourceful state of the region with the potential to become one of the main industrialized states of the world. It could contribute, through providing peace and stability, towards speeding up the overall process of socio-economic development in the region.\textsuperscript{19} Therefore, it was widely believed that “the key” to the success of SAARC rested in India’s hands.\textsuperscript{20}

\section*{5.2 HISTORICAL OVERVIEW OF SOUTH ASIAN STATES}

South Asia remained divided and suffered political turmoil during most of its history. There is no evidence of voluntary integration of India in the past. The unity of India had only been made possible through military conquests, at least thrice in the history. The first attempt to unite India under single political leadership was made by

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\textsuperscript{16} Bokhari, “South Asian Regional Cooperation,” 372; Sharan, \textit{India’s Role}, 2.
\textsuperscript{17} Bokhari, “South Asian Regional Cooperation,” 372.
\textsuperscript{18} Sharan, \textit{India’s Role}, 2.
\textsuperscript{19} Dev, Address to the inaugural session of the second summit, SAARC Secretariat, \textit{SAARC Summits}, 69.
\end{flushleft}
Chandra Gupta, the founder of the Maurya Dynasty (321–185 BC), which reached to its peak during the rule of his grand son Asoka in the third century BC. The latter was able to bring most parts of the present-day India, Bangladesh and Pakistan under his rule but his empire disintegrated into several independent states soon after his death.\footnote{Viotti and Kauppi, \textit{International Relations and World Politics}, 52–54; and also \textit{Encyclopedia Britannica}, 2005, Deluxe Edition, CD-ROM, s.v. “Mauryan Empire.”} India witnessed hundreds years of internal strife, disorder and political divisions, before it was united again by military means by Muslims. First, the rulers of the Delhi Sultanate and then Mughal Kings united India under their iron hands. Both the times – during the Gupta-Asoka rule and Muslim period – the rulers showed great tolerance towards their subjects particularly to those belonging to different faiths and religions. Chandra Gupta, initially a Hindu and an advocate of using violent means for political objectives, was converted to Buddhism and became preacher of non-violence. Similarly, the Muslims rulers showed unprecedented tolerance towards local people. Even Akbar, a Mughal ruler, had invented \textit{Din-i-Elahi} to please and accommodate his Hindu subjects and to ensure political unity of India. This unity more or less remained intact, with little interruptions due to revolts of local power claimants, for about a century. With increasingly weakening Mughal rule, several local governors and princes became sovereign before British reunited India for about two centuries.\footnote{Inayat, “The South Asian Association,” 13.} The British rule had integrated the region through administrative and political systems and an “extensive communication network.”\footnote{Bokhari, “South Asian Regional Cooperation,” 372.} The British Empire was, however, extended beyond the
present day outer boundaries of these states. Muni claimed that Sri Lanka and Myanmar were separated from British India in 1937.\textsuperscript{24}

The British had defeated Afghanistan in the west and Nepal, Sikkim and Bhutan in the north but did not include these states into the formal jurisdiction of the British India. Rather Afghanistan was made a buffer state between the British India and Russia. The British had also acquired the rights to run foreign affairs of Afghanistan in 1880 which Kabul regained in 1920s.\textsuperscript{25} British India had also exercised influence in Iranian domestic and foreign affairs.\textsuperscript{26} British had made Sikkim as its protectorate and the latter also got the rights to conduct trade and build roads in the state.\textsuperscript{27} Nepal and Bhutan, also British protectorates, were given autonomy in their domestic affairs while their foreign relations were guided or conducted by the British.\textsuperscript{28}

Sobhan claimed that the British had expanded the boundaries of their empire to areas covering present day Sri Lanka, Maldives and Myanmar making the entire region a single integrated market where money, labour and goods could move freely. However, this labour movement had also laid the foundation of some of the current ethnic tensions in the region.\textsuperscript{29} This integrated labour market was supported by a single currency from the time of Mughal rule. The coin of Aurangzeb was even used in Southern India and present day Sri Lanka. Similarly, rupee of British era was used as a common currency in

\begin{thebibliography}{9}
\bibitem{24} Muni, “South Asia as a Region,” 2.
\end{thebibliography}
all parts of South Asia as well as in the Gulf region. In order to serve their imperial goals, British had also given a single education, judicial, administrative and parliamentary system in Indian sub-continent. Moreover, these countries were physically integrated through a common energy, communication and transport network. The infrastructure of roads, rivers, and telecommunications developed during the British period or even before that, had provided for free movement of people across all parts of the region. Sobhan claimed that South Asian states possessed the integrated physical infrastructure at the time of partition of India which European states took 50 years to develop to that level.\textsuperscript{30} The leadership of All India National Congress (AINC) wanted to retain the unity of British Empire. For instance, Nehru had proposed creation of a South Asian federation comprising all parts of the sub-continent as well as Burma in the east and Afghanistan, Iran and Iraq in the west.\textsuperscript{31} However, this dream did not come true and sub-continent was divided into several independent states. More importantly, in spite of being ruled under a single government for centuries, the region continued to be socio-culturally and ideologically heterogeneous.\textsuperscript{32}

The two largest religious communities – Hindus and Muslims – could not evolve themselves into a single nation through overcoming their fundamental dissimilarities. Though, they both, along-with others, had fought together the unsuccessful war of independence against the British in 1857 but their differences became so widened in the years to come that they, just after 90 years since than, had to divide the country on communal lines. The fear of majoritarian Hindu domination and their quest to preserve

\textsuperscript{30} Ibid.,
\textsuperscript{32} Bokhari, “South Asian Regional Cooperation,” 372.
religious and cultural identity and protect their political and economic rights, forced Indian Muslims to create a separate homeland, i.e. Pakistan in 1947. Nonetheless, the newly established but the largest Muslim state, Pakistan could not maintain balance between its eastern and western wings. The geographical distance compounded with political grievances and economic exploitation of the East Pakistanis worsened the situation. The military operation after the general elections held in 1970 resulted into a bloody civil war, which after direct Indian military intervention into East Pakistan, culminated into birth of Bangladesh. As such, the large part of South Asia, which formed the single political and economic unit during the British era, became divided into three separate and independent states.

The British had united the separate Tamil and Sinhalese domains or states into a single unitary state in the nineteenth century. With its waning position as a great power, the Britain gave it first a dominion status and then full independence in 1947 and 1948, respectively. Since then, Sri Lanka strived to preserve its political independence, national security and territorial integrity against the threats primarily emanating, directly or indirectly, from India. It sought to define its borders with India through resolution of disputes over Gulf of Mannar and the Palk Strait. Colombo had also signed a defence pact with UK on November 11, 1947.

The state of Nepal under present borders was established by in 1769. The British conquest of India in nineteenth century had threatened very survival of Nepal. However,

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its ruling Rana family was successful to reach to an agreement with the British. It accepted the latter’s “guidance” in its foreign policy against a guarantee of domestic autonomy as well as protection from internal and external enemies.\textsuperscript{37} As the British were ready to depart, Nepal began to strive for “security and her foreign policy goals and achievements.” Nepal was able to get recognition as an independent state from the US on April 21, 1947, i.e. before the independence of India. It also established diplomatic relations with UK, France and the US “which made it impossible for India to contemplate action against Nepal, as was done against the Indian princely states.”\textsuperscript{38} In post British era, Nepal concluded several treaties with India including a tri-partite agreement, the UK being the third party, signed in 1947. The Nepalese leaders, intelligentsia and the people alike believed that these treaties had compromised Nepalese sovereignty and jeopardized its economic interests. Some of the provisions of treaties or the treaties as a whole were secret and could undermine security of the state. Moreover, the Indian political and economic dominance over Nepal, its disputes on issues related to trade, immigration and sharing of waters continued to strain their bilateral relations.\textsuperscript{39}

The state of Bhutan, founded about three centuries ago, was invaded twice by the British, i.e. in 1772 – 73 and in 1864 – 65, respectively. After its defeat in the second war, Bhutan signed a treaty with the British and handed over some of its southern passes to the latter, accepted its mediating role in any of the future disputes with its neighbouring states as well as annual British subsidy. 1n 1910, it under another treaty accepted British guidance in conduct of its foreign relations in return for internal

\textsuperscript{39} ‘Chintan’, “Nepal: Under Big Neighbour’s Shadow,” 73–9.
autonomy and increased subsidy. In 1949, Bhutan signed a treaty with India in which the latter took over the British position in its relations with the former. Accordingly, Bhutan’s external relations had been guided by India in exchange of the non-interference in its domestic affairs, payment of annual subsidy and transfer of a strip of land, Dewangiri, in Assam to Bhutan. The Chinese involvement in Tibet further pushed Bhutan towards, and increased its dependence on, India.40

Bangladesh, yet another “India-locked,” South Asian state, is also geographically surrounded by India on three sides, besides a small border with Myanmar in the east. It is, however, more fortunate than Nepal and Bhutan as it touches the Bay of Bengal and could interact with outside world through sea routes. Like other South Asian states, Bangladesh also perceived threats to its identity and security from India. The Two Nations Theory which Indira Gandhi claimed to have drowned in the Bay of Bengal was actually born in East Bengal during British rule and it had survived despite disintegration of Pakistan. It got a new shape in Bangladeshi nationalism, negating Bengali nationalism in reaction to Indian hegemony imposed on them during 1971–75. Initially being grateful to India for playing “midwife role” in its birth, the Bangladesh under the leadership of Mujibur Rehman had come too close to India, both politically and economically. It had entered into political and economic agreements with India. Both countries had signed a treaty of peace, friendship and cooperation in 1972. India had also pushed for economic integration of both countries, including integration of their transport and electricity systems. Sooner, the Bangladeshi nationalism got its roots and the pendulum moved in the opposite direction, as Dhaka strived to protect its Islamic identity, national

sovereignty and economic independence. Bangladesh, initially declared as a secular state by its founding father, was later declared as an Islamic state by the successor governments. Since then, different issues such as: ideological and political differences; migration of people across the borders; sharing of waters; trade; terrorism; and border problems, continued to worsen relations of both states.\textsuperscript{41}

Pakistan was created on the basis of the Two Nation Theory when the Muslim leaders had the conviction that partition of India was the only viable solution of the communal problem in the sub-continent. They hoped that it would bring peace and stability in South Asia as both newly independent states would establish friendly relations. Particularly, Jinnah who had strived, initially for Hindu-Muslim unity, and finally to preserve the unity of India through accepting Cabinet Mission Plan, believed that both India and Pakistan would be able to enjoy friendly ties modeled on US-Canada relations. Even he had planned to live in Mumbai after his retirement as Governor General of Pakistan.\textsuperscript{42} Later on, Zulfiqar Ali Bhutto had also said that Indo-Pakistan relations must have looked like “those between Sweden and Norway, countries which had to break apart in order to come closer together.”\textsuperscript{43}

The ideological differences, the memories of the past and prevailing apprehensions among the leadership of both India and Pakistan prevented them from coming together. Maass observed that Pakistan was created on ideological basis aimed at

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providing Muslims a state which would be governed by Islamic laws. It was based on a philosophy which provided for transformation of religious teachings into political laws and thus uniting politics with religion. It was an anti-thesis of secularism which the Indian founding fathers had chosen for their state. For Indian leadership, the failure of this ideology as well as of Two Nation Theory was tantamount to success of secularism and composite Indian nationalism. This thinking was a motivating force towards their behavior towards newly created state of Pakistan. On the other hand, Pakistani leadership believed that partition of India was the result of a “basic historical antagonism” between two nations, i.e. Hindus and Muslims. Partition had just fulfilled the faith and demand of Muslims that they had a separate national identity and independent political “destiny.”

The refusal of the Indian leadership to accept the two-nation theory had convinced the Pakistanis that “India posed an ideological, as well as a military, threat to the nation’s survival.” It believed that India “if afforded the opportunity, would re-establish akhand bharat (‘undivided India’) either by force of arms or by allowing the hybrid state to wither away under its own contradictions.” Bahadur claimed that “bitter pre-independence controversies” between All India Muslim League (AIML) and AINC had cast a long shadow over bilateral relations of both states. AINC believed that AIML had undermined its struggle against foreign rule, and targeted the composite Indian nationalism advocated by it. The congress leaders considered Pakistan movement as an attack on their efforts to get freedom for their homeland. The leaders of AINC believed

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46 Ibid.
that partition of India was a great tragedy which had left deep wounds on their souls.\textsuperscript{47} Harrison observed, partition of India had “left deep wounds on Hindu psyche.” The majority of Indian leaders, “with vivid memories of past oppression” in the hands of Muslims for many centuries, accepted partition as an “unavoidable expedient” which would be “short lived.” At worst, they hoped “Pakistan would eventually settle down as a deferential junior partner within an Indian sphere of influence.” The ensuing bad relations between two states were the consequences of these historical facts. The continued Indian “ambivalent attitudes concerning the existence of Pakistan” prevented both states to come closer.\textsuperscript{48} Maass observed that “nightmarish experience of partition and the long history of invasions” which had shaped the linguistic, cultural and religious identities and social divisions in the subcontinent, as well as “partition related contentious issues” and finally controversial accession of Jammu and Kashmir to Indian union had “poisoned” the relations between two states.\textsuperscript{49} The deliberate attempts on the part of Indian leadership to create problems for the newly established resource-less state of Pakistan, through various measures were the part of the strategy to put burden on it to the extent of its collapse. The forceful annexation of Jammu and Kashmir, Manavadar, Junagarh and Hyderabad Deccan, stoppage of the water flow into rivers coming from India to Pakistan, anti-Muslim riots in India causing history’s largest displacement of the people in any single geographical area, creating hurdles in transfer of assets and financial resources to Pakistan etc. made the situation worse and sowed the seeds of bitter relations between

\begin{itemize}
\item[\textsuperscript{47}] Kalim Bahadur, “India-Pakistan Relations: Road Map To Nowhere?” \textit{South Asian Survey}, 10 : 2 (2003), 248.
\item[\textsuperscript{49}] Maass, “South Asia: Drawn,” 266–7.
\end{itemize}
both states. Kashmir dispute in particular, remained a bone of contention between India and Pakistan.\textsuperscript{50} In sum, not only the region and the regional cooperation but also the regional disputes and problems in South Asia were mainly “Indo-centric.”

5.3 INTEGRATIVE OR DISINTEGRATIVE TENDENCIES IN SOUTH ASIA

The most parts of South Asia, i.e. Bangladesh, India and Pakistan once formed a single political and economic unit and even the boundaries of the British Empire were stretched well beyond them, and also included Sri Lanka and Myanmar and have controlled foreign affairs of Nepal, Bhutan and Afghanistan. Therefore, some scholars and even leaders, particularly Indians, view South Asian regionalism in the context of bringing the same political and economic unity in the area. They weigh and compare SAARC with EU and dream of a South Asian Union.\textsuperscript{51} For instance, a moderate person like Kuldip Nayar has argued: “Even an economic union of SAARC countries falls short of the region’s requirements. Our aim should be to constitute a South Asian Union, from Afghanistan to Myanmar, having soft borders, having one currency and having no custom or excise barriers.”\textsuperscript{52} The critics argued that setting the target of even a South Asian Economic Union, in the context of prevailing conditions of mutual distrust, unresolved political disputes and “spill over effects” of the religious and ethnic conflicts, was overambitious and could be “counterproductive.” Thus, regional states should focus on joint development projects, creation of economic complementary and pursuance of


\textsuperscript{52} Kuldip Nayar, “Reminiscences of a Peace Activist,” \textit{South Asian Journal}, (Jul. – Sep. 2004), 113. Almost similar type of statement was made by the former President of India, Abul Kalam.
“modest trade objectives.” These contradictory views warrant an in-depth investigation of the integrative and disintegrative forces operating in South Asia. Since, India occupies the central and largest part of the region, therefore, it is imperative to explore as to how these integrative or disintegrative forces are related to the internal and external politics of India. However, a brief overview of the conditions that prevailed in Europe at the time of launching of the integration process would help make a comparison of the two processes.

There were several continent–wide “large-scale” and well organized movements campaigning for a united Europe in the interwar period. Some of them argued for free trade and others for political integration of the continent. During the Second World War, several resistant groups sought economic and political integration of Europe. Haas claimed that hundreds of publications, movements and organizations were keenly striving for some sort of union of European states in the immediate postwar period which proved helpful for European integration process initiated in 1950s. Even more important was the intellectual work done much earlier for unity of the European states by influential thinkers like Dante, Pierre Dubois, Sully, Cruce, Penn, Saint-Pierre, Rousseau, Kant, Lamartine and Victor Hugo. Their writings were quite instrumental to prepare the necessary groundwork needed to build upon, later on, peace project that culminated into the European Union by the dawn of the twenty-first century. Moreover, the European states were religiously and culturally homogeneous and the processes of national integration and state building had been completed before the launching of regional integration scheme in 1950s. Most importantly, some of the European states had gained political unification through peaceful means whereby economic integration had preceded.

54 Haas, “The United States of Europe,” 528.
political unification of countries like Germany, Italy, Spain, Switzerland, the Scandinavian area and Austro-Hungarian Empire in the nineteenth century.\footnote{55} Some external factors, like presence of an outside security threat, i.e. Soviet Union and desire of European leaders to decrease their dependence on America had also contributed towards integration process. Some of the conditions found helpful in European integration process were only unique to Europe and did not exist in any other area of the world. As such, Haas had predicted that the integration process on European pattern witnessed in 1950s would not be replicated in any other part of the world.\footnote{56} Similarly, Nye had observed that integration schemes among the developing states looked sometimes “to resemble the European animal but in causal terms [might] turns out to be of a different genus or species.”\footnote{57} Does South Asian regionalism relate to the same genus or specie to which the European integration process belongs? Was there any significant integrationist movement in South Asia at the time of launching of SAARC or either exists today? Or the region experiences an opposite tendency? A brief account of the factors that led to the political divisions of sub-continent in the post British era, and comparing them with the contemporary conditions would help understand the phenomenon.

Till 1947, most of the South Asian states were integrated as a single political and economic unit with similar administrative, judicial, parliamentary, education, transport and communication systems under which political elites of all communities were able to

\footnotetext[55]{Cited by Norman D. Palmer and Howard C. Perkins, \textit{International Relations: The World Community in Transition}, 3\textsuperscript{rd} ed. 1\textsuperscript{st} Indian Ed. (Delhi: CBS Publishers, 1985), 560.}

\footnotetext[56]{Haas, “International Integration,” 389. He had observed: “Processes which yield optimal progress toward the end of political community at the European level simply cannot be reproduced in other contexts because the necessary pre-conditions exist to a much lesser degree. Therefore, ... other regions with strongly varying environmental factors are unlikely to imitate successfully the European Example.”}

communicate with each other. South Asia also had all attribute of a common market with single currency. Thus, South Asian nations were more integrated in the pre-partitioned India than the European nations after about sixty years of the integration process.\textsuperscript{58} What South Asian nations had led to political division and economic segregation would in part help understand dynamics of regionalism in South Asia. Sobhan argued that fears of political domination and economic exploitation were the main factors of political division of South Asia. South Asian Muslims, which constituted the second largest population in British India, had lost not only political power but also better socio-economic conditions in the society. They feared that after departure of British they would become a permanent minority in Hindu majority India where Hindus would always rule over them. Their neglect of British education system had relegated Muslims to socio-economically backward positions. They also feared that they would not be able to protect their economic interests in a united India where better educated Hindus were already dominant in all socio-economic fields. The primary reason that had caused partition of India was the desire of the Muslim elites to get political autonomy where they could increase economic opportunities for their people.\textsuperscript{59} Besides being worried about their political and economic rights, the Muslims were also concerned about their religio-cultural identity.

The Muslim leaders feared that majoritarian Hinduism would absorb Muslims into its resilient culture and the fate of the Muslims would not be different from its predecessor nations who had entered into sub-continent as victorious powers but ultimately lost their separate identity and became part of a variant Hindu culture.\textsuperscript{60} The

\textsuperscript{58} Sobhan, “Regional Cooperation in South Asia,” 4–5.
\textsuperscript{59} Ibid, 6–8.
fears of Muslims were not unfounded. Punj, a leader of BJP, has depicted this very fact in these words: “The ethnic diversity of India has never been a problem – for throughout her history she has been able to absorb different races and impose on them one common culture and tradition. The most important cementing factor has been the Hindu religion.” Punj went on to claim that from 327 BC to 400 A.D. the invaders like Greeks, Sakas, Kushana, and Huns had occupied some Indian territories “for some time before being won back by the Hindus. But the most important thing to note is that long before they have been physically defeated by the Hindus they became culturally Hindutised.” He noted that Huns were most barbaric among them as being “more interested in destruction than in victory.” Their cruelty was unparalleled but ultimately they had to “yield before the resilient Hindu confederacy.” Their most cruel King Mihir Gul was converted to Hinduism and he had to worship Shiva. Huns “remained alive in genealogical currency but culturally, religiously and historically became Hindus.”

The ethno-religious nationalism is yet strong in regional states and disintegrative movements continue to unleash violence and terrorize people in South Asia. The regional states have not been able to integrate their religious and ethnic minorities in their respective jurisdictions. Haas had observed that the national leaders of the developing states “poorly integrated internally” hesitated in integration schemes fearing that it would “further undermine their control at home.” The South Asian states are also faced with the problems of domestic “political order and national integration” and their respective leaders had to focus more on their national borders.

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and ethnic identity still prevail in South Asia to the extent of threatening the territorial integration of some states. The process of political divisions and economic disintegration did not stop with partition of India. Rather, search of ethno-linguistic identity, political autonomy and economic prosperity continued to haunt territorial integrity of South Asian stats. Newly created state of Pakistan could not accommodate concerns of people of East Pakistan who were aggrieved over political alienation, cultural domination and economic deprivation in the hands of ruling elites from West Pakistan. Thus, this sub-national conflict led to disintegration of Pakistan in 1971.  

Pakistan was also challenged by separatists in NWFP since its birth to 1970s, Sind in 1980s, and Baluchistan in 1960s, 1970s and again at the dawn of the twenty-first century. Such sub-national problems also existed in other South Asian countries. India, the largest of all regional states, is also faced with several separatist movements. The state of Jammu and Kashmir, besides being a bilateral dispute between India and Pakistan, also has another dimension. Kashmiri nationalism has its roots in the Indian-held territory and to some extent in Pakistan also, which wants to form an independent state. 1980s witnessed the bloodiest movement for creation of a Sikh state, i.e. Khalistan in Indian Punjab. Moreover, India is also faced with several bloody uprisings in its eastern and northeastern areas. The red corridor continues to threaten territorial integrity of India and in the word of Manmohan Singh Maoists had become the greatest threat to Indian security. Even Bangladesh, a cause of region’s divisions twice, first on the name of Muslim nationalism and then on

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64 Sobhan, “Regional Cooperation in South Asia,” 7.
65 Muni, “South Asia as a Region,” 3.
Bengali nationalism, is not a homogenous state. It faced Chakma unrest in reaction to Islamic and Bengali assertion. Even Nepal, a predominantly Hindu state, witnessed the rise of Terai movement in reaction to the dominance of Hill people while Maoist insurgency has been a response to a Hindu state. Even Bhutan, a tiny Himalayan state, does not feel comfortable due to presence of people of Nepalese origin. Sri Lankan territorial integrity has been challenged twice in its post independence history; first by Janatha Vimukthi Peramuna (JVP) insurgents in 1970s and then by Tamils since 1980s.\textsuperscript{67}

There has neither been any visible integrationist movement nor any demand for political unification of South Asian states made by any significant segment of societies of the regional states. Rather, the evidence shows an opposite trend as regional states continue to experience centrifugal tendencies both at the regional and state level. Sobhan observed that the very reasons which had caused partitioned of India in 1947 also challenged the territorial integrity of present-day South Asian states. The failure of elites from majority communities to accommodate the genuine concerns and address grievances of minority communities compelled the latter to strive for political independence to preserve their ethno-cultural identity and ensure their economic prosperity.\textsuperscript{68} Primordial attachments and ethno-religious nationalistic feelings are still strong in the region. Both neofunctionalists and intergovernmentalists share the assumption that strong nationalism inhibits growth of regional integration. Naqash while highlighting the obstacles to the growth of regionalism in South Asia had depicted regional conditions in these words:

\begin{quote}
"South Asian states are ascriptive in character owing to low level of socio-cultural and economic conditions. Consequently, their regional policies have been naturally influenced by their religious and linguistic
\end{quote}

\textsuperscript{67} Muni, “South Asia as a Region,” 3.
\textsuperscript{68} Sobhan, “Regional Cooperation in South Asia,” 7–8.
traditions. The ethnic and cultural diaspora in the region where minorities are scattered under the jurisdiction of different states provides a readymade potential for sparking off fanatical outbursts and turmoil.”

Johnson had identified “four areas” that could generate conflicts in the region in future which include: perceived cultural threats; the challenge to Indian hegemony; resources and; environmental problems. The “centrifugal forces of separatism” are likely to increase in the twenty-first century. In the backdrop of political divisions, inter and intra state conflicts rooted in cultural and religious beliefs, antagonistic relations among regional states pursuing independent and uncoordinated policies, the South Asia lack the sense of “region-ness” wherein regional integration on European pattern is impossible.

5.4 INDIA’S INTERNAL AND EXTERNAL POLITICS AND ITS IMPACT ON DISINTEGRATIVE FORCES OPERATIVE IN SOUTH ASIA

The Transactionalists such as Deutsch and associates had observed during their historical case studies that regional integration generally evolved “around a core of strength,” i.e. a core state. But Haas argued that a “core area” or core state can serve both as integrative or disintegrative force in a region. As such, it is imperative to investigate as to how far Indian politics and policies influence the centrifugal or disintegrative forces operative in South Asia. There are two dimensions of India’s role in this regard; first is related to its internal politics and; second, to its external politics. The partition of the subcontinent was a consequence of the fear of majoritarian Hindu

72 Rosecrance, review of Political Community and the North Atlantic Area, 902–3.
domination as perceived by the Muslims at that time. Therefore, it warrants exploring whether and to what extent the Indian ruling elites and its majority community have changed those conditions which had led South Asian Muslims to demand partition of India. Have they dispelled the apprehensions of Muslim community, still second largest in South Asia, or otherwise? How far, the Indian minorities, particularly Muslims which form the largest minority and constitute about 14 percent of Indian population, have been politically and socio-economically integrated into Indian state and society? Their integration into Indian state and society could help dispel the fears of Muslims living in the neighbouring states and they might consider integration or political unification with India. Nonetheless, their attitude could also be influenced by the external policies of India towards smaller states. India’s behaviour towards and treatment of separatist movements operative in other regional states would also determine such an outcome. To begin with, an overview of India’s domestic politics and the status and position of minorities particularly Muslims in Indian society would help understand the phenomenon.

5.4.1 Integration of Indian Muslims into Indian State and Society

The Muslims had enjoyed privileged positions in Indian society during the Muslim rule in Indian subcontinent. When they were unseated from power, they also lost their political and economic status and were gradually pushed downward. The Hindus acquired western education, gradually filled the gap and soon became dominant socially and economically. Due to having good understanding of the new situations, Hindus shrewdly established relations with the British and increased their political influence in collaboration with foreign rulers. Compounded with their numerical majority, their active participation in politics under the umbrella of AINC which was founded by a British in
1885, the Hindus also became politically dominant. It rightly created a sense of insecurity among the Muslim minority and they put forth certain demands to protect the political and economic rights and the politics of AIML revolved around the same objective till 1940. Instead of accommodating the demands of Muslim minority, the Hindu leaders showed their intentions of taking revenge of thousand years rule from them. Particularly, their bitter experience under brief two years Congress ministries in 1937–39, put far reaching effects on South Asian politics. The Muslims demanded partition of India on the basis of Two Nation Theory. The leadership of AINC was not willing to accede to the demands of Muslim leaders, particularly Jinnah, to ensure political and economic rights and protect their religious and cultural identity which resulted in division of the India. The situation in post-independence India did not help dispel, rather compounded, the fears of South Asian Muslims. A vast majority of Muslims were relegated to the level of second-rate citizens in India. They are politically marginalized, economically deprived and socially degraded without their due share in jobs and other important positions. Khanum argued that Indian Muslims were the “most backward community of the country” on the basis of almost all major index of human development. They were underrepresented politically, and did not have their due share in government or private sector jobs. She noted that their representation in officer categories was nominal. They did not have appropriate access to education and health facilities and in certain cases they were intentionally kept backward. Khanum claimed that about 80 percent of Indian Muslims were poor and their per capita income was far less than India’s average per

capita income. In some cases, position of Indian Muslims was even worst in the country because other communities such as Scheduled Tribes and Scheduled Castes (untouchables) lived under better conditions. These classes had reserved quota in Indian economic and political institutions but Muslims were even not seriously considered for that “privilege.” Khanum claimed that even the post-liberalization reforms and economic development did not bring any significant change in the lives of Indian Muslims.\(^\text{75}\)

Indian founding fathers were fearful that “politicalization of religious issues and political organization on religious lines” could threaten the process of nation-building. Thus, Nehru championed secularism and separation of politics and religion. However, Sardar Patel, Home Minister and Deputy Prime Minister of India wanted a dominant role of Hinduism in state policy. In Independent India, Muslims were not allowed to organize themselves on religious basis. Maass believed that Indian authorities repeatedly looked upon Muslims with suspicions and perceived the largest minority as acting a “fifth column” of Pakistan.\(^\text{76}\) Engineer claimed that Muslims had strived utmost to prove that they were Indians by all respects, but they were not fully integrated in Indian society. Their physical and political alienation in the hands of Hindu majority has been widely recognized. Hindu nationalists strived to impose on Indian Muslims an “invisible and psychological partition, which is anytime worse than physical and visible partition.”\(^\text{77}\)

India was founded as a secular state but it saw a rise of religious extremism since early 1980s. It reached to its climax in 1990s to the extent of threatening the very survival

\(^\text{76}\) Maass, “South Asia: Drawn,” 267.
\(^\text{77}\) Asghar Ali Engineer, Muslims and India, (New Delhi: Gyan Publishing House, 2006), 7–11.
of Indian Muslims, as it was shown in riots in Mumbai and Gujarat in 1992 and 2002, respectively. However, the origin of ethno-religious Hindu nationalism goes back to 1867 when communal divide of India got its illustration in Hindi-Urdu controversy. It got impetus in 1920s with rise of movement of “Hindu Sangatan” which produced various organisations such as Arya Samaj, Hindu Mahasabha and the Rashtriya Swayamsevak Sangh (RSS), latter being “the most important and in some ways the most militant.” RSS was a paramilitary organization from its birth, as it was created “to eradicate the weakness of Hindus” through providing them “training in armed and unarmed combat.” It was also the originator of the Bharatiya Jana Sangh (BJS) and later the Bharatiya Janata Party (BJP). Besides, it also created Vishwa Hindu Parishad (VHP) to serve as its “religiously-cultural front” and Bajrang Dal. The latter, Bidwai observed, worked like the “modern-day equivalent of storm-troopers. Its activists frequently used violent means to coerce their opponents. “Bajrang goons and ruffians” repeatedly destroyed businesses and properties of people and blazed mosques and churches. All these groups, along-with other fronts, collectively from Sangh Parivar and are related to RSS in a “hub-and-spokes variety,” the RSS serving as the hub of the Parivar. They collectively are the champion of Hindutva. Bidwai observed that a “paranoid, pathological kind of Islamophobia has been integral to all currents of Hindutva. They set their priority: the Muslims were their greatest enemy, the dire ‘threat from within’.” The Hindu extremist parties believed that Muslims were the “most stigmatised and vilified of the conquerors, and allegedly the most brutal.” They look upon the Muslims as legacy of

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78 Emily Crick, “Contact Sport: Cricket in India–Pakistan Relations Since 1999,” *South Asian Survey*, 16:1 (2009), 68.

the foreign invaders and Islam as a religion on whose name the Arabs, Persians and Turks made their way to India, plundered its great civilization and resources, and demolished shrines and other religious places of Hinduism and built mosques and Islamic shrines.\textsuperscript{80}

The ideologues of Hindutva during pre-independence era included Savarkar and Golwalker. The former had founded the “Two Nation Theory” and had argued that Muslims and Hindus “could not co-exist within the same nation.” Golwalker was inspired by Fascism and Nazism and had appreciated “Hitler’s view of racial purity.” He had also praised ethnic cleansing of Jews and believed that it was “a good lesson for us in Hindustan to learn and profit by.”\textsuperscript{81} The founder of RSS, Keshav Baliram Hedgewar, had supported AINC in pre-independence era, particularly when the latter declared full independence as its ultimate goal. Hedgewar wanted to impose Hindu culture on India as he believed that: “The Hindu culture is the life-breath of Hindustan. It is therefore clear that if Hindustan is to be protected, we should first nourish Hindu culture.”\textsuperscript{82} With this background, BJP was formed in April 1980 by the leaders of the former BJS led by Vajpayee. Meanwhile, VHP had launched a campaign against secular parties on their alleged “Muslim appeasement” and for construction of grand Ram Temple at the place of Babri mosque in Ayudhya. BJP then led by Advani found that this issue was gaining popularity and could lead them to power. Consequently, they decided to exploit it.\textsuperscript{83}


\textsuperscript{82}Gowalkar also argued that “If the Hindu culture perished in Hindustan itself, and if the Hindu society ceases to exist, it will hardly be appropriate to refer to the mere geographical entity that remains as Hindusthan (sic.). More geographical lumps do not make a nation. The Sangh will co-operate with the Congress in the efforts to secure freedom, so long as these efforts do not come in the way of preserving our national culture.” cited by Punj, “Hindu Rashtra,” 16.

AINC or at least some of its leaders were also Hindu communalists in the disguise of Indian nationalists. It was even acknowledged by Nehru in his autobiography in these words: “Many a Congressman was a communalist under a nationalist cloak.”84 In 1980s, the Congress party was trying to court the Hindu voters and Indira Gandhi had converted to “soft-Hindutva.” She had even started to visit Hindu temples by 1982. Khanum observed that Indira Gandhi had effectively used Hindu card during general elections in 1980 after losing the confidence of minorities, such as Muslims and Sikhs, and lower class Hindus. She decided to exploit Hindu sentiments by taking tough position towards Pakistan and Indian Muslims to achieve her political ends, which she successfully did but pushed the country towards further communal divide. She attempted to bring uniformity in Indian culture and politics which provoked minorities such as Muslims and Sikhs who struggled hard to preserve their separate identity. They had to pay heavy price as they had to face terrorism by the state authorities as well as violence by Hindu chauvinists.85 Indira Gandhi had used brute force against Sikhs and stormed the Golden Temple – the most sacred religious place of Sikhs. Her murder in the hands of her Sikh body-guards had resulted into massive killings of Sikhs by Indian Hindus and government agencies. These events had “further polarised Indian politics along religious lines.” The Congress, under the leadership of Rajiv Gandhi, had taken advantage of it and “cynically drove this advantage home by mounting a paranoid and hysterical Lok Sabha election campaign in 1984 about ‘the nation being in danger’.” Its victory was only made possible by the Hindu vote “consciously and deliberately solicited by the Congress party as a Hindu

party.” It was this Hindu vote which had, at least for the time being, “decimated the ‘revisionist’ BJP and reincarnated Cong (I) as BJP.”

BJP’s anti-Muslim stance was evident from the onset. By 1987, it had chosen “the three ‘trident’ issues, greatly and long agitated by the Jana Sangh, as its principal focus and concerns.” These included a demand of a ban on cow slaughter, to abrogate Article 370 of Indian Constitution, and to impose a uniform civil code. Advani had also launched a bloody “Somnath-to-Ayudhya rath yatra” in 1990 which had incited fierce anti-Muslim riots in Indian cities and towns. Bidwai claimed, “The most chanted slogan during Advani’s rath yatra was: ‘There are only two places for Muslims Pakistan or kabristan (graveyard)’.” Communal violence after the destruction of Babri mosque and then the Gujrat killings were probably the worst of its kind. The incidents also exposed the weakness of Indian judicial system to provide justice to the victims of Hindu nationalists in these cases. The recurring Anti-Muslim riots in India have further prevented the likelihood of building any trust between the two largest religious communities of South Asia. Though all religious minorities have been insecure in the hands of Hindu extremists in India but the Muslims remained their worst victims. Khanum observed that communal violence erupted five times every week and around eighty percent of their victims were Muslims in India. According to a study about eight thousand people were killed and tens of thousands others were injured in about thousands of incidents of communal riots from 1961 to 1990. According to official statistics, over

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86 Bidwai, “A Critique of Hindutva,” 24. The RSS Organ, The Organiser had observed: “It was a Hindu vote, consciously and deliberately solicited by the Congress party as a Hindu party. And this is what steered the party to a grant victory, decimated the ‘revisionist’ BJP and reincarnated Cong (I) as BJP.”


five thousand people were killed during communal riots in 1991, 1992, 1993, 1994, and 2002. However, actual numbers of deaths during these riots were far higher. These incidents had also caused huge loss of property and business to Indian Muslims. Hindu activists at times intentionally targeted them due to business jealousies or other reasons. The communal riots also caused displacement of tens of thousands of Muslims. Hindu activists even did not spare the honour of Muslims and molested thousand of Muslim women. They burned or demolished dozens of mosques. On several occasions, Indian security forces had also persecuted Indian Muslims. For instance, more than 3000 Muslims were killed in a single day in Nellie, Assam in 1983 claiming that they were infiltrators from Bangladesh. It had exposed the true picture of the Indian state.

The extremist Hindus destroyed dozens of mosques in India on the plea that the Muslims rulers had constructed them on their religiously sacred places. The demolition of historic Babri Masjid (mosque) at Ayudhya, Uttar Pradesh in 1992 was the climax of such extremist postures of Hindu majority towards the Muslim minority. Two of the largest political parties were responsible for the incident. The BJP had launched the political campaign for construction of Ram Temple at the place of Babri mosque and its leaders had personally participated in the destruction of the famous mosque. But the role of the Congress Party in destruction of Babri mosque cannot be ignored in any case.

The “mosque-temple controversy” had its origin in the nineteenth century, but it was during Congress government in 1949, when with official involvement “the images of Lord Rama” were secretly smuggled “right into the heart of the monument.” Later on, it was Rajiv Gandhi who in his bid to appease the Hindus had allowed opening the locks of

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the famous mosque and permitted Hindus to enter into and worship therein. Bidwai observed that the “chain of events leading to the razing of the Babri mosque on December 6, 1992, and the developments of the day itself, could not have occurred without the collusion of the national and state (Uttar Pradesh) governments.” It is worth mentioned that the Congress party, led by Narasimaha Rao, had taken the office following the 1991 elections. It had formed a minority-government for about half of its term and had made “an informal or unstated half-alliance with the BJP which had by now emerged as the principal opposition party.” Thus, its government did not hold down the extremists Hindu parties to “their specific legal commitments not to disturb the status quo in Ayudhya.” Rather, the government permitted them to raise the momentum of “their hysterical mobilisation and close in on their target.”

The destruction of the historical mosque burst into widespread communal riots in India and sent a very negative message to the Muslims living across the borders – both in Bangladesh and Pakistan – to the extent of generating strong reaction against the Hindus living therein. Indian political parties, particularly BJP deliberately promoted and used anti-Muslim sentiments to get political mileage and public support in elections and gained power too.

In recent years, Indian Muslims have increasingly been bracketed with terrorists. Some of their organizations, including Students Islamic Movement of India (SIMI), have been outlawed on the same pretext, and hundreds of Muslims were arrested. Generally, Muslims were held responsible for most of the incidents of terrorism in India. It has been commonplace that Indian officials and leaders immediately blamed local Muslims as perpetrators of acts of terrorism, at their own or as aides of neighbouring states, i.e.

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Pakistan or Bangladesh. Though in several cases, various Indian Muslims have been convicted in courts and given sentences on charges of terrorism. But the most ironical fact was that some of the terrorist acts were carried out against the Muslims themselves including targeting their religious places and business etc. and blame for these incidents was also put on Indian Muslims. They were accused of in collaboration with ISI or Pakistan-based extremist organizations. The incidents of Samjhauta Express tragedy, Malegaon bombing in Maharashtra; Makkah Masjid, Hyderabad; Darghah Ajmer Sharif, Rajasthan; and cinema halls in Ludhiana, Indian Punjab were a few of such examples in which Muslims were initially held responsible for perpetuating these crimes. Later on, the investigations revealed that these acts were carried out by extremist Hindu organizations having close links with some Indian government officials and military officers. A few of the investigation officers, however, tried to protect some of the Hindu culprits.\(^92\)

Hindu extremist parties had launched anti-Muslim campaign to the extent of threatening their lives or expulsion from India. Another option available to them was the re-conversion to Hinduism. They had launched re-conversion movement of Muslims in the pre-independent India and continued it in the post-British era. Even when the SAARC was being evolved, the extremist parties, such as VHP, were striving for re-conversion of Muslims. For instance, VHP had started a campaign to bring back Dalits at Meenakshipuram in Tamil Nadu into “the Hindu fold.” They being “oppressed, harassed and humiliated by upper caste Hindus, had decided to embrace Islam in 1980.”\(^93\)

Indian media particularly Bollywood movies have also failed to portray positive image of Indian Muslims and help their integration in Indian state and society. Rather, its role was negative in several respects. Various movies released during the last two decades had portrayed Muslims as perpetrators of terrorism and responsible for erupting communal violence including Mumbai riots of 1993. The movie “Bombay” released in 1995 was one of its few examples. In some movies the loyalty of India Muslims was seriously questioned dubbing them as ISI agents. The movie “Sarfarosh” released in 1999 was just an example of such anti-Muslim campaign.94

Crick observed that cricket which had served as a unifying force in Pakistan had mostly been “divisive” in India particularly during matches between India and Pakistan. Hindus mostly accused Muslims of being supporting Pakistan most of the time which in certain places caused communal riots and killings of Muslims. Once, the police force in Kolkata had decided that it would prevent Muslims from supporting Pakistan during a cricket match believing that their support to Pakistan was against the “national interest.” However, the match was won by India and Indian Muslims who wanted to join celebrations were “actively prevented from doing so” in certain areas. Nonetheless, Crick observed that till quite recently, some segments of Indian Muslims supported Pakistan but this support was disapproved by majority community groups and the police. When Muslims tried to celebrate Indian victory over Pakistan, they were actively prevented sometimes violently, which showed “a dichotomy in Indian national consciousness about the role of Muslims in the country.” Crick claimed that in several other countries too, ethnic minorities supported teams other than their national ones in order to express their

separate identity and it did not cause any problem for them. However, whenever Indian Muslims did so it was disapproved by majority community. Indian leaders such as Advani and Thackeray had divided Muslims into good and bad ones on the basis of their support for Indian team or otherwise. They argued, Indian Muslims should prove that they were not Pakistani supporters by supporting India instead of Pakistan. Thackeray had once said: “I want them with tears in their eyes every time India loses to Pakistan.”

Bidwai observed that Hindu nationalist parties had been successful to skillfully appeal and exploit the “sense of inferiority that many upper-caste Hindu strata felt.” He maintained that this sense of inferiority was “rooted in a certain reading of Indian history largely through colonial eyes, as a succession of period of epochs based on the religion of the rulers.” They believed that Golden Hindu rule of ancient past was followed by dark ages of history in which well armed foreign invaders had conquered unorganized and unarmed Hindus and plundered their resources. The foreign rulers had looted prosperous India and ruined its civilization and associated achievements in all fields of arts and sciences. The Hindu extremist parties look upon the Muslims as legacy of the foreign invaders and Islam as a religion on whose name the foreign rulers had made their way to India, plundered its great civilization and resources. Thus, their animosity towards Muslims was based on their understanding and interpretation of particular historical events. Probably, this was the reason that’s why Indira Gandhi claimed after defeat and disintegration of Pakistan in 1971 that she had “avenged a thousand years history.”

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95 Emily Crick, “Contact Sport: Cricket in India–Pakistan Relations Since 1999,” *South Asian Survey*, 16 : 1 (2009), 67–9 and 76.


5.4.2 **Indian Domestic Politics and Neighbouring States**

Indian government and political parties had skillfully portrayed Pakistan as an enemy country to India in order to overcome internal divisions of the country and exploit majority Hindu sentiments for political purposes. Indian main political parties quite often used to inflame anti-Pakistan sentiments to hold on to power. Indira Gandhi had taken tough stance towards Pakistan in order to appeal Hindu voters in 1980. BJP had from its inception had reckoned for “an unambiguous assertion of the Hindutva-based nation-building strategy coupled with a tough line of action against Pakistan.” BJP had also used the Kargil war and its animosity towards Pakistan to ensure its re-election in 1999. Similarly, both BJP and the Congress Party created war-hysteria and jingoism against Pakistan in the wake of the November 2008 Mumbai incident. Similarly, Indian political parties have taken tough position against Bangladesh, Nepal and Sri Lanka on different occasions to gain political benefits in upcoming elections. Indian political leaders as well as their bureaucrats believed that all of their neighbours were involved, at various times and to varying degrees, in sponsoring, sheltering or at least tolerating subversive activities aimed at destabilizing India.

Generally, the business community is considered as promoter of regionalism in any part of the world and the role of Federation of Indian Chambers of Commerce and

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Industries (FICCI) also remained positive otherwise. But its report in the background of Mumbai attacks, which suggested putting economic pain on Pakistan, is an eye-opener for many interested in growth of interdependence and regionalism in South Asia. FICCI is a partner in the India-Pakistan Joint Chamber of Commerce which was created to promote bilateral trade between two states has suggested inflicting “economic pain” on Pakistan. It believed that Pakistan wanted to “derail India’s surging economic growth” through terrorist activities and would continue to threaten Indian security and booming economy. It, therefore, suggested that India should use “hard options” against Pakistan to deter it from destabilizing India. The options suggested by the FICCI included economic, trade, media, foreign relations, military and covert measures against Pakistan. It had proposed the Indian government to stop Pakistani imports, drastically limit movement of people between the two states and ban PIA flights over its territory. It observed, “Pakistan will react but the pain will be asymmetrically more for Pakistan.” The report also suggested using water as a weapon against Pakistan because “Water is a very serious issue for Pakistan and India channelling [sic.] water for irrigation and power can severely pressurise Pakistan.” Moreover, the report also proposed, “India must revive its covert capabilities and be able to take deniable covert actions inside Pakistan.” The report even suggested India to conduct “surgical strikes” within Pakistani territories and to take the risk and be “prepared for escalation of war with Pakistan.”

The media is generally considered as an important tool to enhance mutual understanding and promote trust among partners in a cooperative arrangement. But the role of Indian media has not been so positive. On various occasions, Indian print and electronic media helped promote jingoism and war hysteria against neighbouring countries particularly Pakistan.\(^\text{104}\) Indian film industry had also created hatred against Pakistan projecting it as perpetrator of terrorism in India. Particularly, several movies were released in 1990s in which the very foundation and creation of Pakistan was denounced. Their heroes championed the cause of removing the “artificial border lines” on the Indian soil as these had divided the motherland.\(^\text{105}\)

### 5.4.3 India’s Interference in the Neighbouring Countries

The failure of the ruling elites of smaller states to effectively protect the political and economic interests of the minority communities created discontent among them. Their alleged political alienation, socio-cultural domination and economic deprivation and sometimes ideological differences led them to demand separate homeland for their communities. The sub-national conflicts repeatedly challenged the territorial integrity of regional states and also sparked inter-state tensions. Though, the ruling elites of these states could be held responsible for these conflicts as their inability to address the grievances of minorities had caused them.\(^\text{106}\)

The role of India in instigating conflicts in the neighbouring states has also been crucial. Kanwal Sibal, a former Indian Foreign Secretary had once remarked: “India is a

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country wounded by terrorism. Virtually all our neighbours, by choice or default, by acts of commission or omission, compulsions of geography or terrain, have been or are involved in receiving, sheltering, overlooking or tolerating terrorist activities from their soil directed against India. “107 However, India itself cannot claim to have its hands clean in this respect. Gonsalves had argued that non-state actors posed serious threats to the stability and territorial integrity of South Asian states and some of them were supported by neighbouring countries. “No major country in the subcontinent can claim to have clean hands in this context.”108 Particularly, India’s role in sponsoring cross-border insurgencies and separatists movements in neighbouring states had become a living fact. Even Bangladesh which was created with Indian help had not been immune from insurgency supported by India. Bangladeshi people experienced two models of nationalism; first the Bengali nationalism (1971–75) and then Bangladeshi nationalism in the post 1975 era. The first model had alienated the ethnic minorities including the eleven ethnic groups or the hill people, Chakmas, living in Chittagong Hill Tracts located in southeastern Bangladesh. In 1972, they formed a political group the Parbatya Chattagram Jana Sanghati Samiti (PCJSS)” under the leadership of Manabendra Narayan Larma. In 1973, this group formed a military wing known as Shanthi Bahini (SB) or Peace Force. SB launched a full fledged insurgency in Chittagong Hill Tracts, by 1975. After the assassination of Sheikh Mujib on August 15, 1975, Larma fled to India. With the change of regime in Bangladesh, Indian agencies contacted Larma and provided the insurgents all out support including weapons. In the words of a Bangladeshi scholar, “this entire

107 Cited by Muni, “Problem Areas in India’s Neighbourhood Policy,” 185.
insurgency was carried out with the help of India.”

In order to pressurize Pakistan, India had provided “intermittent support” to Pashtun, Baluch and Sindhi separatists till 1970s. It had openly intervened militarily, after extending full political, financial and diplomatic support to separatists, in East Pakistan in 1971. It also supported separatist elements in Sindh province in 1980s and again anti-Pakistan elements in Baluchistan at the dawn of the 21st century. India supported Tamil separatists through providing military training, equipment, and financial, political and diplomatic support. India also played covert role in Nepalese affairs “characterized by a Machiavellian pursuit of self-interest, regardless of its effect on Nepal’s future.” It kept secret links with Maoists to keep Nepal under turmoil and extract “continued subservience” from its rulers.

5.4.4 India’s South Asia Doctrine

India not only inherited British strategic thinking but also imitated American imperialist dogma i.e. Monroe Doctrine. Khosla observed that Indian foreign policy towards smaller South Asia states since its independence was based on the security concepts initiated under British India. It had two “core perceptions.” First, India would not permit its neighbours to pursue any defence or foreign policy that could potentially be “inimical” to its own security. Second, it would not allow any unfriendly external power

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113 Mishra, “India’s Role in Nepal’s Maoist Insurgency,” 634–46.
to establish its influence or presence in any of its neighboring state.\textsuperscript{114} Sabur observed: “Based on its historical heritage, India developed a body of strategic thinking, widely known as the ’India Doctrine’ that, to a significant extent, came to be the South Asian version of Monroe Doctrine, wherein India viewed the entire region as a single strategic unit and itself as its custodian of security and stability.”\textsuperscript{115} In order to consolidate its security considerations, India signed various agreements with its neighbours: with Bhutan in 1949 which provided that Bhutanese foreign policy would be guided by Indian advice; with Nepal in 1950 which said that neither party would tolerate any threat to security of other by any external power; with Bangladesh in 1972 which stated that neither party would join a military alliance or permit its territory to be used against the security of other state; with Sri Lanka in 1987 which provided that both parties would not allow the use of their territories for activities detrimental to the security, unity and territorial integrity of other state.\textsuperscript{116} India had also signed a “secret” arms supply agreement with Nepal in 1965 which had severely undermined latter’s autonomy. Yet in 1990, Singh government had forwarded Katmandu a draft treaty whose provisions, if accepted, could have resulted into loss of Nepalese sovereignty.\textsuperscript{117} India had also offered Pakistan to sign a treaty of peace, friendship, and cooperation in 1949 and repeated this offer in response to Pakistan’s no war pact in 1981. Makeig claimed that New Delhi considered entire South Asia as “an integral security unit” in which maintaining peace and stability and security of smaller states including Pakistan was Indian responsibility. Pakistan’s efforts to build alliances with external powers for its defense were regarded by New Delhi as

\textsuperscript{115} Sabur, “Conflicts in SAARC,” 87–8.
\textsuperscript{116} Khosla, “Constructing the South Asian Community,” 185.
\textsuperscript{117} Mishra, “India's Role in Nepal’s Maoist Insurgency,” 632–4.
breach to the “natural” balance of power in the region which posed direct security threat to India itself. Thus, protection of South Asia from external influences was the basis of India’s regional security policy. New Delhi believed that Pakistan had openly violated this policy. It also believed that American involvement in the region and its alliance with Islamabad had prevented Pakistan “from learning to live in peace” with India.\footnote{Makeig, “War, No–War,” 279–81.} Hagerty observed that Indian leaders did not officially or explicitly enunciate the doctrine, but successive Indian governments had systematically and actively pursued it.\footnote{Hagerty claimed: “A true security doctrine outlasts its originators, thrives under different leadership, and survives shifting political tides. Judging by the V. P. Singh government’s success in eliciting security guarantees from Kathmandu vis-à-vis China, New Delhi’s regional security policy passes this test.” Devin T. Hagerty, “India’s Regional Doctrine,” \textit{Asian Survey}, 31 : 4 (Apr., 1991), 363.} Maass claimed that this security doctrine was formally announced in 1983 while legitimizing India’s interference in Sri Lanka. It was first termed as the “India Doctrine” and then renamed as the “South Asia Doctrine.” India was more determined to use this doctrine in 1980s against Sri Lanka and Nepal.\footnote{Maass, “South Asia: Drawn,” 269–70; Hagerty, “India’s Regional Doctrine,” 351–63.} The doctrine opposed any external involvement in the region. If and when there is some outside involvement, “it must be for and with India.” India wanted to expand that doctrine to entire Indian Ocean region.\footnote{Robert A. Scalapino, “US–PRC Relations and South Asia,” in Khan ed. \textit{SAARC and the Superpowers}, 24.}

5.5 \textbf{SOUTH ASIAN REGIONALISM: SMALLER STATES PERSPECTIVE}

The South Asia was probably the only area of the world which had no exclusive regional cooperation organization till 1980. There were various reasons behind this lack of regional consciousness. Some of them were eloquently elaborated by President Jayewardene of Sri Lanka while addressing the first SAARC summit. He had said:

South Asia had been slow in organising regional cooperation. It is no secret that certain clearly identifiable historical as well as geo-political
factors have militated against regional closeness. Historical legacies of conflict; vast prevailing disparities of size and resources; different levels of development, both socio-economic and technological; and differences of strategic perception stemming from these factors. These were a stumbling block.122

The King of Nepal, however, not only analyzed more accurately the causes of slow growth of regionalism in South Asia, but also regretted over the resultant losses:

Unlike the people elsewhere, we in this part of the world have been slow in giving proof to our ability to organize ourselves through a recognition of the fact that the other’s existence and identity are just as important as our own. If we had succeeded in creating an order based on the principles of mutuality in matters of common interest, we could certainly have stolen a march in progress in many fields. But providence had ordained it otherwise. As a result, we lost time and suffered from the ills common to the countries of the Third World.123

There were no centripetal or integrative forces working in the region. Rather, the evidence suggested an opposite trend which prevailed at the time of creation of SAARC, and still exists, in the region. The realists and neo-realists argue that world and even regional hegemonic powers take the lead to form regimes to advance their national interests. But in South Asia, as in some other regions too, the smaller regional states took the lead to initiate proposal to form a regional organization. In absence of any apparent desire or demand for political unity of regional states, what factors had motivated smaller members to initiate the idea of regionalism in South Asia?

The scholars of International Relations have explained differently the motives of the states behind forming regional arrangement in different parts of the world. Succinctly, these can be summarized as strategic, political, economic, social, cultural and

122 Jayewardene, Address to the inaugural session of the first summit, SAARC Secretariat, *SAARC Summits*, 27.
123 Shah Dev, King of Nepal, Address to the concluding session of the first summit, SAARC Secretariat, *SAARC Summits*, 33.
environmental etc.\textsuperscript{124} According to Archer, the aims and objectives of a regional arrangement are generally included in the charter or the basic document of the association. However, the member states can also harbour some covert and quite different objectives than those mentioned in the charter.\textsuperscript{125}

In some cases, the outside powers encouraged nation-states to form regional arrangements in their areas, e.g. the US government played important role in growth of regionalism in Western Europe and South East Asia. Despite some contrary claims,\textsuperscript{126} the leaders of the South Asian states proudly declared that the South Asian regionalism was an indigenous scheme. For instance, the President Ershad of Bangladesh had asserted: “It is a matter of pride that our resolve to cooperate regionally was not an external imposition but a choice of an association freely forged.”\textsuperscript{127} Dash also observed that unlike other regional groupings of states, “no external actors or developments” contributed any role in the creation of SAARC which was formed in “a response to the domestic political and economic needs of the” regional countries.\textsuperscript{128} Nonetheless, the existence of common external threats has also helped growth of regionalism in other areas of the world, i.e. both in Western Europe and South East Asia. But no such causal variable was observed

\textsuperscript{124} The nation states can be motivated, to form regional arrangements, by their desire to get out of under the domination of a hegemonic state, face a common external security threat, to get power and prestige at the international level, to maintain peace and order, to enhance their political and bargaining power at global level, to strengthen their national economies and increase economic competitiveness, to address individual and collective (regional) problems – security, political, economic, social and environmental etc. The economic goals generally pursued through regional arrangements also include; economic development through industrialization and attracting foreign investment through expansion of markets and to reap the benefits of economies of scales, to facilitate pooling of regional economic resources and sharing of each other’s knowledge and experiences. The growth of regionalism is also “driven by the dynamics of an economic security dilemma” as creation of economic grouping in one region stimulates growth of regionalism in other areas of the world. See Gilpin, \textit{Global Political Economy}, 360.

\textsuperscript{125} Archer, \textit{International Organizations}, 50.

\textsuperscript{126} Inayat, “South Asian Association,” 14.

\textsuperscript{127} Hussain Muhammad Ershad, President of Bangladesh, Address to the inaugural session of the fourth summit, SAARC Secretariat, \textit{SAARC Summits}, 166–67.

\textsuperscript{128} Dash, “The Political Economy of Regional Cooperation,” 185–209.
in case of South Asian regionalism. There existed no outside power perceived as a common enemy by all regional states. Since, India is a dominant power overshadowing all other regional states in every respect. It time and again strived to exert its hegemony on smaller states which would naturally aspire collectively to get out of under the India’s dominance. Was this an objective pursued by smaller states? Were there any other political and economic objectives they had sought to pursue?

Narain and Upreti observed that the smaller states were motivated primarily by two objectives: first; to get a “cover against Indian domination” and second; to “accelerate the pace of their economic development.” Rizvi argued that the smaller states wanted regional arrangements that could provide them opportunities of unrestricted interactions with the “rest of the world” and ensure “equality to all states.” Muni noted that smaller states sought recognition as “distinct” and “independent entities” on principles of equal sovereignty of all members. It has been argued that the experiences of regionalism in other parts of the world suggest that preservation of sovereignty by member states signals positive attitude and perceptions towards each others, and contributes positively to regional cooperation. Moreover, smaller states also wanted

129 The SAARC members faced external security threats twice in their post independence history but both the times they could not adopt common positions against the aggressors. The regional states could unite together when China had attacked India in 1961. But Indian neighbours did not perceive China as their enemy. Even India itself had rejected Pakistani proposal of joint defence in 1959. The second opportunity came in 1979 when Soviet forces had occupied Afghanistan and reached at Pakistani border. Despite Pakistan’s efforts to adopt a united South Asian stance against Soviet action, India even had not condemned it. Inayat, “South Asian Association,” 17–8; Makeig, “War, No–War,” 285–6.
133 Solidum, “ASEAN: SAARC’s Interested Neighbour,” in Ibid, 94.
“equitable distribution of benefits” of cooperation. Pakistan joined SAARC to avoid its possible isolation in the region and also to advance its political interests in the region.¹³⁴

In the backdrop of the unique geo-strategic features of South Asia and its past history, particularly, Indian attitude towards smaller states, these observations look sound. Moreover, some of the smaller states particularly Nepal and Bhutan were faced with identity crises and due to their centuries old isolation from the world they had fallen “behind times.” Consequently, they were put along-with Bangladesh and the Maldives in the list of LDCs. This background can tell a lot about the needs of smaller states. But an objective analysis of the speeches of the national leaders of respective countries, declarations and press releases issued at the conclusions of summit meetings and writings of different scholars from member states can help address these questions more appropriately. It will also provide an understanding of the “attitude and perceptions” of regional states towards SAARC and its future directions.¹³⁵

5.5.1 Preservation of National Identity and Political Independence

The smaller states had intended to achieve several objectives through regional cooperation in South Asia. However, preservation of their political identity and to get recognition as independent states with universally accepted rights of sovereign equality was their foremost concern. President Ershad of Bangladesh, while addressing the first ever South Asian summit, expressed the hope that the creation of SAARC would provide an “opportunity to reshape the post-independence political culture of our respective societies within the framework of sovereign equality and independence.”¹³⁶

¹³⁵ Abul Ahsan, “Preface” in SAARC Secretariat, From SARC to SAARC.
¹³⁶ Ershad, Address to the inaugural session of first summit, SAARC Secretariat, SAARC Summits, 6.
King of Nepal declared: “it is our common concern to preserve the independence and security of each country in the region.”\textsuperscript{137} The King of Nepal had pointed out that the inability of the regional states to recognize that others’ “existence and identity” was as important as their own, was the prime reason of slow growth of regionalism in South Asia. He evaluated the creation of SAARC in that context and aspired to create a new regional order in South Asia. He observed: “The time has therefore come to enter into a new era of partnership among ourselves. It is in this spirit that I see the establishment of this regional association holding great promise for the future.”\textsuperscript{138} King Birendra had also underscored: “the solidarity we all seek in common cannot and will not be achieved unless we respect each other’s identity in strict adherence to the Five Principles of Peaceful Co-existence together with a policy of Non-alignment.”\textsuperscript{139} He had further declared: “It is indeed a genuine pursuit of these principles that holds the key to a new order in South Asia which, in fact, will allow the genius of each individual nation to reach its highest fruition in peace and harmony for the benefit of this region.”\textsuperscript{140} King of Bhutan also recurrently highlighted these objectives in his speeches. While supporting the adoption of the first SAARC summit declaration, he stated: “In our view, the essence of the Declaration is that all seven of us, setting aside our difference, fully respecting each other’s sovereignty and freedom of independent judgment, are determined to work together, both within and outside the region, to promote the welfare of our peoples.”\textsuperscript{141}

\textsuperscript{137} Shah Dev, Address to the inaugural session of first Summit, SAARC Secretariat, \textit{SAARC Summits}, 22.
\textsuperscript{138} Shah Dev, Address to the concluding session of the first summit, \textit{SAARC Summits}, 33.
\textsuperscript{139} Shah Dev, Address to the concluding session of the second summit, \textit{SAARC Summits}, 87.
\textsuperscript{140} Ibid.,
\textsuperscript{141} Jigme Singye Wangchuck, King of Bhutan, Address to the concluding session of the first summit, SAARC Secretariat, \textit{SAARC Summits}, 33.
The smaller members’ abhorrence to the prevailing hegemonic culture and policies of coercion to put the week states under one’s submission were also reflected in the speeches of their leaders. They argued that the time had come to turn away from the past practices and establish a new relationship based on sovereign equality, friendship and mutuality of interests. King Birendra had summed it up in these words:

There was a time, for example, when many countries in Asia, Africa and Latin America sought freedom from the clutches of foreign domination. In continuation, recent events in countries not far from our borders unequivocally point out that no matter what the odds are against a people, no country can indeed be coerced into submission. One wonders if the time has not really come when each country should come to terms with one another in peace, harmony and amity with a view to achieve the new frontiers of cooperation in a spirit of give and take despite differences or divergences of views in this day and age. I feel that unless we are able to overcome the inhibitions we each have inherited from our past we will not really be able to forge new bonds and new relationships which the times demand of us.\textsuperscript{142}

The King of Bhutan also elaborated these objectives, when he had said:

After a long winter of mistrust, coldness and suspicion this region of South Asia certainly looks forward to a new spring giving birth as it were to a new era of enlightened selfinterest based on a common desire to replace conflict with cooperation, to substitute discord with harmony and finally, move from an attitude of selfcenterdness to a widening horizon of contacts in the region in a spirit of reciprocity, give and take, live and let live.\textsuperscript{143}

The smaller SAARC members wanted to get rid of the Indian domination and build a new relationship based on a new regional order in a spirit of accepting open heartedly each others existence on the basis of sovereign equality. They also wanted the right to act freely within and outside the region to protect and promote one’s interests as well as based on reciprocity of benefits, and opportunities to conduct independent foreign

\textsuperscript{142} Shah Dev, Address to the Inaugural Session of the Fourth Summit, \textit{SAARC Summits}, 183.

\textsuperscript{143} SAARC Secretariat, \textit{SAARC Summits}, 22.
policies. The desire of the smaller states to establish and maintain their relations with the outside world, both states and international organizations, is illustrated in the Bangladesh’s Working Paper, as well as acknowledged in the proceedings of Foreign Secretaries meetings prior to the launching of SAARC. Subsequently, it was also mentioned in SAARC charter that regional cooperation would not limit members’ freedom of action and substitute their multilateral obligations.\textsuperscript{144} Earlier, The King of Bhutan had stated: “the seven South Asian States had already implicitly come to accept the fact that political heterogeneity and independent national foreign policies are compatible with close regional cooperation.”\textsuperscript{145} The desire of the smaller states, particularly Bhutan, to conduct an independent foreign policy, free of external control or guidance, is also illustrated in the following statement: “It has always been an important objective in the foreign policy of Bhutan to develop close ties of friendship and cooperation with all neighbouring countries in our quest for regional peace and stability. We see in SAARC a process to facilitate the realisation of this aim and the fulfilment [sic.] of the hopes and aspirations of the people of Bhutan.”\textsuperscript{146} President of Pakistan supported the claim of smaller states and said: “Our orientation to conduct relations of each other on the basis of the universally accepted principles of sovereign equality of states, peaceful settlement of disputes, non-use of force against each other and non-interference in internal affairs is the harbinger of amity and harmonious and cooperative relations.”\textsuperscript{147}

\textsuperscript{144} SAARC Secretariat, \textit{From SARC to SAARC}, 3, 9–10 and 96–8.
\textsuperscript{145} SAARC Secretariat, \textit{From SARC to SAARC}, 81.
\textsuperscript{146} Wangchuck, Address to the concluding session of the first summit, \textit{SAARC Summits}, 33.
\textsuperscript{147} Mohammad Zia-ul-Haq, President of Pakistan, Address to the concluding session of first summit, SAARC Secretariat, \textit{SAARC Summits}, 39.
5.5.2 Protection of National Security in Various Dimensions

The member states were also concerned to reinforce their national security in its all dimensions. Though, there was no common external threat to them, but they were faced with the security challenges from within the region. At times, they had witnessed the use of force to settle political problems in the region. The leaders of Bangladesh and Nepal in particular were concerned after disintegration of Pakistan and forceful annexation of Sikkim. Some smaller states, such as Sri Lanka faced internal strife and terrorist attacks, with external political, military and financial support. Moreover, some member states believed that their very survival was at stake due to arms race, development of nuclear weapons in the region, global warming and rise in sea level. The smaller states wanted to strengthen their security under a regional framework. They believed that peace and stability was of “fundamental importance” to create suitable environment necessary for achieving economic potential of regional cooperation in South Asia. President Zia had said: “Elimination of suspicion and mistrust and the reinforcement of security in this region could make a vital contribution to international peace and security and the emergence of a more equitable political and economic order in the world.”\textsuperscript{148} Jayewardene believed, “It is the establishment of peace and stability in each of our country and in our region as a whole, which is of fundamental importance and it is this element which should enable us to create conditions for better lives of our peoples now and even better lives for the next and coming generation.”\textsuperscript{149} King of Nepal had declared: “We have also a common commitment to promote the cause of peace and

\textsuperscript{148} SAARC Secretariat, \textit{SAARC Summits}, 43.

\textsuperscript{149} Haq, President of Pakistan had quoted President Jayewardene’s statement in his Address to the first summit, \textit{SAARC Summits}, 25.
development for our people.”

President Gayoom had stated that SAARC could be an “instrument for the promotion of peace, progress and stability in this part of the world. It can also enhance our sovereignty and foster peace, freedom and social justice among member states.”

King of Bhutan had observed: “Creating an environment of peace and stability in South Asia is of vital importance for SAARC if it is to realise its full potential for growing into a major force both in our region and in the world at large.”

The smaller states were also concerned about the growing arms race, looming threat of introduction of nuclear weapons and their adverse affects on peace and stability in the region, particularly on security of the smaller states and the process of socio-economic development in South Asia. The valuable resources required for socio-economic development and eradication of poverty, diseases and illiteracy, were being utilized for military buildup against each other. Prime Minister Bhutto had elaborated this very fact in these words: “Some of us are spending too great a proportion of our national resources on defence, maintaining large military forces that face each other. The truth is that our people face the same common problems—poverty, disease, slums and ignorance and it is to the vanquishing of these enemies that we should direct all our efforts.”

The smaller states wanted to take a collective position on the issue of global disarmament as well as address this issue at the regional level. They believed that “SAARC can and must

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150 Shah Dev, Address to the inaugural session of first summit, *SAARC Summits*, 22.
151 Gayoom, Address to the inaugural session of the first summit, *SAARC Summits*, 20.
152 Wangchuck, Address to the concluding session of the fourth summit, *SAARC Summits*, 191.
153 Benazir Bhutto, Prime Minister of Pakistan, Address to the inaugural session of the fourth summit, *SAARC Secretariat, SAARC Summits*, 164–5.
play a decisive role” to address problem of arms race and the growing threats of development of nuclear weapons in the region.\textsuperscript{154}

The smaller members were also concerned about the internal dimension of security threats being faced by them. They intended to use SAARC as a platform to tackle the growing menace of terrorism which was threatening the very security and territorial integrity of some member states. The Tamil separatists supported by India had started to unleash terror in Sri Lanka before the creation of SAARC. President Jayewardene had expressed his concerns over it in these words: “All our countries need stability to develop and safeguard the freedoms they have. Terrorist movements have-raised-their heads among several of our countries; Heads of State and Government have been assassinated and violence preached and practiced. Their leaders hide under the umbrella of racial and minority discrimination and seek separation.”\textsuperscript{155} The smaller states not only expressed their opposition to such activities but also sought that all members must act together in a way that terrorists receive “no support within or without.” They believed that terrorists posed threats to regional peace and security as well as to their territorial integrity. They declared that they were as much against the “balkanization” of countries as they were opposed to “all forms of occupation” of one state by another.\textsuperscript{156}

The smaller states were also concerned about the environmental degradation and climatic changes which were not only threatening to the lives and property of thousands of people but also the very survival of some of the regional states. The recurring floods, droughts, cyclones, global warming and rise in sea level were the problems beyond the

\textsuperscript{154} Wangchuck, Address to the inaugural session of the second summit, \textit{SAARC Summits}, 64.

\textsuperscript{155} Jayewardene, Address to the inaugural session of the first summit, \textit{SAARC Summits}, 27.

\textsuperscript{156} SAARC Secretariat, \textit{SAARC Summits}, 108.
control of any single state in the region. Every year thousands of people in South Asia suffered from these calamities putting losses in lives and property and negating the socio-economic development achieved by the regional states. Therefore, they sought to explore jointly the causes of “these sufferings and come out with enduring solutions.”

President Ershad had highlighted the desire of his country for “Multipurpose Himalayan Water Resources Development” covering various areas, such as flood control, hydropower generation, navigation, irrigation, water supply for municipal and industrial needs, recreation, fish and wildlife protection, and water quality control. Ha maintained that more than a billion people needed protection against death and destruction. The global warming and sea level rise were perceived as the most potent threat to the very existence of some of smaller member states. President of Maldives feared that climatic changes could put his country’s “very survival at risk.” For him, the protection and preservation of environment was a matter of foremost importance. He had further stated:

Indeed, sea level rise, which is a direct consequence of global environmental changes, may in the next few decades, become a critical problem of … proportions to at least two of our member countries, namely the Maldives and Bangladesh. Other adverse environment trends such as desertification, deforestation and acidification pose an equal threat to other countries of SAARC … the issue of environment demands more immediate attention. We are racing against time. It is imperative that we move from studies to action.

5.5.3 Economic Security Dilemma

The successful launching of regional cooperative organizations in others areas of the world also stimulated growth of regionalism in South Asia. A reference to it is found

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158 SAARC Secretariat, *SAARC Summits*, 112.
in Bangladesh’s working paper, which had stated that regional arrangements formed for mutual cooperation in economic, social and cultural fields in other parts of the world had proved to be “extremely beneficial” with varying degrees. South Asia, despite having enormous potential for regional cooperation, was the only area in the world without such arrangements. The paper had also stated that regional states must get benefits of the positive changes which had resulted in an improved political environment and had created prospects of regional cooperation in South Asia. President Gayoom had underscored the same point in the first SAARC summit. He had stated:

> Interdependence between nations has become a reality recognised by virtually every government in every land and in all the regions of the globe. The EEC and ASEAN to name just two, are regional organisations which have in recent years illustrated what interdependence can achieve in terms of political stability and social and economic development. Upto now, we have been one of the few regions in the world that have not formally established a framework for regional cooperation. We have come here, Mr. Chairman, to take that important step.

The King of Nepal had highlighted it even more eloquently. He had stated: “while Asia wakes up to a new age and a new dawn we who also have been heirs to one of the richest among the world’s most ancient civilizations cannot slip back to sloth, poverty, ignorance and disease."

The smaller states had the conviction that through regional cooperation they would be better capable of participating in global trade negotiations and economic integration. It was pointed out in Bangladeshi working paper that: “Regional cooperation is a dynamic process, it will grow, it will widen, and it will strengthen; just as global interdependence and cooperation throughout the world, for there is no better way we can

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161 Gayoom, Address to the inaugural session of the first summit, SAARC Summits, 18.
162 Shah Dev, Address to the concluding session of the second summit, SAARC Summits, 87.
strengthen global cooperation than on the bedrock of regional cooperation the world over.” It further stated that formation of a regional organization was important to provide a forum for mutual “consultation and coordination” to devise collective strategies and “have an effective voice in international forums” like UNO and other global institutions where “only groups of countries – be they big or smaller – that can aspire to make a decisive impact on the decision-making process.” 163 The need to be united in the global context was further stressed by the President Ershad in the following words: “The world in which we live is a cruel and unforgiving one. It is a world that punishes the weak and rewards the strong. The harsh international economic environment of the last few years has built-in imperatives for the developing countries” of which South Asian states represented “more than half in terms of population.” He continued to state that regional cooperation had become “an overpowering necessity” for SAARC members. Ershad maintained: “The global economic compulsions that confront us require a joint and increasingly sophisticated response.” 164 Shah Dev also underscored these considerations and had stated: “Let us not forget that Nature has made us inter-dependent and that we, in concert, can accomplish and achieve what we cannot do by going alone.” 165 President Zia had said this in these words: “South Asian countries, acting in concert, could exercise a collective influence far greater than the sum of their individual contributions. The convincing example of ASEAN in our vicinity is there for us to emulate.” 166

164 Ershad, Address to the inaugural session of first summit, SAARC Summits, 6.
165 Shah Dev, Address from the inaugural session of the third summit, SAARC Secretariat, SAARC Summits, 108.
166 SAARC Secretariat, SAARC Summits, 25.
5.5.4 **Economic Independence**

The most important economic objective for the smaller regional states was the achievement of economic independence and collective self-reliance. President Ershad had stated it in these words:

> It is true that our countries and our peoples have emerged into freedom but it is a freedom narrowly and legally defined. Our statesmen, our peoples recognise that the promise of economic independence is yet to be fulfilled. SARC symbolizes that promise in the fertile idea of regional self-reliance, regional cooperation and regional exchange. It is a symbol of hope and expectation transmuted by reasons and historical experience.\(^{167}\)

President Gayoom had also expressed similar views. He had stated: “the moving spirit and objective, the very principles which gave birth to this association, is that of working together which has as its basic foundation, a promotion of the interests of this region, and essential aspect of which is the maintenance and indeed the strengthening of our peoples’ political, social and economic independence.”\(^{168}\) King of Nepal had stated: “The problems of basic needs remain real for the large segments of our people in this region.”\(^{169}\) President Gayoom stated: “It will, above all, be a framework for the promotion of the welfare and prosperity of our peoples and the improvement of their quality of life.”\(^{170}\) President Zia of Pakistan had stated:

> Practically all of us in South Asia need to eradicate poverty and hunger, disease and illiteracy. We have the requisite material and human resources to address this challenge. Our peoples are resilient and enterprising, intelligent and industrious. Already, in each of our countries, enormous progress has been achieved. Through cooperation, we can accelerate this process. Given the similar nature of our problems, we can profit greatly

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\(^{167}\) Ershad, Address to the Inaugural Session of First Summit, *SAARC Summits*, 5.

\(^{168}\) Joint Communiqué issued at the conclusion of the second meeting of Foreign Ministers, Male, July 10 – 11, 1984. See SAARC Secretariat, *From SARC to SAARC*, 70.


\(^{170}\) Gayoom, Address to the inaugural session of the first summit, *SAARC Summits*, 20.
from one another’s experience in devising methods and techniques for resolving them.\textsuperscript{171}

President of the Maldives expressed the hoped that “regional cooperation can play a major role in the social and economic development of the peoples of the region.”\textsuperscript{172} King of Nepal also stressed the need to address common economic problems through collective efforts: “We live in a region where want and poverty, dearth and destitution are common. There is no doubt that these socio-economic realities make heavy demand on us. The problems of poverty and population growth cry out for solutions that are far more complex, difficult and time-consuming than we would imagine at first.”\textsuperscript{173}

5.5.5 \textbf{Equitable Distribution of Economic Gains}

The smaller regional states including Pakistan also wanted equitable distribution of benefits of economic cooperation. As contested by the realists and neo-realists, the smaller South Asian states were concerned about the relative gains and opposed to the idea of including trade and commerce in agreed areas of regional cooperation. Recognizing the fact that there were wide range of disparities in terms of sizes, resources and level of development, and small economic bases of the smaller states, they anticipated that trade expansion would favour disproportionately to the largest and most development regional state. But Sri Lanka was an exception which from the inception pushed for entering into “core area” of regional cooperation. Its President had stated; “I believe we have to expand and enlarge our activities. We will have to enter important areas as trade and commerce.”\textsuperscript{174}

\textsuperscript{171} Haq, Address to the inaugural session of first summit, \textit{SAARC Summits}, 24.
\textsuperscript{172} Gayoom, Address to the inaugural session of the first summit, \textit{SAARC Summits}, 18.
\textsuperscript{173} Shah Dev, Address from the inaugural session of the third summit, \textit{SAARC Summits}, 107.
\textsuperscript{174} Jayewardene, Address to the inaugural session of the second summit, \textit{SAARC Summits}, 74.
The smaller members being concerned about the equitable distribution of regional cooperation had suggested some mechanisms to this end. They had the conviction that the South Asian regionalism must be based on the “firm belief that the good of all presupposes the good of each.”\textsuperscript{175} The Bangladeshi working paper had also included the prospects of market expansion and to reap the benefits of economies of scale and attracting foreign investment and transfer of technology etc. But it stated that joint ventures had the “most potent field for reaping all these advantages” by regional states. It pointed out that the regional states were at different levels of economic development and emphasised the need to “identify potential areas for joint venture, evolve appropriate institutional framework and policy instruments on the basis of equitable benefits accruing to these countries.” The paper had highlighted that some regional states were “relatively less developed than others” and stated that:

Any proposal for economic cooperation must consequently be formulated with the greatest care in order to ensure that the weak are not exploited and that the strong do not dominate. The areas selected should only be those in which cooperation will mutually benefit all the countries irrespective of existing economic disparities, so as to make regional cooperation meaningful, strengthen the spirit of mutual trust and understanding, and bridge the developmental gaps existing among the countries of the region.\textsuperscript{176}

Pakistani Foreign Minister, Sahibzada Yakub Khan had also emphasized on the need of “ensuring an equitable distribution of the benefits of cooperation” among SAARC members.\textsuperscript{177} The regional countries were well aware of the adverse consequences of the asymmetric global trade structure and its fall out in the shape of third

\textsuperscript{175}Jayewardene, Address to the inaugural session of the fourth summit, \textit{SAARC Summits}, 186.

\textsuperscript{176}Government of Bangladesh, “A Paper on the Proposal.”

\textsuperscript{177}Sahibzada Yakub Khan, inaugural address from the third preparatory meeting of the foreign secretaries of the regional states held in Islamabad on August 07 – 09, 1982, \textit{From SARC to SAARC}, 24.
Therefore, they were averse to substitute or reinforce this global unequal trade relationship with a regional one. The Committee of the Whole had also acknowledged “the need to impart an identifiable South Asian context to the proposed regional cooperation.”179 The SAARC summits also declared that “equitable” distribution of gains of regional cooperation was crucial in order to “achieve and maintain a minimum acceptable level of economic and social development in each Member State.”180

The smaller regional countries also wanted to accept “foreign funding for SAARC projects.”181 They were starved with the necessary financial resources to invest into their socio-economic development. Therefore, they also sought to pursue development projects with the assistance of foreign donor states and organizations, as ASEAN members had successfully implemented a few of projects with the help of industrialized countries.182

The smaller states were concerned about their identity. They wanted to bring an end to post-independence culture of domination of one large regional state over the rest, consolidate their political and economic independence and reinforce their security against potential threats in all its dimensions, i.e. internal, external and environmental. They wanted to establish friendly relations, on the basis of sovereign equality and mutuality of interests, with all regional states as well as with rest of the world. They also wanted to solve their common economic problems and equitable gains of cooperation.

178 Pakistani Prime Minister had highlighted this issue in these words: “Third World debt has now reached the staggering figure of 1300 billion US Dollars. This debt is evidence of the structural imbalance between the developed and developing countries; it is also an index of the extent to which Third World borrowing helped to keep the wheels of trade and industry turning in the creditor countries, at a time of economic recession for the latter. It is evident that if the economies of the debtor countries are ruined or slowed down in order to meet the debt obligations, they will not be the only ones to suffer.” Benazir Bhutto, Address to the Inaugural Session of the Fourth SAARC Summit, SAARC Summits, 162.

179 SAARC Secretariat, From SARC to SAARC, 28.
180 SAARC Secretariat, SAARC Documents, vol.VII, 381.
181 Muni, “South Asian Association,” 64.
182 Soldium, “ASEAN: SAARC’s Interested Neighbour” 90–2.
CONCLUSION

The South Asian region is unique in several respects. It is a religiously, ethnically, culturally, and linguistically heterogeneous region. India is the largest of all states. Due to its huge size and central position in the region, IR scholars agreed that India’s behaviour and policies would determine the fate of SAARC. India’s domestic politics and external policies had direct bearing on the demand of creating South Asian regionalism. Contrary to European integration experience, there existed no significant demand for unification of the South Asian states. India’s domestic political factors and its policy towards regional states had reinforced the political divisions of South Asia. In fact, these factors influenced, in a negative sense, the growth of demand of regionalism in South Asia.

In post-Independence era, India perceived itself as inheritor of the rights and privileges of British India and pursued imperial policies towards smaller states. It imposed its hegemony in the region, politically and militarily intervened in neighbouring states, forcefully occupied and annexed variously princely states and Sikkim and supported insurgencies in neighbouring states. These factors had instilled a fear among the smaller states which created the need of regional arrangement in South Asia. The smaller states wanted to reshape post-Independence regional political culture with new one based on political independence and sovereign equality of all states. To get a cover against Indian domination was their main objective. Thus, there was an inherit contradiction in the making of SAARC. The smaller states had mainly intended to use SAARC to thwart Indian domination but the chances of organization’s success also rested on India’s role in it.
Chapter 6

INDIA’S ROLE IN SAARC

The performance of international organizations largely depends on the behaviour of their members. If any organization does not perform satisfactorily, the fault lies with its members. Thus, the growth of regionalism cannot be rationally understood without studying members’ behaviour. The record of regionalism, particularly in the developing world, showed that the “role and behaviour” of member states had remained one of the main causes of the failure of these arrangements. The experience of regionalism in Western Europe and Southeast Asia suggested that the largest members in both EU and ASEAN had played a vital role in making these grouping successful. IR scholars, since its inception, had believed that regional cooperation in South Asia would largely depend on India’s behaviour and role in SAARC. For instance, Narain and Upreti had argued that due to “Indo-centricity of the region,” the role of India was critical for the success of SAARC. They maintained that the behaviour of smaller states was also “crucial” for its success but it was “India’s role and attitude that would determine the survival and sustenance of SAARC.” It would be more so because the attitude, perception and policies of smaller members towards SAARC would also be determined by Indian attitude towards them. In order to understand India’s role and behaviour in SAARC, it is

3 Naqash, *SAARC: Challenges and Opportunities*, 107.
important to first examine Indian perspective on South Asian regionalism in the light of its self-image, capabilities, interests and policies in the region and beyond.

6.1 **INDIA’S SELF-IMAGE AND ASPIRATIONS**

AINC wanted to inherit unity of British India and had opposed Partition. In fact, the British Indian Empire was extended to Burma till mid 1930s and was also in control of conducting foreign relations of Nepal, Bhutan and Sikkim in the north and Afghanistan and Iran in the west.\(^5\) AINC had also advocated formation of an Asian or at least South Asian Federation comprising the nations of the sub-continent as well as Burma, Afghanistan, Iran and Iraq.\(^6\) It also wanted India to play a leading role in world politics.

6.1.1 **India’s Quest for the Larger Role in World Politics**

In the post-independence period, Indian leadership strived to become the leader of the Third World through either championing the cause of anti-colonialism or in the name of non-alignment. India’s founding fathers had intended to pursue policy of non-alignment believing that it was the best way to guarantee country’s sovereignty.\(^7\) It would help India to keep itself away from the power politics of two super powers. It would also enable India to pursue an independent course of action and to play the role of a major power, as a leader of the non-aligned developing world, in global affairs “as a champion of peace and freedom.”\(^8\) India was also among the founding members of several Asian international organizations formed during 1950s and initiator of several conferences

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\(^6\) Jayasekera, review of *India and SAARC*, 345–6.

\(^7\) Maass, “South Asia: Drawn,” 270.

\(^8\) Khosla, “Constructing the South Asian Community,” 185–6.
including Asian Relations Conferences, Conference on Indonesia (1949), Colombo Conference on Indo-China (1954), and Bandung Conference (1955) etc. India had actively supported various schemes of economic integration and common markets etc. during 1950s. Its interest was for the large-scale and macro-regional cooperative schemes ideally those which could include communist states and pave the way for “Afro-Asian cooperation.” More than anything else, Indian leadership was motivated by its “larger ambitions for a major role in Third World affairs.” However, India’s interest in macro-regional schemes declined in 1960s due to certain reasons, i.e., policy of Southeast Asian states to promote sub-regional cooperation in their area and India’s little interest in Southeast Asian affairs; the successful Chinese policy to challenge India as a leader of the Third World; change of Indian leadership and; its domestic economic problems. Chinese efforts were supported by Pakistan which remained active, in its post-independence history, in forming or joining international organizations to foil Indian ambitions to become the leader of the Third World. The US military and economic aid had enabled Pakistan to counter-balance India in South Asia. However, Pakistan’s capabilities were severely curtailed after its defeat and resultant disintegration during its 1971 war with India which left the latter to play role as a regional power in South Asia. By then, the US had also abandoned its policy of providing military assistance to Pakistan for creating balance in South Asia and accepted India as dominant regional power despite Indo-Soviet alliance. The US had already started providing military

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9 Jayasekera, review of India and SAARC, 346.
equipments and other assistance to India since its war with China.\textsuperscript{13} India was a Soviet “strategic ally and close friend” and had received massive military and economic aid from Moscow during the Cold War. As such, both the superpowers unofficially encouraged India to play its role as a “controlling force” in South Asia. With their blessings New Delhi was able to enhance its military capabilities backed by its growing economy. Resultantly, India became a regional naval power in 1980s and believed that its “zone of responsibility” had extended to the whole Indian Ocean region due to its vital trade interests. American further changed its policy towards India in mid-1980s after realizing that India was becoming an important power in Asia. It agreed on increased transfer of technology including super computers to India, and to share the results of military research. It also accepted India’s “right” to ensure “stability” in South Asia.\textsuperscript{14}

The easing of the cold war and waning Soviet power decreased Moscow’s interest in South Asia and it “distanced itself” from New Delhi which gave India an opportunity to further warm up its relations with the US.\textsuperscript{15} By then, India had realized that policy of non-alignment was not beneficial in the context of a unipolar world. India looked forward to come into terms with Washington and find a role of “security manager” in Indian Ocean region with US approval.\textsuperscript{16} India needed cooperation with Washington in economic, scientific and military fields. Domestically, it introduced economic liberalization to wrest investment for its vast market. It was also an American demand

\textsuperscript{13} Sattar, “Foreign Policy,” 82–5.


and by courting Washington, India was also able to attract investment and multilateral aid from donor agencies. These all factors helped improve Indian image and posture in the outside world.\textsuperscript{17} Externally, India found it useful to exploit the fear of expansion of political Islam in Western China, Central Asia, Western Asia and South Asia. It got motivated to share its concerns with China, Israel and the US because their policy agendas were “strikingly parallel” to its own national agenda. It sought a rapprochement with China as well as strived to “embrace” Israel that would also bring US-India “entente” on the basis of antagonism to Islam.\textsuperscript{18} Due to shared interests with India, Washington further shifted its South Asian policy, i.e. from maintaining some balance between India and Pakistan to shift it in New Delhi’s favour.\textsuperscript{19} In 1990s, the US increased cooperation with and provided various sort of assistance to India helping it to consolidate its power – both in military and economic terms – and emerged as an Asian power. Resultantly, it was in a position to transform it as an emerging great power in the world at the dawn of the twenty-first century. Buzan observed that India had aspired to have “special rights and duties in the management of international society.” However, it is still debatable that it is willing to change its policies according to “the managerial responsibilities it bears.”\textsuperscript{20} In sum, India for most of the time envisaged a global role for itself defining its interests and objectives far beyond South Asia. New Delhi believed that South Asia was a region of marginal importance for a state like India which had the potential to become an Asian or even a world power.

\textsuperscript{17} Muni, “India and the Post-Cold War World,” 867.
\textsuperscript{18} Thornton, “India Adrift: The Search for Moorings,” 1074–7.
\textsuperscript{19} Muni, “India and the Post-Cold War World,” 866.
6.1.2 **India’s Policy towards South Asia**

During the Cold War, India’s quest to become the leader of the developing countries and inclination to see neighbours as its protectorates or maximum as deferential junior partners prevented it from forming any cooperative scheme in South Asia. Contrary to its policy of “idealism” outside the region, i.e., in global politics, India from its inception pursued realist course of action towards its smaller neighbours.\(^{21}\) Indian policy was characterized by a contradiction and duplicity at global and regional level. At global level, India championed the cause of anti-colonialism and preached the principles of peaceful co-existence, freedom and sovereign equality of all nations, non-interference in each others’ internal affairs, non-aggression and non-violence, peaceful resolution of disputes, mutuality of interests, justice in international economic system, non-alignment and so on. It not only strived to unite the developing states to enhance their power in the world politics but also championed the cause of protecting them, through their greater unity, from the domination and exploitation of great powers particularly, the West.\(^{22}\) Albeit, this idealism at the world level, post independence Indian policy towards its South Asian neighbours depicted Machiavellian realism. At different times and on different issues, Muni observed, “Indian policy and diplomacy” towards its neighbours, reflected “a colonial mindset and a domineering personal style.”\(^{23}\) It was also occasionally characterized by “an attitudinal aggressiveness and a value-oriented arrogance” interpreted by smaller states as Indian “hegemonism.” Majority of Indian elites did not think that anything was wrong in India’s “imperial behaviour.” Rather, they tried to

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\(^{22}\) Jayasekera, review of *India and SAARC*, 345–351.  
\(^{23}\) Muni, “Problem Areas in India’s Neighbourhood Policy,” 195.
justify it believing that it was “natural” for a big state and “often necessary to assert the undeniable but nevertheless unaccepted fact of India’s primacy in the region.”

New Delhi believed that India was the inheritor of the imperial British rights and privileges in South Asia. Preaching anti-colonialism at the world level and claiming imperial rights at the regional level clearly showed duplicity in its external policies. Notwithstanding, its self-claimed and self-imposed security concerns, India signed treaties with Nepal and Bhutan which were earlier imposed on them by the British India. These treaties virtually left both the states as Indian protectorates. India later tried to impose similar type of treaty on Bangladesh. India even did not accept the existence of Pakistan whole-heartedly and perceived partition as an “unavoidable expedient” which would be “short lived.” At worst, they hoped that Pakistan would “settle down as a deferential junior partner within an Indian sphere of influence.” India did not heed the Nepalese demand of revising their bilateral agreement of 1950 and opposed Bhutan’s aspirations to establish direct diplomatic relations with other states including China. These examples are just an iceberg of Indian imperialist mindset which always led New Delhi to obstruct smaller states to establish relations with outside world and raise objections over Pakistan, Sri Lanka and Bangladesh on having links with the West, particularly the US, and China. Indian leadership continued to express its concerns and protested whenever the smaller states sought to purchase arms and improve their military capabilities for their genuine security needs. This attitude on the part of Indian leadership suggested that it wanted its neighbours weak, overshadowed under huge Indian size and

25 Ibid., 18.
26 Harrison, “Fanning Flames in South Asia,” 22–3.
27 Muni, “Problem Areas in India’s Neighbourhood Policy,” 195.
capabilities and as such dependent on New Delhi. In fact, the smaller states had no potential to meet India’s capabilities or pose it any threat but it continued to oppose their genuine needs and legitimate aspirations to act as sovereign states in the comity of nations. When, these states tried to establish relations with the great powers, they were maligned, by New Delhi, over “bringing foreign influence” and “external powers” in the region. India did not hesitate to exploit the inherited weakness of its smaller neighbours which and lived under the fear of India’s “expansionist” policy. Their fears were reinforced due to persistence of their unresolved disputes with India and occasional Indian attempts to show “hegemonic flavour” towards them. Particularly, Nepal and Bhutan constantly lived under the threat of being annexed, like Sikkim, by India.²⁸

6.2 INDIA’S PERSPECTIVE ON SOUTH ASIAN REGIONALISM

New Delhi initially looked at the Bangladeshi proposal with suspicion and responded cautiously. The Western countries had shown their enthusiasm towards the proposed arrangement due to which, particularly in the context of Soviet intervention in Afghanistan, India was suspicious about it. New Delhi also feared that the smaller regional states wanted to gang against it up to jointly contain it in the region and isolate it at the global level.²⁹ India’s attitude towards SAARC proposal was “truly ambivalent” as it contained both the opportunities and challenges to New Delhi. India had bilateral disputes and political problems with all its neighbours. New Delhi did not want their “internationalization.”³⁰ India, an advocate of the unity of the entire developing world against the exploitative and neo-imperialists policies of the West, was fearful of its weak

²⁸ Bhatta, “Regional Integration and Peace.”
and smaller neighbours being united against its own imperialist ambitions in the region. Due to its unique geo-strategic position, India enjoyed manifold advantages in treating its neighbours bilaterally. Thus New Delhi believed that bilateralism was the best way to deal with its smaller neighbours. When it received the proposal, India thought that, in the words of Naqvi, “The Lilliputians of the region want to tie down the Indian Gullivar.”

As such, the proposal presented a potential challenge which could possibly come in the shape of “collective pressure” of all states to resolve their disputes with India. But the proposal also offered some political opportunities to India. Muni observed that there were some “possibilities of making the neighbours look inward” for their security and developmental requirements. New Delhi believed that a regional organization such as SAARC could provide India “a unique platform” to revise South Asia’s position in global politics through delinking and further intensification of its autonomy from external powers. It could also organizationally and politically legitimize New Delhi’s leadership in South Asia which would become a “zone of direct Indian interests.”

Regional economic cooperation offered “immensely attractive opportunities” to its commerce, industries and banking sectors which were far developed and advanced in many respects than those of the other regional states. Moreover, in the wake of ever increasing economic globalization, the strong Indian economy alone could not face the powerful economic blocs such as those emerging then in Western Europe, and Southeast Asia. SAARC could also give India an opportunity to strengthen its positions at global level through adopting common positions on various political matters, such as arms race,

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33 Bratersky and Lunyov, “India at the End of the Century,” 929.
34 Naqvi, “South Asian Cooperation,” 185.
disarmament and nuclear non-proliferation etc. It was interested to promote cooperation with its neighbours on international economic issues, trade negotiations and evolving common positions on matters related to the development aid and trade concessions etc. to the developing world at different forums like the World Bank, UNO, UNCTAD, and ESCAP as well as to pursue common strategies to achieve NIEO objectives.\footnote{Jha, \textit{SAARC the Period Ahead}, 115–6; Muni, “South Asian Association,” 63; SAARC Secretariat, \textit{From SARC to SAARC}, 18.}

India decided to benefit from the opportunities and pre-empt any challenge through institutional arrangements. As such, it accepted the proposal to launch SAARC but was able to include two provisions in its charter that could protect it from unwanted pressure of other members. It provided that all decisions would be made on the basis of unanimity and contentious issues and bilateral disputes would be excluded from deliberations.\footnote{Inayat, “South Asian Association,” 19; Swaran Singh, “India and Regionalism,” in Bailes, \textit{et. al.}, \textit{Regionalism in South Asian Diplomacy}, 28.} However, such arrangements were not unique to SAARC only. According to Brucan, international organizations are part of the modern nation-state system and reflect the power structure of the contemporary world.\footnote{S. Brucan, “Power and Conflict,” \textit{International Social Science Journal}, 29 : 1 (1977), 95, cited by Archer, \textit{International Organizations}, 25.} Thus, Archer rightly observed, the institutional structures of IOs reflect the fears and hopes of their members.\footnote{Archer, \textit{International Organizations}, 29.}

\section*{6.3 DIVERGENT INTERESTS AND PRIORITIES IN SAARC}

Convergences of interests in political, social and ideological terms facilitated evolution of regional cooperation in other organizations. But the South Asian states lacked convergences of security, political and economic interests largely due to religious and political rivalries and ideological and strategic differences.\footnote{E. Sudhakar, \textit{SAARC: Origin, Growth and Future}, (Lahore: Book Traders, 1994), 191.} Due to disparities in
their capabilities, potential and level of development, their priorities were also different.\textsuperscript{40} The smaller states were interested to secure political independence, national security, sovereign equality and free and unrestricted interactions with the rest of the world. But India wanted to contain the region against outside interference and recognition as the dominant and “principal power” in South Asia.\textsuperscript{41} Due to dearth of financial resources needed for investment and national development at their part, the smaller states wanted to accept foreign funding but it was a sensitive matter for India. It feared that it could bring foreign influence in the region. The smaller states wanted to address their bilateral disputes and political problems with India through regional platform. But India did not want internationalization of these issues or to let the smaller states to unite against and pressurize it for such matters. Rather, it was more interested in trade issues that would serve its economic interest due to its vast resource base, production capacity, well endowed, resilient and diversified economy and being far more self-sufficient than its neighbours who were less developed. Some of them were still at early stages of development and fearful of Indian economic domination.\textsuperscript{42} But the more serious difference between India and its neighbours was on threat perception which had a “vital bearing” on the growth of regionalism in South Asia.\textsuperscript{43}

6.3.1 Divergent Security Perceptions of Regional States

The geostrategic environment of a region influences the threat perceptions of the regional states. The threat perception is related to and originates from “the capabilities

\textsuperscript{40} Muni, “South Asian Association,” 58–63 and 71.
\textsuperscript{42} Mohla, \textit{SAARC and Super Powers}, 302; Muni, “South Asian Association,” 62–5 and 71.
\textsuperscript{43} Mohla, \textit{SAARC and Super Powers}, 307.
and threatening behaviour of a real or perceived adversary” and puts contradictory effects, based on the nature of the threat itself, on the process of regionalism. If threat comes from an outside power, it puts a unifying effect on the regional states leading them to take collective measures against the threat. In case the threat comes from within the region, it adversely affects the process breeding disunity, fear and misunderstanding among the members. If any member of a grouping perceives threat from another member, the prospects of cooperation between them become bleak. If some members believe that one of their partners “is not only expansionist but is determined to pursue its hegemonic designs, the chances of making any cooperative venture a success are effectively reduced.”

Perceptions matter. In some ways perceptions are as important as reality itself. Most importantly, a country’s foreign policy is based on its own perception about reality which may differ from others. Divergent perceptions of SAARC states had resulted in their different foreign policy orientations.

The presence of a common external enemy or shared threat perception is considered as an important factor for successful growth of regionalism. The growth of regionalism was not easy even in Western Europe and Southeast Asia where the regional states not only had the identical political culture, socio-economic conditions, cultural values, and economic policies but also a common fear of internal subversion and security threat from the same outside power. The South Asian states did not share common threat perception which prevented them from evolving collective response to various

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44 Cheema, “Threat Perceptions in South Asia,” 103 and 117.
45 Haas, “Persistent Themes in Atlantic and European Unity,” 628.
46 Jha, SAARC the Period Ahead, 113; The Western European States were capitalist and democratic. While ASEAN members were adhering to “a common political ideology of democracy with a semi-authoritarian and quasi-democratic capitalist system.” See Khan “Ideology and Internal Dynamics,” 43.
crises situations in the region. As such it was considered that growth of South Asian regionalism would be even more difficult. At minimum, it was expected to help prevent rise of conflicts through “collective wisdom and persuasion.”

Cheema identified three main causes of tension in South Asia which contributed considerably to shape threat perception of the regional states. The sources include: asymmetric balance of power in the region; inter-state conflicts and; relations of regional states with interested external powers. Somehow, all these sources were more or less related to India’s size and policies. Due to huge power asymmetry arising out of giant Indian size and capabilities and presence of bilateral disputes with New Delhi, all smaller states were “afraid of the Indian Leviathan.” These fears were aggravated by India’s “occasional attempts to transform its natural pre-eminence into predominance.” Thus, the smaller states believed that threats to their security were, in several respects, “India-oriented.” Believing that their insecurity was “rooted” within the region itself, they formulated their security policies by linking their interests on an extra-regional basis. Indian threat led the smaller states to “explore extra-regional security linkages whenever they found it to be expedient.” They established relations with the outside powers particularly the US, UK and China for their security concerns. The smaller states also built extra-regional linkages due to their political and economic compulsions. But India viewed these links particularly with the US and China as a threat to its own security.

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47 Jha, *SAARC the Period Ahead*, 115.
49 Jha, *SAARC the Period Ahead*, 113.
51 Cheema, “Threat Perceptions in South Asia,” 118.
There has been a perception in India that involvement and influence of outside powers, particularly the US and China, damaged South Asian environment as it sowed the seeds of distrust and suspicions among regional states and adversely “affected the cordial intra-regional relations.” Sudhakar observed that during the cold war, both the US and China provided Pakistan military, political, technical and economic aid and encouraged it to challenge its military and political power in the region. Particularly China, Sudhakar maintained, in its quest to isolate India and to become unrivalled leader in Asia, extended aid to Pakistan, Nepal, Sri Lanka and Bangladesh and had played a key role in inter-state rivalries in the region.\(^{54}\) Naqash also observed that involvement of superpowers in South Asia had “more negative than positive” effect on the regional politics.\(^{55}\) However, this factor alone was not responsible for shaping security perception of the regional states. The involvement of external powers and their growing influence in South Asia, which was construed by New Delhi as a matter of security concern for itself, was actually caused by India’s own policies. Cheema claimed that India’s policies and behaviour had provided external powers with the opportunities to make inroad in South Asia. The outsiders having important interests in the region, when found the chances, exploited them for their benefits. But regional states could foil their intentions through concerted efforts and creating some “conflict-resolving mechanism” in South Asia.\(^{56}\) Nonetheless, during the cold war these “two diametrically opposite perceptions dominated security thinking as well as practical policy of the regional states in South Asia.” The presence of “a big power-small power syndrome” was one of the major causes of mutual fears and

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\(^{55}\) Naqash, *SAARC: Challenges and Opportunities*, 105.

\(^{56}\) Cheema, “Threat Perceptions in South Asia,” 118.
resultant different security perspectives of regional states. Power asymmetry in South Asia was “an objective” and unchangeable reality. But India’s perception towards its neighbour could be modified and the vice versa. The regional states, particularly India could learn lesson from the UE and ASEAN experiences.

6.4 NEEDS, DEMANDS AND EXPECTATIONS OF SMALLER STATES

There are several factors that help promote regionalism. Several scholars such as Khan, Cheema, Rizvi, and Narain and Upreti, pointed out that there were some prerequisites for success of regional arrangements which included: presence of open channels of communications, acceptance of sovereign equality of all members, governmental effectiveness, supportive regional and international political environment, consensus on regional approach and strategy to address common problems, expectations of equitable political and economic benefits. Far more important is the restraint behaviour on the part of major partners as well as adherence to an ideology of internationalism that can contribute to regional peace, stability, progress and prosperity through maintaining a “balance between regional authority and regional responsibility.”

Many experts feared that geographical, demographic, political, military and economic disparities in the context of ideological, religious and ethnic differences compounded by Indian central position and its bilateral disputes with all neighbours as well as history of coercive diplomacy and aggressive policies towards its neighbours could pose “major

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58 These factors include: geographical proximity, political, economic and social similarities, common threat perception and strategic harmony, similar foreign policy outlook and objectives, and shared functional interests and consensus on the role of core member. See Mohla, SAARC and Super Powers, 288.
impediment” to the growth of regionalism. Thus, it was suggested that the SAARC members, particularly India, needed to draw lessons from other such organizations.61

The leaders and scholars of regional states had a lot of expectations from India. Narain and Upreti observed that regional groupings where some members had played “a more domineering role” could not realize the fruits of regionalism.62 Thus, India must give “greater care and attention” to the concerns and sensitivities of the smaller states and pursue a mode of “regional leadership” which could be acceptable to them.63 Mohla argued that India’s role “should be pre- eminent and not pre-dominant.”64 President Zia also expected the same when he had met Indian Prime Minister. Zia said:

I reminded Mrs. Gandhi of the success of ASEAN and asked her if I could tell her a story. (I said that) when I met President Suharto of Indonesia some time back, I asked him to give me one solid reason for ASEAN progress. He told me, ‘Indonesia, being the largest partner, has deliberately played a very docile role. That is why ASEAN has been a success.’ I added, ‘Mrs. Gandhi, I leave the rest unsaid.’65

Notwithstanding the ground realities and existing asymmetries in the region, India was advised to adopt a “restrained behaviour” and accept “equality of status” of all members.66 The experience of EU and ASEAN showed that a close partnership between

61 Naqvi, “South Asian Cooperation,” 189; Narain and Upreti, SAARC: A Study of Perceptions, 7
(Introduction); Khan “Ideology and Internal Dynamics,” 43; Chitra Chose, “The Perspective of South
Asian Economic Cooperation,” in Debendra K. Das, ed. SAARC: Regional Cooperation and Development,
(New Delhi: Deep & Deep Publications, 1992), 116–8; Mohla, SAARC and Super Powers, 299–300; K. M.
274–6; and Jha, SAARC the Period Ahead, 118.
63 Naqvi, “South Asian Cooperation,” 189; Thomas Perry Thornton, “Regional Organizations in Conflict
136.
64 Mohla, SAARC and Super Powers, 306.
65 Derek Davies and Hikaru Kerns, “Zia’s Silver Lining,” Far Eastern Economic Review, August 4, 1983,
Germany and France and between Indonesia and Malaysia in them, respectively, had played a vital role in their success.\(^67\) Particularly, Germany and Indonesia had played key role by renouncing the use of force and converting their traditional adversaries into a relationship of constructive partnership. Therefore, India was advised to treat her neighbours particularly Pakistan as an equal partner to make SAARC successful. An amicable solution of bilateral problems between them could definitely bring an end to mutual distrust and occasional tensions which was essential for growth of regionalism. The members could contain undue external influences in the region through evolving a mechanism to resolve political problems and bilateral disputes and create mutual economic interdependence. They could also learn a lesson from ASEAN experiences regarding conflict management through bilateral, unofficial and ASEAN channels.\(^68\)

India was expected to show a spirit of maximum accommodation, magnanimity and large-heartedness in its dealing with smaller states. It was expected to harmonize its national interests with those of its co-members and provide them an assurance of its sincerity and goodwill towards growth of regionalism.\(^69\) It needed to readjust its attitude towards smaller states and help evolve collective “political purposes and approaches” to global issues.\(^70\) Indian policy towards its neighbours could even get guidance by the “advice” New Delhi rendered to the superpowers on international issues. On its part, several measures, such as those taken by the Janata regime (1977 – 1979), could mend

\(^{67}\) Wallace, *review of The Logic of Regional Integration*, 146–7.


\(^{70}\) Naqvi, “South Asian Cooperation,” 194–5.
the situation. Even India was expected to make some sacrifice to foster development in the region so that its neighbours could realize that India was “doing something for them.” India being the largest and most resourceful regional state could afford “to be the giver rather than taker in the region; If India gave, the neighbours would give too.” In sum, the people and leaders of smaller states had “so many diverse expectations” from India.

6.4.1 The Needs and Demands of the Smaller States

Unlike other regional groupings, no external factor had contributed to the creation of SAARC. Rather, the security, political and economic concerns of the smaller states led them to take the initiative to create SAARC. These concerns were, however, somehow more or less related with India’s policies in the region. Kizilbash observed that smaller states had confronted four kinds of security concerns: security of regimes; security against one-power hegemony; security against the super-powers’ interference; and security against nuclear weapons and arms race. The growing terrorist activities, such as those observed in Sri Lanka and Maldives in 1980s, were also perceived as challenge to members’ security. They were also concerned over environmental degradation, particularly the sea level rise which threatened the very existence of some members. The smaller states also had some political objectives: they wanted to get autonomy against India and to contain its hegemonic and expansionist policies; and to face it on equal basis at a regional forum under a framework that can help them to resolve their bilateral disputes with India in accordance with international law. They also wanted to pace up

72 Sharan, India’s Role in South Asian Regional Cooperation, 121; Gupta, Gupta and Handa, “Regionalism in South Asia,” 25–7; Muni, “Problem Areas in India’s Neighbourhood Policy,” 185–6.
their economic growth and social development. Being less developed, they needed some special measures as well as mechanism to balance diverse interests of all members.\(^{75}\) It required that big members must harmonize their interests with those of the smaller ones and help foster economic interdependence to ensure equitable distribution of benefits. The smaller states wanted that cooperation process must be based on the “firm belief that the good of all presupposes the good of each.”\(^{76}\) Due to the interdependence of regional states, no single state of them could be prosperous if its partners were not so.\(^{77}\) Moreover, the smaller states had hoped that it was only through regional unity they could have “an effective voice in international forums.”\(^{78}\)

An analysis of the speeches of leaders of the smaller states at SAARC summits also suggests that they needed a regional forum which could help them to realize their strategic, political and economic objectives, such as peace, security, political autonomy, economic independence, progress and prosperity, as well as to discuss all issues of common concern, i.e. global, regional or bilateral, in a friendly environment.\(^{79}\) They wanted to put more attention and greater care to give SAARC the future shape, capacity and direction which would ultimately determine its “viability” in the long run.\(^{80}\)

The smaller states wanted to use SAARC to dispel mutual suspicions, distrust, fears and anxieties and help create harmonious relations among its members. It could lead


\(^{77}\) Sharan, \textit{India’s Role in South Asian}, 111 and 121.


\(^{79}\) Jayewardene, Address to the inaugural session of the second summit, \textit{SAARC Summits}, 74–5; and Wangchuck, Address to the concluding session of the first summit, \textit{SAARC Summits}, 33. For detailed survey of the needs and demands of smaller states, see chapter 5 section 5.5 of this dissertation.

\(^{80}\) Wangchuck, Address to the inaugural session of the second summit, \textit{SAARC Summits}, 64–5; and Wangchuck, Address to the concluding session of the second summit, \textit{SAARC Summits}, 83.
to better understanding of each others’ needs, aspirations and perceptions.\textsuperscript{81} Regional cooperation, said President Ershad, should be “based on and conditioned to, mutual trust and understanding.”\textsuperscript{82} President Jayewardene said: “There can be no successful regional cooperation without mutual confidence, without mutual trust.”\textsuperscript{83} There could be no meaningful cooperation among regional states until the peoples’ hearts and minds meet together.\textsuperscript{84} President Gayoom had said that “a high degree of understanding” among members was essential to make SAARC successful.\textsuperscript{85} Mutual trust, goodwill and understanding could be built only through “sympathetic appreciation of each country’s legitimate national aspirations.”\textsuperscript{86} Junejo explained it in these words: “The hallmark of goodwill is mutual sensitivity to one another’s problems and feelings. We should behave towards neighbours as we would like them to behave towards us, refrain from actions that we want them to eschew.”\textsuperscript{87} King of Bhutan called on all members “to transcend the narrow nationalism” and establish a new inter-state relationship in which “the magnanimity” of big members must be matched by the “genuine friendship” of others.\textsuperscript{88}

\textbf{6.4.2 Regional Political Environment and Growth of Regionalism in South Asia}

The smaller states believed that regional cooperation would not be easy due to vast differences in size, resources, capabilities, development level and political clout compounded by divergent religious, political and strategic ideologies, and prevalence of

\textsuperscript{81} Ershad, Address to the inaugural session of first summit, \textit{SAARC Summits}, 6; Government of Bangladesh, “A Paper on the Proposal.”
\textsuperscript{82} Ershad, Address to the inaugural session of the fourth summit, \textit{SAARC Summits}, 166–7.
\textsuperscript{83} Jayewardene, Address to the inaugural session of the first summit, \textit{SAARC Summits}, 27.
\textsuperscript{84} Jayewardene, Address to the inaugural session of the fourth summit, \textit{SAARC Summits}, 186.
\textsuperscript{85} Gayoom, Address to the inaugural session of the second summit, \textit{SAARC Summits}, 67–8.
\textsuperscript{86} Ershad, Address to the inaugural session of the fourth summit, \textit{SAARC Summits}, 166–7.
\textsuperscript{87} Mohammad Khan Junejo, Prime Minister of Pakistan, Address to the inaugural session of the third summit, \textit{SAARC Summits}, 126.
\textsuperscript{88} Wangchuck, Address to the inaugural session of the first summit, \textit{SAARC Summits}, 12–3.
political disputes, mistrust and rivalries among members. In order to overcome these difficulties, there was a need to improve regional political environment that would influence the cooperation process and ultimately the effectiveness of SAARC. King of Bhutan had argued, “it may neither be possible nor desirable to limit discussions in our meetings to issues of non-political nature, for the political climate of our region will undoubtedly cast a long shadow over our deliberations.” King Wangchuck had further added: “In the geopolitical realities of our region, it would be unrealistic to ignore the primacy of the political factor, as, in the final analysis, it will be the political environment of the region which will determine the shape and scope of regional cooperation in South Asia. The main obstacle is not only to overcome the psychological and emotional barriers of the past, but the fears, anxieties, and apprehensions of the present.”

The smaller states had the conviction that resolution of bilateral problems and political disputes was essential in order to make SAARC successful. In fact, regional political environment could only be improved through making progress on bilateral relations, and building trust among members which needed removal of inter-state tensions and resolution of political problems and bilateral disputes among members.

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89 Wangchuck, Address to the inaugural session of the first summit, *SAARC Summits*, 12; Junejo, Address to the inaugural session of the third summit, *SAARC Summits*, 126. King of Bhutan had said that regional cooperation would “not be easy” in South Asia due to prevailing “political and strategic divergences and asymmetries in … sizes, resources, and levels of development” in the region. Junejo had said: “Geography alone cannot compel cooperation. History, unfortunately, provides ample proof of that truism. Moreover, disparities of size and resources and apprehensions rooted in the past cannot be considered as positive factors.”

90 Jayewardene, Address to the inaugural session of the third summit, *SAARC Summits*, 128; Wangchuck, Address to the inaugural session of the second summit, *SAARC Summits*, 63; Wangchuck, Address to the concluding session of the second summit, *SAARC Summits*, 83; Wangchuck, Address to the inaugural session of the third summit, *SAARC Summits*, 115–6; Jayewardene, Address to the inaugural session of the third summit, *SAARC Summits*, 128.

91 Wangchuck, Address to the inaugural session of the first summit, *SAARC Summits*, 12–3.

Prime Minister Bhutto highlighted that unresolved political “disputes, mutual suspicions and rivalries” had divided the regional states in the past and would “keep them from coming together whole-heartedly in joint endeavours”\textsuperscript{93} Junejo also emphasised upon the members to overcome the political obstacles and to not hesitate from taking “constructive initiatives to strengthen peace and cooperation” among them. “We should not hesitate to discuss matters which may obstruct or block the fountains of creativity and growth,” he argued.\textsuperscript{94} Believing that the regional political environment would be “the most important factor for the success of” SAARC, the leaders of smaller states had stressed the need of adopting a two prong approach. On one hand, it is the responsibility of the leaders of all members to take “bold and farsighted bilateral initiatives to build lasting peace and stability” in South Asia. On another side, they argued, “SAARC too, can and must play a more positive and effective role in improving the political climate of South Asia.”\textsuperscript{95} They wanted that SAARC should serve as a regional forum to discuss and address bilateral disputes and other contentious issues under a regional framework to generate “a spirit of friendship” and mutual understanding among its members. It could create a political environment congenial for the growth of regionalism and also provide SAARC a sound foundation and solid structure that could “stand the test of time.” Only then, regional cooperation could contribute significantly to the socio-economic development as well as forge unity in South Asia.\textsuperscript{96} In both cases, the personal attitude, political will and commitment of respected leaders of all members was thought to be a vital and “decisive

\textsuperscript{93} Bhutto, Address to the inaugural session of the fourth summit, \textit{SAARC Summits}, 164–5.
\textsuperscript{94} Junejo, Address to the inaugural session of the third summit, \textit{SAARC Summits}, 126.
\textsuperscript{95} Wangchuck, Address to the inaugural session of the fourth summit, \textit{SAARC Summits}, 171.
\textsuperscript{96} SAARC Secretariat, \textit{SAARC Summits}, 63, 67–8, 83, 115–6, and 128.
factor.” The Indian leadership owed the largest responsibility. President Jayewardene had made this point more profoundly when he said: “Firstly we must trust each other, India the largest in every way; larger than all the rest of us combined, can by deeds and words create the confidence among us so necessary to make a beginning. Mr. Rajiv Gandhi is its chosen leader; on him we rest our hopes. He must not fail us. He cannot.”

Regional political disputes were, in fact, India’s bilateral disputes with its neighbours including Pakistan, Bangladesh, Nepal and Sri Lanka. Mostly they were related to water resources such as sharing or distribution of water etc. A few of them had severe bearing on security and economy of smaller states and put adverse affects on interstate relations that could impede growth of regionalism in South Asia. Therefore, resolution of these disputes depended largely on the commitment of Indian leadership.

India’s role was crucial for success of SAARC in several other respects too. Its positive attitude could contribute to regional peace, security and stability that was important to speed up the pace of industrialization and economic development in the entire region. To this end, smaller states expected India to show true respect for their territorial integrity and “scrupulous observance of the principles of sovereign equality” of all members. It was also expected to demonstrate “a larger vision,” farsightedness, understanding, fairness, magnanimity, and “a spirit of give and take” that could cultivate and foster the spirit of cooperation. Most importantly, they wanted practical steps rather than rhetoric. King of Nepal highlighted it in these words: “our deeds must match

97 SAARC Secretariat, SAARC Summits, 13, 64–5, 171, 191.
98 Jayewardene, Address to the inaugural session of the first summit, SAARC Summits, 26–7.
101 Mohla, SAARC and Super Powers, 300.
our words. In the end, it is the result that counts far more than words or seminars. Surely, we cannot talk tall and then deliver so little.”

The resolution of political problems and bilateral disputes could bring enormous benefits to all members and to the people of South Asia. It could help remove tensions in the region and dispel mutual mistrust and suspicions that could lead to harmony and tranquility in inter-state relations between SAARC members. It would, in turn, contribute to regional peace and security that would pave the way for economic cooperation and progress and prosperity in the region. Friendly and tension free relations among SAARC members would help build broader regional agreements and consensus on different issues of common concern at various forums boosting the image of regional states and giving them more say at the world level. It could leave little room for any foreign involvement in regional politics. Most importantly, it could also help reduce defense expenditures and save the much needed money, being used on arms buildup, for utilization on socio-economic development. All these factors in combination could help lay a strong foundation over which higher level of regional cooperation would be made possible. The smaller states wanted to create, what Deutsch had termed, a pluralistic security community. It comes into being when states in a region agree to “forgo the use of violence” and show their inclination towards settlement of their disputes through peaceful means. Hashmi described it as the essential condition and first level of integration upon which prospects of further progress depends. Once the members renounce the use of force among them, it transforms their relations from those characterized by competition

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103 Dev, Address from the inaugural session of the third summit, SAARC Secretariat, *SAARC Summits*, 107.
104 Haq, Address to the inaugural session of first summit, *SAARC Summits*, 23–4; and Gayoom, Address to the inaugural session of the first summit, *SAARC Summits*, 18.
to that of cooperation. It provides a “psychological infrastructure” for regional cooperation that creates a sense of oneness or “we feeling” manifested in amity and friendship among members. In return, it promotes mutual responsiveness, appreciation of each other’s needs and problems and also increases social and economic transactions among them.\textsuperscript{105} The desire of the smaller states to create a security community is also reflected in various proposals they made from time to time. For instance, Katmandu in order to get a legal status and international guarantee to its political independence had proposed a resolution at the UN General Assembly to declare Nepal a zone of peace in 1960s. It got worldwide support but India had opposed it.\textsuperscript{106} Sri Lanka had moved a resolution in the UN to declare Indian Ocean a Zone of Peace (IOZOP) in 1971.\textsuperscript{107} Pakistan had proposed India a joint defence pact in 1959 and no war pact in 1981.\textsuperscript{108} Such arrangements had already proved their utility in others parts of the world.\textsuperscript{109}

**6.4.3 Informal Discussions at the Eve of SAARC Summits**

When SAARC charter did not provide for formal discussions of such matters, the smaller members expected that even frank and informal discussions of contentious issues including those of bilateral nature at the eve of SAARC summits would “help smoothen the rough edges” of mutual differences among members.\textsuperscript{110} They believed that informal discussions and consultations on bilateral and common problems were vital for the “long

\textsuperscript{105} Hashmi, *Pakistan, Iran and Turkey*, 26, 28–29.
\textsuperscript{110} Shah Dev, Address to the concluding session of the fourth summit, *SAARC Summits*, 197; Wangchuck, Address to the inaugural session of the third summit, *SAARC Summits*, 115–6.
term effectiveness of SAARC” and hoped that sooner they would be able to discuss such issues formally at the regional forum.”\textsuperscript{111} SAARC being an intergovernmental organization mainly rested on goodwill of its members. The provision of regular summit meetings was aimed at creating suitable regional political environment through personal and direct talks between political leadership of respective countries free from bureaucratic formalities and hurdles. In fact, some of summit meetings had proved quite useful in this regard and helped stabilized the region.\textsuperscript{112} The leaders of smaller states held quite useful informal discussions with the Indian leadership at the sidelines of SAARC meetings. Such informal meetings and discussions during the first summit had paved the way for: initiating cooperation under SAARC to fight terrorism and drug trafficking; and an agreement between Pakistan and India to not attack each other nuclear facilities.\textsuperscript{113} Both states had signed this treaty during the fourth SAARC summit held in Islamabad in 1988. At this occasion, they had also signed an agreement on cultural cooperation and another on avoidance of double taxation in the field of civil aviation. SAARC had also helped in crises management during second summit held in Bangalore when a meeting between Prime Ministers of both countries had helped defused tensions resulted from Indian troop’s movement on Pakistani border. Both leaders had also agreed on taking steps for normalization of their bilateral relations and taking steps for controlling smuggling, illegal crossing of borders, drug trafficking, and combating terrorism. 1987, during third summit at Katmandu, leaders of both countries had agreed to resume talks to increase bilateral trade, and to address border issues including Siachen Glacier dispute.

\textsuperscript{111} Jayewardene, Address to the inaugural session of the third summit, \textit{SAARC Summits}, 129; Jayewardene, Address to the inaugural session of the second summit, \textit{SAARC Summits}, 74–5.
\textsuperscript{112} Maass, “South Asia: Drawn,” 273.
At the eve of first and second SAARC summits, the leaders of India and Bangladesh had discussed their differences over Chakma insurgency, Teen Bigha issue and water sharing of their common rivers. Meanwhile, India and Sri Lanka also used these opportunities to discuss Tamil issue and were able to reach an agreement on it in 1987. Similarly, Nepal and India also informally discussed their mutual differences including sharing of their common water resources. \(^{114}\) Later on, a meeting between President Musharraf and Vajpayee during Jan. 2002 summit meeting had helped normalize bilateral relations of two states for a brief period. The Islamabad summit held in 2004 had provided both states an opportunity to initiate composite peace process.\(^{115}\) Thapliyal observed that informal meetings sometimes received far more attention in media than formal summit meetings.\(^{116}\) The success of informal meetings and discussions demonstrated that SAARC could help bilateral conflicts of member states, defuse regional tensions and create political goodwill in South Asia. It also suggested that SAARC could be used as a “most useful mechanism” for crises management in South Asia.\(^{117}\) SAARC could have been more effective in case it would provide for official discussion of bilateral disputes.

### 6.5 **INDIA’S RESPONSE**

Indian response was apparently encouraging for the smaller states. For instance, Indian Foreign Minister had stated that regional cooperation would not only “give us confidence in ourselves and contribute to our well-being but will also enable us to contribute effectively to peace and progress through the world.” He further stated that


\(^{116}\) Thapliyal, “Potential for Cooperation in South Asia,” 54.

SAARC members had “realized that friendly political relations in the region must go hand in hand with cooperation in the economic, social and cultural fields. Indeed the two are mutually reinforcing.” While addressing to the inaugural session of the first summit, Indian premier had stated: “India welcomes the diversity of our region. We affirm the sovereign equality of the seven States of South Asia. We have much to learn from one another and much to give. We have a profound faith in peaceful co-existence. We are confident we share these beliefs with all our partners in the region.” He also cited a statement of Nehru who while addressing from the Asian Relation Conference in New Delhi in 1947, had stated, “We meet together, we hold together, we advance together.” Gandhi stated that regional cooperation in South Asia was “an important step towards realizing the larger Asian consciousness.” Gandhi had also stated:

“Certainly we have problems and difficulties and these do impose constraints on us. Enduring cooperation is cooperation adapted to the realities of our condition. The model we have evolved for ourselves is a model which is in accord with our realities, our compulsions and our genius. We have not sought to melt our bilateral relationships into a common regional identity, but rather to fit South Asian cooperation into our respective foreign policies as an additional dimension. We have evolved modalities which do not allow bilateral stresses and strains to impinge on regional cooperation.”

Indian leadership consistently opposed the idea of discussion of bilateral disputes at SAARC meetings. It argued that regional cooperation in various areas would help regional states to come out of these problems. For instance, Gandhi had said: “Bilateral relations have their difficult moments. SAARC reminds us that at such moments we should seek what unites us and not what divides. We have consciously decided not to

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118 P. V. Narsasimha Rao, Inaugural address to the first session of the Standing Committee meeting held in New Delhi on Feb. 27–28, 1984, From SARC to SAARC, 62.
119 Rajiv Gandhi, Address to the inaugural session of the first summit, SAARC Summits, 15–6.
120 Ibid, 16.
burden SAARC with our bilateral concerns. Yet, by providing a framework for forging a cooperative set of relations among our countries, SAARC can help us positively in growing out of these problems.”¹²¹ Thus, Indian leadership ignored the fact that successful formation of a true regional community required its members to mitigate and minimize mutual conflicts so that the interests unifying them could overshadow the factors dividing them.¹²² Indian leaders also believed that concerns of smaller states were just imaginary and psychological and there was a need to overcome these “psychological barriers.” Gandhi had elaborated it in these words: “If we play with shadows and allow ourselves to be overwhelmed by apprehensions, cooperation in development will remain a mirage.”¹²³ He had also stressed the importance of removal of barriers to cooperation which he believed would help in “paving the way towards the dismantlement of the rest. The most important of these barriers are the psychological barriers.” He had, therefore, called upon the need of “opening of closed doors.” He further elaborated that these were “the windows of the mind that first need uncurtaining.”¹²⁴ Thus Indian leadership consistently demonstrated that it was not interested in some of the more important demands of smaller states. India was not willing to accept the demands of the smaller states with regard to providing SAARC with some framework for discussion of political disputes and contentious issues. Indian leadership consistently opposed these proposals and demands of smaller states as manifested in the speeches of their leaders delivered at various SAARC meetings. For instance, Gandhi had stated that regional cooperation in South Asia “tempers enthusiasm with pragmatism, and initiative with consensus. At the

¹²¹ Gandhi, Address to the inaugural session of the second summit, SAARC Summits, 55.
¹²³ Gandhi, Address from the inaugural session of the fourth summit, SAARC Summits, 176.
¹²⁴ Gandhi, Address from the concluding session of the fourth summit, SAARC Summits, 193.
same time, in the light of our experience of the recent past, we have every reason to hope
that the practice of regional cooperation will have a beneficial impact on bilateral
relationships.”

Had Indian leadership accepted the demand of smaller states to include
discussion of political problems and contentious issues in SAARC charter and to resolve
their bilateral disputes under a regional framework, the overall political environment of
South Asia as well as the fate of regionalism could have been different. The example of
ASEAN is more telling where members initially focused more on security and political
aspects of their cooperation and put the organization on a solid foundation. Albeit the
expectations of smaller states and the political benefits that it could bring, none of Indian
leaders accepted the demand to address political problems under SAARC framework.

6.5.1 India’s Bilateral Moves to Improve Relations with its Neighbours

India undertook several bilateral moves to address its bilateral disputes with
smaller states. The Janata Party rule (1977–79) had the credit of initiating efforts and
taking some measures to improve India’s relations with its neighbours which probably
couraged them to strive towards creating SAARC. But India reverted back to
previous policies with the change of government and return of Indira Gandhi to power. In
later 1988-89, Rajiv Gandhi had halfheartedly and therefore, unsuccessfully tried to
improve India’s relations with Pakistan. During this period, India’s bilateral relations
worsened with Sri Lanka and Nepal. In 1990, the new government under the leadership
of V.P. Singh and then Chandra Shekhar had also sought to improve India’s relations
with its neighbours and to address mutual political problems particularly with Nepal and

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125 Gandhi, Address to the inaugural session of the first summit, *SAARC Summits*, 16.
126 India had improved its relations with Pakistan and also signed an agreement on water sharing with
Bangladesh during this period.
Sri Lanka.\textsuperscript{127} India also gave some concessions to Nepal and signed trade and transit treaties with it in 1990 which were amended in 1993. It also allowed Nepal a transit route through Bangladesh. The most important initiatives to this end were taken during the mid 1990s, including signing of treaties with Nepal and Bangladesh.\textsuperscript{128} These were parts of efforts to improve India’s relations with its neighbours as envisaged under the Gujral Doctrine. It prescribed normal and friction free relations with smaller states.\textsuperscript{129} Gujral had advocated a policy to “create a sense of easiness” among Indian smaller neighbours and manage conflicts in the region. Gujral Doctrine prescribed following five guiding principles with regards to conducting India’s relations with its immediate neighbours: India should not ask for reciprocity in its relations with all SAARC members, except Pakistan. Rather it would give and accommodate others whatever it can in good faith and trust; No regional country must allow the use of its territory against the interest of another state in the region; No state should interfere in internal affairs of another state; All regional states must respect sovereignty and territorial integrity of other states; All South Asian countries must settle their political disputes and contentious issues through peaceful means and bilateral negotiations. These principles were based on the belief that “India’s stature and strength” could not be separated from the nature and “quality of its relations with its neighbours.” Thus, New Delhi must recognize the “supreme importance” of cordial and friendly relations with its neighbours. Bhatta claimed that this doctrine was neither applied nor discussed seriously at the policy level. Indian policymakers were doubtful about it. Most importantly, “once Gujral was out of power, the

\textsuperscript{127} Hagerty, “India’s Regional Doctrine,” 362.
\textsuperscript{128} Banerji, “Rivers of Joy,” 43.
doctrine went with him.” Rana claimed that Gujral doctrine had envisioned to benignly project Indian power through providing help to regional states but it was “rudely interrupted” after fall of his government.

6.5.2 The Initiatives of the BJP Government

In late 1990s, the BJP government had also strived to improve its relations with Islamabad. New Delhi had taken this decision in the wake of strategic parity created after detonation of nuclear bomb by Pakistan in response to Indian explosions of May 1998. In early 1999, Prime Minister Vajpayee paid a visit to Pakistan and signed the historic Lahore declaration which was a milestone in the history of both countries. Vajpayee went to the historical Pakistan monument (Minar-e-Pakistan) and announced accepting Pakistan’s existence wholeheartedly. Both states had initiated a peace process aimed at addressing political problems between them including the core issue of Jammu and Kashmir. Unfortunately, the process was derailed following Kargil war and consequent political crises leading to a military coup against the civilian government in Pakistan in October 1999. Another peace bid was made in 2001 during President Musharraf’s visit to India. Despite some progress during the talks, the Agra summit could not help improve the bilateral relations of the two states. There was a perception in Pakistan that the summit was subverted by some hardcore elements in the Indian government. Both countries agreed in 2004 to launch a composite dialogue process in eight main areas and took some Confidential Building Measures (CBMs) to improve bilateral relations as well.

130 Chandra D. Bhatta, “Regional Integration and Peace.”
as the general political environment of South Asia. However, the Indian government stopped this peace initiative ultimately following the Bombay attacks in November 2008.

6.5.3 **India’s Bilateral Initiatives and Regional Peace and Security**

India’s bilateral talks with its smaller neighbours, particularly Pakistan, have failed to give concrete results. Several rounds of talks between India and Pakistan were held to address their bilateral problems including the core issue of Jammu and Kashmir in the light of understanding reached in Simla agreement. However, due to the India’s inflexible attitude and unwillingness to give any territorial concessions to Pakistan, and latter’s refusal to accept the status quo, prevented both countries from reaching an agreement. In fact, Indian elites were also of the view that Pakistan had lost its strategic advantages which it had enjoyed during the cold war and its ability to inflict damage to New Delhi had been significantly decreased. Thus, Kashmir dispute would ultimately be settled on Indian terms. As such, New Delhi did not need to give any concessions to Islamabad on the issue. Indian behaviour was similar on other issues with Pakistan. Thus, bilateral negotiations could not contribute to build lasting peace in the region. Meanwhile, some new contentious issues and political problems cropped up in the region, such as issue of Siachen glacier, construction of water reservoirs in Indian occupied Kashmir against the spirit of the Indus Water Treaty (IWT), rise of militancy in Jammu and Kashmir and recurring terrorist activities in India and Pakistan which led both countries to accuse each other as being responsible for having proxy wars against it.

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132 Ishtiaq Ahmad, “The Future of India–Pakistan Peace Process amid the War on Terror in Afghanistan,” *IPRI Journal*, 4:2 (Summer 2007), 62. The Composite Dialogue process covered following eight areas: peace and security; Jammu and Kashmir; Siachen; Sir Creek; Wullar Barrage / Talbul navigation project; terrorism and drug trafficking; trade and economic cooperation; and promotion of friendly exchanges.

Nonetheless, these events further strained India-Pakistan bilateral relations and clouds of war shadowed several times over South Asia. The militants’ activities and armed attacks on several places, such as those on Indian Parliament in 2001 and Bombay incident of 2008, brought the two states to the verge of war. These incidents virtually nullified all the progress made in improving bilateral relations through various CBMs, and increasing people-to-people contacts. These incidents led both states to revert back to the previous positions, leading to disrupt communication links, and degrade diplomatic ties etc.\textsuperscript{134} Brar observed that the history of South Asia had convinced the people that in most cases even a single contentious issue could destroy the progress made after years of coordinated efforts.\textsuperscript{135} Sometimes, Indian government also backed-down after reaching agreement with Pakistan on resolution of a bilateral dispute such as on Siachen Glacier.

Indian forces had captured Siachen glacier in 1984 in gross violation of its two bilateral agreements with Pakistan on Kashmir, i.e. Karachi agreement of 1949 and Simla agreement of 1972.\textsuperscript{136} The conflict has taken thousands of lives from both sides, mostly due to harsh weather conditions.\textsuperscript{137} The conflict was a byproduct of Kashmir issue and could cause a major war between two states. Kargil war of 1999 was also linked to

\textsuperscript{134} Jha, \textit{SAARC The Period Ahead}, 117.
\textsuperscript{135} Brar, “\textit{SAARC: If Functionalism Has Failed},” 32.
\textsuperscript{136} Ishtiaq Ahmad, “Siachen: A By-Product of the Kashmir Dispute and a Catalyst for its Resolution,” \textit{Pakistan Journal of History \\& Culture}, XXVII : 2 (2006), 88–92, available at http://www.nihcr.edu.pk/latest_english_journal/siachen_a_bi-product_of_kashmir_dr_ishtiaq.pdf accessed on 21.7.2008. According to Ahmad, the Karachi agreement had formerly ended the war and demarcated Ceasefire Line which accordingly ran along Pakistan India international border and then north and northeast to map grid point NJ 9842, and “thence north to the glaciers.” NJ 9842 is situated near the Shyok River which flows through by the southern end of the Siachen glacier. The Simla agreement had converted Ceasefire line into LoC. Both agreements had provided that both states would not use force to settle their disputes. Simla agreement also provided that no state would “unilaterally alter the situation” and both parties would respect LoC “without prejudice to the recognised position of either side. Neither side shall seek to alter it unilaterally irrespective of mutual differences and legal interpretations.”
Siachen issue which was easily resolvable. In fact, both states had reached to some “reasonable agreement” on it. They had agreed on withdrawal and redeployment of troops during bilateral talks in 1989 and then in 1992.\(^{138}\) Both countries were again close to agreement on the issue during Musharraf era, i.e. 2007 when political uncertainty in Pakistan had prevented further progress to that end.\(^{139}\) Indian government had backed down of an agreement reached in 1989 and then in 1992 due to narrow domestic political and electoral considerations. New Delhi could not withdraw troops from Siachen fearing that people might consider it as a “retreat.”\(^{140}\) Ahmad argued that the inability of successive Indian government to sign agreement on Siachen and “obstructionist attitude” on other contentious issues such as Sir Creek and Wullar Barrage had shown “the depth of irrationally on the part of India’s ruling elites.”\(^{141}\) In November 2006, the US diplomats had noted that India and Pakistan had come “very close” to an agreement on Siachen twice but each time Indian government was “forced to back out” by hardliners in the Congress party, opposition parties and Indian defence establishment.\(^{142}\)

Ahmad observed that Indian army had a “final say” on country’s policy on Siachen issue, and it had successfully sold the notion that Siachen had a strategic importance for New Delhi. It believed that the territory not only separated Pakistan from China but its control also gave Indian forces an opportunity to keep watch on Khunjrab pass and Karakaram highway. Moreover, it strengthened Indian defence in Jammu, Ladakh, and Kashmir against any possible Chinese or Pakistani threat. However, several


\(^{139}\) “Siachen dispute: Pakistani official blames India for collapse of talks,” The Express Tribune.

\(^{140}\) Cited by Ahmad, “Siachen: A By-Product of the Kashmir Dispute,” 114.

\(^{141}\) Ibid.,

Indian and international experts including Mehta, Ahlawat, Chako, Sawhney, and Dani had seriously questioned and rejected the thesis of strategic importance of the area for India. They also claimed that Indian army was responsible for the deadlock on Siachen issue. Indian government could not go ahead on any possible deal on Siachen issue without a prior and open support or at least neutrality by Indian army. The then Indian Army Chief, J. J. Singh, had frequently appeared in the press and told that Indian army could not support withdrawal of troops from Siachen. Reportedly, Indian army had “drawn a line with its political leadership” and told it that withdrawal of troops from Siachen would “tantamount to ceding the area to Pakistan due to the difficulty of retaking it should Pakistan occupy it.” The US Ambassador David Mulford observed that agreement on Siachen was “improbable” when Indian army was publicly opposing it. Apparently Indian army was opposed to troop withdrawal from Siachen due to: its belief that it had acquired strategic advantage over China; distrust of Pakistan; and desire to hold on the territory for which thousands of Indian troops had sacrificed their lives. However, internal corruption in the army was also one of the causes of its opposition to any deal with Pakistan. India was spending US$ 670 million every year in Siachen, but its army believed that it was a small sum as compared to its overall defence outlays. Quite recently, India had “hardened its position” during defence secretaries level talks.

144 Sattar, “Indian army hurdle.”
145 Ibid.,
147 Ibid; and Sattar, “Indian army hurdle.”
148 Sattar, “Indian army hurdle.”
Pakistani officials told that India was not willing to reach to an agreement due to “pressure and intransigence” of its army. Though Indians postured themselves as “being flexible in the media” but in reality they were not “willing to resolve the issue.”

Instead of resolving the problem through constructive talks and other peaceful means, India mostly strived to use them to pressurize Pakistan either through coercing it or to isolate it in the world or the both ways. For instance, India deployed its troops on Pakistani borders several times apparently to wage war against it. Such moves were notably observed in 1986, 2001 and 2008. Reportedly, the US had averted a possible war between the two states in early 1990s. It was believed in Pakistan that its nuclear program had deterred India from attacking it. Sometimes, the US also played its role to prevent war in South Asia.

Stephen Cohen explained Indian mind set in these words:

Not a few Indian generals and strategists have told me that if only America would strip Pakistan of its nuclear weapons then the Indian army could destroy the Pakistan army and the whole thing would be over. This of course is both silly and dangerous—and could lead to a catastrophic misjudgment when the fifth India-Pakistan crisis does come. We were close to one last year, I have no doubt that the people who tried to trigger a new India-Pakistan war will try again.

The persistence of unresolved political problems and bilateral disputes of smaller states with India continued to shadow New Delhi’s relations with its neighbours as well as overall regional political atmosphere. For instance, ill-defined and poorly demarcated boundaries between India and Bangladesh resulted in numerous firing incidents, killing of hundreds of innocent Bengalis in the hands of Indian forces, and skirmishes between

149 “Siachen dispute: Pakistani official blames India,” The Express Tribune.
the two states every year. India’s water disputes with Pakistan, Bangladesh, and Nepal occasionally strained their bilateral relations. The smaller states also alleged that India had continued to create internal problems, disturbances and instability in its neighbourhood to pressurize them to make concessions. India’s covert support to anti-state elements in Nepal, Sri Lanka and Pakistan are clear manifestations of Indian policy. Deployment of India’s troops in Sri Lanka and Maldives in 1987 and 1988, respectively, was also interpreted as part of its hegemonic designs and pressure tactics.\footnote{Hagerty, “India’s Regional Doctrine,” 353–63.}

### 6.5.4 India and Insurgencies in Neighbouring States

After creation of SAARC, India continued to support anti-state insurgencies against its neighbours at one time or another. In 1982, Tamil rebels had launched a bloody war against Sri Lanka which lasted for about 27 years and took lives of about 100,000 people.\footnote{“Sri Lanka tipped to raise defence spending” Daily Times, November 22, 2011, available at http://www.dailymailtimes.com.pk/default.asp?page=2011\11\22\story_22-11-2011_pg14_4 accessed on 25.11.2011.} India’s secret agency Research and Analysis Wing (RAW) had provided money, weapons, and training etc. to Tamil guerillas. New Delhi had also politically supported the Tamil cause and put pressure on Colombo for a negotiated settlement. Later on, both states had signed an agreement under which India deployed its troops in Sri Lanka. Some of the terms of the treaty were clear manifestations of India’s hegemonic ambitions in the region. Gooneratne claimed that India’s motives were complex. The agreement with Sri Lanka had prescribed “several ground rules” for Sri Lanka to conduct its foreign policy. After assassination of Rajiv Gandhi, Gooneratne maintained, India’s interests in Tamils had declined. However, due to presence of Tamil Nadu based regional parties, such as the All India Anna Dravida Munnetra Kazhagam
and the Dravida Munnetra Kazhagam, in coalition governments in New Delhi, Indian interest in Tamil issue continued in 1990s.\textsuperscript{154} Hagerty observed that the armed group which had attempted to seize power in Maldives in 1988 was comprised of the Tamil mercenaries who were initially trained on Indian Territory with approval of its government.\textsuperscript{155} Some political analysts are of the view that attempted coup and subsequent deployment of Indian troops in Maldives were part of Indian hegemonic ambitions in South Asia. However, New Delhi has the credit to foil the coup.\textsuperscript{156} Meanwhile, India continued to provide assistance to Chakma uprising in Bangladesh throughout 1980s and 1990s.\textsuperscript{157} India had been covertly supporting Maoists’ insurgency in Nepal, began in 1996, to put pressure on Katmandu and wrest political concessions.\textsuperscript{158}

In recent past, India has used Afghan territory to destabilize Pakistan. India’s embassy in Kabul was involved in spreading anti-Pakistan propaganda and its consulates in Mazar-e-Sharif, Herat, Jalalabad and Qandahar were sponsoring activities to create unrest in Pakistan.\textsuperscript{159} Pakistan’s high level government officials and top leadership including its ministers of interior and foreign affairs had stated that India was supporting terrorists in Federally Administered Tribal Areas (FATA) and Baluchistan.\textsuperscript{160} President

\begin{itemize}
\item \textsuperscript{154} Gooneratne, “Sri Lanka and regionalism,” 55.
\item \textsuperscript{155} Hagerty, “India’s Regional Doctrine,” 362.
\item \textsuperscript{156} Ibid., 358–60.
\item \textsuperscript{157} Mohsin, “Regional Cooperation for Human Security,” 334.
\item \textsuperscript{158} Mishra, “India’s Role in Nepal’s Maoist Insurgency,” 627–46.
\item \textsuperscript{159} Harsh V. Pant, “India’s ‘Af-Pak’ Conundrum: South Asia in Flux,” available at http://ac.els-cdn.com/S0030438711000901/1-s2.0-S0030438711000901-main.pdf?_tid=dbdf79436e2e6585651c58a4196d4436&acdnat=1339760569_0d1d06cb490d4794684440b2efbd051 accessed on 20.11.2011.
\end{itemize}
Zardari had told that India was interfering in Baluchistan and Prime Minister Gilani had raised this issue with his Indian counterpart in a meeting in Sharm-el Shaikh. In July 2009, Gilani had told after his return from Sharm-el Sheikh that joint statement signed by both Prime Ministers had underlined Pakistani concerns over Indian interference in Baluchistan and other parts of the country. Several writers have also suggested that India was supporting Pakistani Taliban.

Notwithstanding India’s own role in supporting insurgencies in neighbouring states, New Delhi has been eager to declare Pakistan a “rouge state and the epicenter of terrorism.” Gupta observed that India had time and again pleaded the US to declare Pakistan as a “terrorist state” and endorse its claim that unrest in Kashmir was mainly due to insurgency supported by Islamabad. Baral observed that India had strived to use American led international war against terrorism “to score against Pakistan’s alleged


164 Cohen, “Rising India has a Pakistan Problem.”

involvement" in supporting cross-border terrorism. However, Musharraf government did not let Indian dream come true. In the post-9/11 era, India attempted to exploit the world public opinion against insurgency in Kashmir and to use it against Pakistan. It had demanded the US to include Kashmir in its campaign against terrorism. Thus Cohen rightly observed that India wanted “its neighbors to be in awe of its power.”

6.5.5 Postponement of Summit Meetings

Despite various successes of SAARC summits in defusing regional tensions and contributing towards normalization of relations between regional states through informal discussions among their leaders, India gave a “severe blow” to SAARC several times through arbitrary postponement of numerous of its summit meetings. According to the charter provision, there should have been a summit meeting every year, but actually only 16 were held in 25 years (1985–2010). Most of them were either cancelled or delayed mainly due to Indian refusal to participate on one pretext or the other. Annual summits were not held in 1989, 1992, 1994, 1996, 1999, 2000, 2001, 2003, 2006, and 2009. The summit meetings were disturbed in late 1980s due to strained Indo-Sri-Lanka relations while India refused to participate in summit meetings in 1999, 2000, 2001 and 2003 following Kargil war and an attack on terrorist attacks in India, in 1999 and 2001, respectively. Similarly Bombay incident caused postponement of summit in 2009.

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166 Baral, “Reconstruction of South Asia,” 80–1.
168 Cohen, “Rising India has a Pakistan Problem.”
169 Hussain, “New Directions for SAARC,” 64–5.
### 6.6 INDIA’S BEHAVIOUR AND ITS EFFECT ON WORKING OF SAARC

Indian behavior adversely affected the attitude of smaller states towards the process of regional cooperation. The smaller states wanted progress on political side that could provide them a congenial political environment for economic cooperation. Indian unwillingness to address their grievances left them with no option but to resist India on several issues. Sudhakar observed that decisions taken at the summit level were mostly related to “less important” areas. If and when some important decisions were made, they were rarely implemented. The conventions on suppression of terrorism and on narcotics drugs and psychotropic substances are its clear examples. He claimed that it was a sign of lack of commitment, sincerity and sense of responsibility on the part of smaller states. Their “conduct of bilateral relations” had showed that they were not enthusiastic to create necessary environment for growth of regionalism.  

Muni noted that Indian behaviour towards its neighbours led them to pursue “various strategies of pinpricks, irritations, harassment, denial of mutual benefits, sabotage and even persisting confrontation.” Pakistan, as well as other members, did not hesitate to adopt “a confrontationist approach” towards India. India perceived smaller states particularly Pakistan and Bangladesh, as responsible for impeding the process of regional cooperation. For India, these members lacked commitment to promote regionalism in South Asia.  

Pattanaik claimed that the smaller states being sensitive to their sovereignty and national identity had constructed a regional enemy which prevented growth of regionalism in South Asia.

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172 Muni, “Problem Areas in India’s Neighbourhood Policy,” 185–6.
However, it had been smaller states’ particularly Pakistan’s view, that “the failure to address” the political issues and to create a peaceful regional climate, was the main hurdle to growth of regional cooperation. It prevented decision-making on the crucial economic issues and affected the process of implementation of agreements. With exception of Bhutan and Maldives, India had most of the time tense relations with its neighbours. Lack of cordial relations among SAARC members created difficulties in reaching decisions which required consensus among all members. Even once decisions were taken, unfavourable bilateral relations affected their implementation.

6.6.1 Political Polarization in South Asia

Sudhakar claimed that SAARC and its “summit diplomacy” could not remove mutual fears and distrust among its members. The summits, generally marked by great pomp and show, instead of reducing regional tensions, at times deteriorated relations between regional states. On several occasions, Pakistan and other smaller states raised their political problems and bilateral disputes with India during informal meetings or in press conferences etc. at the eve of summit meetings. New Delhi interpreted it as part of their attempts to “alienate and accuse India.” Sudhakar claimed that these moves ultimately damaged the regional political environment and as such, SAARC summits caused a “political polarization” in South Asia. On such occasions, smaller states demonstrated their “more inclination to come closer as a group” leaving India to feel

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175 Hussain, “New Directions for SAARC,” 63.
176 Mishra, “India’s Role in Nepal’s Maoist Insurgency,” 642.
“more or less isolated in the region.”

Perhaps due to this reason, India perceived that smaller states were trying to use SAARC as a forum to gang up against it.

6.6.2 **Anti-India Feelings in South Asia**

Unresolved political problems and bilateral disputes with India compounded by fear of domination due to vast disparities in size and capabilities as well as its hegemonic designs in the region, occasionally reflected in its ambitious foreign policy and aggressive and coercive diplomacy created strong anti-India feelings in all its smaller neighbours. Such perceptions were reinforced due to India’s insistence to contain the region against foreign influences particularly those of great powers such as China and the US. There is a perception in India that the ruling elites of smaller states at times consciously created such feelings finding New Delhi “a convenient scapegoat” for their internal problems such as democratic deficit, legitimacy crises, political instability, and other domestic issues. Sudhakar observed that smaller states also used anti-India feelings to claim national identity and equality with, and also to wrest political and economic concessions from, India. He maintained, sometimes, the external powers such as the US and China also supported smaller states to use anti-Indianism to tarnish its image and to develop “an adversary relationship” with India for political reasons. However, Gupta et al. while exploring the causes of anti-Indianism in South Asia had explained it more comprehensively and quoted an American scholar who had analyzed anti-Americanism in the developing world in these words: “Part of the way they look at us is based on how

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179 Ibid, 24, 194–7 and 208.
they think we look at them.”180 Thus, the problem was linked with India’s ambitious foreign policy and desire to contain South Asia against the foreign influence which was regarded as Indian “desire for hegemony.”181 Nepal and Sri Lanka openly expressed their fears over India’s hegemonic policies. It was manifested, in case of Sri Lanka, during “air-drop of food” in Tamil controlled areas, and then imposing a peace agreement on Colombo. Nepal too, faced Indian coercion during late 1980s when New Delhi, after realizing that Katmandu was asserting independent policies, had suspended its transit facilities.182 It prevented growth of regionalism in South Asia.

6.6.3 External Involvement: Causes and Effects

External involvement had always been a matter of serious concern and sensitive matter for India. It persistently condemned smaller states, particularly Pakistan perceiving it as a “Trojan horse” that had brought external influences in South Asia.183 India believed that foreign involvement vitiated political environment and impeded growth of regionalism in South Asia. Rana claimed that presence of the US and its alliances in South Asia had “prevented India from ordering affairs” in the region. He claimed that in spite of its dominance position in South Asia, India’s hands had been “tied behind her back by such great power intrusions” during the cold war. It had taken India “away from her capabilities in dealing with the South Asian situation.”184 Some Indian scholars such as Sudhakar has suggested smaller states to readjust their relations particularly with the

184 Rana, “South Asian Cooperation After the Cold War,” 105.
US and China to “suit” the objectives of regionalism. He argued that smaller states must delink themselves from the international system through decreasing their reliance on the developed world and China for military and economic aid etc. Only then they can “attain some sort of autonomy from the dominant international system” that would pave the way for growth of regionalism in South Asia. He argued that smaller states may continue trade links with the West but not at the price of South Asian regionalism.\(^{185}\)

The smaller states looked outside the region, mainly due to three reasons; security, political and economic. They perceived security threats from India and naturally looked outward for whatever help they required to ensure their survival and security. They sought political support for strengthening their sovereignty as well as to help resolve their disputes with India. They also wanted unrestricted interactions with outside power because it could guarantee them equality with other states.\(^ {186}\) The smaller states had vast economic interests such as those related to trade and aid. They needed flow of money, knowledge, and technology etc. from the West for their socio–economic development.\(^ {187}\) In the context of economic globalization, they could not afford to delink from outside world. Even external variable alone could not impede growth of regionalism. It “mostly suffered” due to bilateral problems of SAARC members which provided external powers the opportunities to make inroads in South Asia.\(^ {188}\) Their involvement could be contained had the regional states been “in control of own destiny”


\(^{186}\) Rizvi, “Problems and Prospects of South Asian,” 208–9.


and being capable of addressing their mutual political disputes and creating some “conflict-resolving mechanism” under a regional framework.\textsuperscript{189}

The massive changes which were taking place within India, such as economic liberalization and in the region and adjoining areas such as Central Asia, and most importantly the end of cold war had premised towards prospects of enhanced regional cooperation among South Asian states. Maass claimed that under prevailing interdependent world, only benevolent and restraint states could successfully aspire to achieve higher position in the world. Moreover, India also needed the support of South Asian countries to achieve its desired place at the international level including permanent membership in UNSC. These developments required India to adopt more “cooperative” and “accommodative” policy towards its regional partners as it could build its credential as a responsible state to play a broader role in the world politics.\textsuperscript{190} Besides, it was also important for India to understand US concerns in the region and project its own capabilities in a way that could convince the US and its allies that New Delhi could become their potential partner to serve their legitimate interests in the region.\textsuperscript{191} These developments could present a favourable environment for presence of foreign influence that could help in growth of regionalism. Alternatively, it was also likely that India due to its economic growth would pursue its “comprehensive arms procurement policy” as well as indigenous development and diversification of military related industries to modernize its armed forces. Thus, India’s rising political and economic role in the world would help it to achieve its old ambitions of becoming a great power due to which it might perceive

\textsuperscript{189} Ibid, 306–8; Cheema, “Threat Perceptions in South Asia,” 118.
\textsuperscript{190} Maass, “South Asia: Drawn,” 274–6.
\textsuperscript{191} Rana, “South Asian Cooperation after the Cold War,” 104–7.
policy of accommodation and cooperation towards its neighbours as “irrelevant.” There were also voices in India to make “concerted policy moves” aimed at creating “complementarity” of interests with the US through associating itself as a “regional stability partner” in South Asia. Rana had argued that the US would soon had to depart from the region and ultimately rely on its “regional partners, through a policy of delegated peace” to ensure global peace and order as a super power. India had the capabilities to become the US “regional stability partner” in South Asia. It was even so demanding due to India’s own interests and concerns as a “status quo power” to maintain stability in the region. Rana forcefully argued that India must remove any “significant impediments in Indo-US relations relating to the region.”

India being proudly declaring itself as the “world’s largest democracy” was a strategic ally of authoritarian and anti-democratic Soviet Union during the cold war. It had championed non-alignment to become a main player, as a leader of the developing states, in the world politics. However, Maass observed, after disintegration of Soviet Union and emergence of unipolar world India was forced to:

  design a new ‘marketing strategy.’ Projecting itself as a champion of non-alignment had lost its rhetorical appeal. Rather, a new ideological coinage was needed. It was soon offered by a recently awakened obsession, to which some US and Western politicians fell victim, by having discovered a vaguely defined ‘Islamist threat’ as the new ‘ideological evil’. Fear of a wellorganized, internationally operating terrorism, an increasing number of terrorist attacks on highly symbolic targets like the World Trade Center in the US, seemed to give credence to such a perceived threat. Consequently, India projected itself as a free and democratic bastion against Islamist terrorism which had already spread to Indian soil in the Kashmir Valley with the help of Pakistani collaborators.

195 Ibid., 269.
Gupta observed that in the post cold war era, changed global environment also affected the process of South Asian regional cooperation. India believed that it was the natural economic and political center of South Asia due to which it would get favourable American response towards its security needs. Thus, Gupta maintained, “India went out of its way to cultivate US goodwill” so that it could get maximum benefits from the changed international political environment. It had provided refueling facilities to American planes during the Gulf war, exchanged high level delegations, held joint naval exercises and opened its economy gratefully accepting FDI from American companies.\(^{196}\) Brar observed that at times India adopted “the policy of quid-pro-quo vis-à-vis the US” and willingly accepted its presence in the region as “the global hegemon-patron” and expected that Washington would in turn accept India as “the regional hegemon.”\(^{197}\) Bajpai observed that the global war on terrorism was paralleled by a shift in Indian policy as it started to accept role of external powers in ensuring security in the region. It approved US military supplies to Bangladesh, US assistance to Nepal in its fight against Maoists insurgency and US backed Norwegian peace initiative in Sri Lanka. It believed that US involvement in Sri Lanka and Nepal would serve its national interests. Even Indian security analysts and media also either supported Indian policy or at least did not criticize it. India also sought US help in getting transit facilities and gas exports from Bangladesh. Bajpai claimed that it was an “unprecedented” change in Indian strategic vision in the context of past history of South Asia.\(^{198}\) In the post 9/11 era, India built “a strong strategic partnership” with US government in wide-ranging issues including


\(^{197}\) Brar, “SAARC: If Functionalism Has Failed,” 38.

military and civil nuclear cooperation. Both states apparently wanted to use this partnership to contain Chinese power but India believed that it was also acknowledgment of its growing importance in global affairs. In sum, India changed its old policy of opposing foreign involvement. It warmly welcomed the presence of a foreign power accepting a subordinate role for itself to become a regional hegemonic power. However, in the process India ignored SAARC believing that policy of accommodation and cooperation with towards smaller states was unnecessary.

6.6.4 India’s Preference for Bilateralism over Regionalism

The regional states could not evolve a mutually beneficial, “coherent and sustained constructive approach” to interact with each other due to their dissimilar capabilities and interests. The smaller states felt “more comfortable” in a regional framework which could integrate their bilateral concerns and priorities. They wanted, in the words of President Jayewardene, the “regional approaches” to address their political and economic problems. Muni observed that regional approach could help promote regional economic and strategic cooperation among SAARC members because it was in conformity with the emerging global norms. Bilateralism could be synergized with regional approach, as both of them were not contradictory. Some issues could be handled bilaterally and others at regional level. However, India believed that bilateral channel was the “best way” to interact with smaller states and it forced them to deal with it “one-

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200 Muni, “Problem Areas in India’s Neighbourhood Policy,” 185–8.
201 Jayewardene, Address to the Inaugural Session of the Third Summit, SAARC Summits, 129.
to-one.” India totally preferred bilateralism at the cost of regional approach due to which growth of regionalism suffered in South Asia.

India’s policy to deal with its neighbours on bilateral basis was part of its strategic thinking and desire to maintain territorial and power status quo. Ahmad observed that India’s fears that smaller states would gang up against it prevented it from giving way to the growth of multilateralism. Gooneratne observed that India pursued policy of bilateralism towards its smaller neighbours as part of its strategies to “maintain its de facto hegemony in South Asia.” It enabled India to avoid internationalization of its disputes and extract maximum advantages from them. Except Pakistan, India successfully imposed its strategy of bilateralism on rest of SAARC members. On bilateral basis, the smaller states such as Bangladesh, Sri Lanka, and Nepal generally found India far superior to deal with on equal terms. During negotiations, India’s huge size and power bore “heavily” on them. Resultantly, none of them could face India alone for a long time. On such occasions, the smaller states complained, they find India mostly “less than sympathetic to their basic needs and problems.” At times, New Delhi demonstrated “an attitudinal aggressiveness and a value-oriented arrogance towards its neighbours” and tried to impose its will on them. Sobhan claimed that India was “always inclined to use its size to extract leverage over its weaker neighbours.”

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204 Makeig, “War, No–War,” 281.
India’s undue insistence to treat its disputes only on bilateral basis reinforced and aggravated the fears of the smaller states. They interpreted this policy as an implicit expression of India’s “hegemonic diplomacy.”\(^{210}\) India’s handling of the situation in Sri Lanka and Maldives in late 1980s, created further apprehensions and mistrust about its ulterior motives. There was a strong reaction in Sri Lanka which intensified the violence therein and also strained bilateral relations of two states. Even in several cases, Indian leadership did not respect the terms and conditions of the written agreements. Sometimes, while exploiting the week positions of smaller states, it was also able to dictate them terms and conditions detrimental to their national interests but ultimately creating lot of hatred towards itself.\(^{211}\) Indian insistence to pursue policy of bilateralism towards its smaller states had created strong anti-India feelings among its smaller neighbours which in turn inhibited growth of regionalism in South Asia. As such, Muni argued that “undue insistence on bilateralism” on the part of Indian leadership created distrust, misperceptions and “avoidable fears and suspicions of Indian dominance” in the region. It also provided “anti-India” forces within and outside the region to exploit these apprehensions in their favour. But most importantly, India’s such behaviour instilled “an uncomfortable feeling of dependence and vulnerability among her neighbours.”\(^{212}\)

6.6.5  **India’s Behavior during Bilateral Negotiations**

India has been inclined to maintain the status quo and seldom showed any flexibility in its position during bilateral negotiations with smaller states. Some of the bilateral disputes among regional states were “intractable” but the smaller states had

\(^{210}\) Naqvi, “South Asian Cooperation,” 191–2; Gupta, Gupta and Handa, “Regionalism in South Asia,” 22.

\(^{211}\) India’s several treaties with Nepal are its clear manifestation. See Mishra, “India’s Role in Nepal’s Maoist Insurgency,” 627–46.

\(^{212}\) Muni, “Problem Areas in India’s Neighbourhood Policy,” 192–3.
mostly been “apprehensive and distrustful” of Indian intentions.\footnote{Sobhan, “Regional Cooperation in South Asia,” 24.} Maass argued that due to “Indo-centric nature of the region” a change in Indian behaviour with inclination to show more flexibility and accommodation towards its neighbours on bilateral disputes was crucial for success of regionalism.\footnote{Maass, “South Asia: Drawn,” 270.} As noted by Sobhan, “politics is all about bargaining and compromise” and in order to make South Asian regionalism successful all states were required to make compromises to resolve political problems. However, India owed the largest responsibility. Its lack of interest to “accommodate the concerns” of its partners was not helpful in the growth of regionalism in South Asia. India had no compulsion to make compromise and give concessions to smaller countries. However, whenever it accommodated their concerns it had created goodwill towards India.\footnote{Sobhan, “Regional Cooperation in South Asia,” 24.}

Cohan argued that India had various big problems in improving its relations with Pakistan but it needed to do something to “convert an enemy into a partner.” To that end, it might have to “give a little, but it has a lot to gain.” However, he maintained, there was no consensus in New Delhi whether it would negotiate with Pakistan or not. Sometimes Indian leadership claimed that it would not “deal with the generals” and when civilian governments came, New Delhi argued that civilian rulers in Pakistan were “too weak to conclude a deal.” Another dilemma was that during negotiations India was not willing to make concessions. For instance, when it felt itself in a weaker position it feared that any concessions would lead it “down a slippery slope.” When it felt stronger, it expected “the weaker side to bow.” Cohan observed that presently India was “up” but still there was “no serious consideration of a deal that would bring to fruition the process” initiated in
2004. Even when Advani and Jaswant Singh had hailed Jinnah and apparently took soft position towards Pakistan they were severely criticized by Hindu extremist parties. Meanwhile, Indian army, secret agencies and civil bureaucracy such as ministry of external affairs, as well as their counterparts in Pakistani, wanted to keep bilateral conflicts alive for their own vested interests.\textsuperscript{216} Maass observed that global political and economics dynamics had also demanded regional cooperation in South Asia. However, it was doubtful whether Indian ruling elites had expected to achieve enough gains from becoming cooperative with its smaller partners. He claimed that one was tempted to assume that “India regards accommodation as unnecessary, considering itself powerful enough to cope with major irritants or tensions” in South Asia.\textsuperscript{217} Both Sobhan and Khosla agree that there were real issues or problems among regional states, and not merely misunderstandings or “figments of imagination.” They adversely affected growth of regionalism. However, they could be resolved in a spirit of give and take.\textsuperscript{218} An analysis conducted by a leading Indian magazine with the help of senior journalists from Bangladesh, Sri Lanka and Nepal had identified following five main reasons of India’s strained relations with its neighbours: New Delhi took “its neighbors for granted”; it insisted that India’s position was “always right on all issues;” India did not give concession to smaller states; it was not serious to correct trade imbalances of smaller states, and; India was “excessively paranoid about its own security, placing undue emphasis on security at the cost of all other facets of a relationship.”\textsuperscript{219}

\textsuperscript{216} Cohen, “Rising India has a Pakistan Problem.”
\textsuperscript{217} Maass, “South Asia: Drawn,” 270.
\textsuperscript{218} Khosla, “Constructing the South Asian Community,” 191; Sobhan, “Regional Cooperation in South Asia,” 22.
India the largest state in the region in every respect had played “minimal” role in shaping the future of SAARC. It behaved like a “status quo power” and remained indecisive whether it should take the lead or otherwise. Though India had improved its relations with Sri Lanka, Maldives and Bhutan but its relations with other regional countries, particularly Pakistan, were not “supportive” to the spirit of regionalism.\(^{220}\) The smaller states wanted to overcome shortcomings of SAARC so that it could handle with political and strategic matters which were “directly relevant” for them. But these objectives remained less important for India which preferred to “limit to the status quo.” This was the reason that the SAARC members such as India, Pakistan, Bangladesh and Nepal which had extensively contributed to international peace and security through participating in UN peacekeeping missions, could not play any role for the security and stability in South Asia. If and when some action was taken, it was at bilateral level, such as Indian intervention in Bangladesh, Sri Lanka, Nepal and the Maldives. However, it also created conflict of interest of these states with India.\(^{221}\)

The SAARC had failed to play any role in political matters related to its member states. The scholars including Cheema, Sudhakar, Naqash, Zaki and Ahmad agree that significant progress in South Asian regionalism was not possible “without easing political tensions” through resolution of bilateral political disputes such as Kashmir problem and other issues between India and Pakistan as well as ethnic and religious conflicts in the region.\(^{222}\) SAARC has not been able to improve bilateral relations among its members. For instance, at times India and Pakistan downgraded their diplomatic relations, broke

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\(^{220}\) Baral, “Cooperation with Realism,” 270.
\(^{221}\) Gooneratne, “Sri Lanka and Regionalism,” 60.
transportation and communication links between them and their armies faced eye-ball to eye-ball. Cheema argued that excluding contentious and bilateral issues from discussion at SAARC forum made it an ineffective organization. Sudhakar claimed that it not only made SAARC a non-starter but also caused a status-quo in the region. Naqash argued that such provision “can no longer be a sensible course.” Zaki argued that members must use SAARC framework to discuss bilateral and contentious issues. Otherwise, Sudhakar argued, SAARC members must create a “regional conciliation committee or arbitration mechanism.” Ahmad argued that SAARC must “adapt itself to the new realities even if it means re-writing of its basic charter.” Iqbal argued that without progress on political side, SAARC would “experience only a stop-and-go pattern of growth” with limited chances of regional cooperation on “specific techno-economic issues.” Sudhakar argued that all members needed to do something to remedy this situation but India owed the largest responsibility. In fact, the “the problem is centred around India.” Therefore, it “needs to do a bit of back-bending for the sake of improved regional cooperation.” However, Muni has claimed that Indian leadership “hardly had a heart in promoting SAARC when the exercise began in 1980.” He observed that a large number of former and present policy makers in India were “far too keen to bury SAARC unlamented.” Muni cautioned that it would not be in India’s own interests. “A dead

223 Jha, *SAARC the Period Ahead*, 117.
226 Naqash, *SAARC: Challenges and Opportunities*, 106.
228 Sudhakar, *SAARC: Origin, Growth and Future*, 211.
230 Iqbal, “Econo-Political Dynamics of SAARC Countries,” 105.
SAARC at India’s behest,” he maintained, “will only make India’s neighbourhood policy more difficult and its international image more unpalatable.”

The Indian leadership ignored the voices from within the country and the neighborhood to avoid aggressive postures towards regional states and carry them particularly Pakistan as an “honored partner” and prefer to win their hearts over coercing them in order to promote cause of regionalism. Rather, it pursued hegemonic position in the region through building arms at the cost of the people of South Asia.

6.7 ARMS RACE IN SOUTH ASIA: CAUSES AND IMPLICATIONS

India has also been the prime driver and main responsible for escalation of arms race in South Asia. Its massive arms buildup compounded with expansionist policy and coercive diplomacy as well as persistence of unresolved political problems and bilateral disputes with smaller states compelled other regional states to increase defense outlays. India also instigated the race to acquire nuclear weapons and the related delivery system including latest airplanes, submarines and missiles which increased insecurity of the people of South Asia and adversely affected their socio-economic development.

Arms build up put adverse political and socio-economic effects on states as high defense expenditures leave little resources for investment. Arms imports disturb balance of payments. It forces government to seek foreign aid which is generally “heavily tied to the foreign policy objectives of the donor country rather than to the needs of the recipient

232 Muni, “Problem Areas in India’s Neighbourhood Policy,” 188.
233 For instance Sundarji, former Indian army chief, had said: India should focus on creating “a loose South Asian Federation based on the South Asian Regional Cooperation by 2010. We must carry Pakistan along as a major and honored partner in the enterprise. We must wholeheartedly support Pakistan’s right to develop a minimum nuclear deterrent.” K. Sundarji, “Indian Military Compulsions,” in Bharat Karnad (ed.) Future Imperilled India’s Security in the 1990s and Beyond (na: Viking, 1994), 144–5. General K. M. Arif, Pakistan’s former vice-chief of the army staff had advised: “To resort to war is a poor option to establish peace or even hegemony. It is counter productive to build up the security of one country on the insecurity of her neighbors. To achieve peace in South Asia, efforts should be made to win over hearts. And hearts cannot be won through conflict.” cited by Gupta, “Issues in South Asia,” 15.
country.”

Resultantly, states have to compromise on their sovereignty as they formulate their policies on foreign dictates. External debts put further strain on national budgets as its huge share goes on debt servicing. High defense outlays leave states with insufficient resources to give adequate attention for provision of basic services to their people, i.e. primary education, health and access to safe drinking water.

SAARC members had recognized the vital link between disarmament and development as demonstrated by the UN Conference on Disarmament and Development. They repeatedly called for evolving a future framework to save valuable resources being wasted on arms build up and to divert them for their socio-economic development. At times, they called for “the complete elimination of nuclear weapons” as well as “nuclear disarmament on a universal basis, under effective international control.”

They argued that the rising arms race was “draining world precious resources.” Thus South Asia needed “a new wisdom capable of striking a balance between the claims of security and those of basic needs.” They demanded drastic cuts in arms expenditures.

India had endorsed these concerns. It believed that “Prevailing tensions and the continuing nuclear arms race pose a serious threat to our progress and prosperity.”

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235 Reddy, “Indo-Pak Defence Spending,” 130–1; World Council of Churches, World Military Expenditures, 17. Sometimes the debt servicing and defense expenditure constituted the largest and second largest part of their national budgets.

236 SAARC Secretariat, SAARC Summits, 149–50, and 212; SAARC Secretariat, SAARC Documents, vol. VI, 388.

237 Shah Dev, Address to the inaugural session of the first summit, SAARC Summits, 22.

238 Gayoom, Address to the inaugural session of the second summit, SAARC Summits, 67.

239 Gandhi, Address to the inaugural session of the first summit, SAARC Summits, 16.
Once, Gandhi observed: “Development hinges on peace. The arms race among the militarily powerful distorts their economies and ours. It wastes resources that could be used to ameliorate the human condition. The insatiable quest of the powerful for newer areas of influence retards our development, which is our foremost priority.”

Gandhi had argued that the wellbeing of people must be accorded priority over economic growth. He had stated: “we envisage development as comprising much more than mere economic growth. People should be kept at the core of the development process. It is only merely our economies which grow but our people who develop.”

Therefore, he reiterated the position of NAM and his country’s opposition to any escalation of arms race.

Both India and smaller states wanted disarmament but they differed in their approaches. They unanimously called for global disarmament and appreciated such agreements as and when signed between super-powers. However, India wanted a universal approach to curtail arms race and nuclear disarmament while smaller states also wanted some regional arrangement to curb the menace. For instance, Prime Minister Junejo had said: “All of us favour arms limitation. We are opposed to nuclear weapons. We should reinvigorate and solemnize this resolve in our own region.”

The smaller countries argued that until SAARC members take such initiatives at their own level they could not ask major powers for nuclear disarmament. Thus, King of Bhutan had argued, “SAARC can provide a forum to conduct a meaningful dialogue among our countries on

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240 Gandhi, Address to the inaugural session of the second summit, *SAARC Summits*, 57.
241 Gandhi, Address to the inaugural session of the third summit, *SAARC Summits*, 119.
242 Gandhi, Address to the inaugural session of the second summit, *SAARC Summits*, 57.
243 SAARC Secretariat, *SAARC Documents*, vol. VI, 388.
244 Junejo, Address to the inaugural session of the second summit, *SAARC Summits*, 72.
Emphasizing the importance of keeping “densely populated region free from nuclear” threats, once premier Junejo had argued, “A joint renunciation of the nuclear option in a binding instrument would reassure our peoples. In fact, we should go further and consider a regional agreement placing a comprehensive ban on nuclear explosion tests.” Benazir Bhutto had argued that some of the regional states were spending too much on defense and were maintaining large armies facing each other. But the events in Vietnam, Afghanistan, and war between Iraq and Iraq had revealed “the limits of military power” as one of effective means to achieve national objectives. She called upon the regional states to explore the means of limiting defense spending in South Asia and to find “regional solutions for curbing the arms race and the danger of nuclear proliferation and war.” The smaller states also put forth various proposals to remove political tensions from the region. For instance, Pakistan had given several proposals, supported by other smaller states, to address nuclear issue at regional or bilateral level, such as: declaring South Asia a nuclear-free zone; simultaneous signatures to NPT; bilateral non-proliferation treaty; joint inspection of nuclear facilities; and agreement on preventing both sides from attacking each other’s nuclear installations. India consistently rejected these proposals. However, when Zia briefly met Gandhi in December 1985, “India dramatically set aside its objections” on Pakistani proposal to sign agreement to

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245 Wangchuck had said that: “I must also express serious concern at the prospects of nuclear weapons development in South Asia. We must take a united stand against the ominous trend. We can hardly call upon the major powers to curtail their nuclear weapons programme if we ourselves are not prepared to prevent its development in our own region.” Address to the inaugural session of the third summit, *SAARC Summits*, 116.

246 Junejo, Address to the inaugural session of the third summit, *SAARC Summits*, 126; Bhutto, Address to the inaugural session of the fourth summit, *SAARC Summits*, 165.
not attack each other’s nuclear facilities.247 The agreement was signed in 1989. Since then, both countries have adhered to it despite several hard moments in their relations.

6.7.1 India’s Role in Escalating Arms Race in South Asia

The lingering bilateral disputes and political problems in South Asia, in conjunction with India’s desire to become a great power, plunged regional states into a costly arms race which is reflected in their massive defense expenditures. For instance, it led Pakistan to build up conventional as well as nuclear weapons and the related delivery system including latest airplanes, submarines and missile etc. It increased the insecurity of the people and also affected their socio-economic development. Nonetheless, India has been the prime driver and main responsible for escalation of arms race in the region. During the Cold War, increase in India’s defense spending also affected and led to increase in Pakistan’s military outlays.248 However, India was far more sensitive to Pakistan’s defense spending and wanted to maintain a certain level of superiority over it. Gupta claimed that India had “maintained conventional arms superiority at the ratio of three-to-one over Pakistan. The high defense spending also strengthened military bureaucracy in both states though more so in Pakistan.249

India’s massive arms buildup compounded with expansionist policy and coercive diplomacy compelled other regional states to increase their defense outlays. For instance, Sri Lanka was spending less on its defense and far more on social sector prior to 1980s.

But its war (1982–2009) with Tamil rebels, supported by India, compelled it to increase its military spending to almost 40 percent of its budget.\textsuperscript{250} Though its civil war is apparently over, still it has to increase its defense expenditure in order to repay the loans it borrowed to fight the war, which also took live of about 100,000 people.\textsuperscript{251} Likewise, Nepal in the backdrop of Maoists’ insurgency had to spend a big share of its budget on defense. Bangladesh too, perceived threats to its security emanating from India and spent high on its defense. Thus, SAARC members kept on increasing their defense outlays and their share in world’s total military spending increased from 0.8% in 1989 to 2.0% in 1999.\textsuperscript{252} The following table shows the military expenditure of five main founding members of SAARC as percentage of their GDP during the period from 2001 to 2009.

\begin{table}[h]
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\begin{tabular}{|c|c|c|c|c|c|c|c|c|c|}
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1. & Bangladesh & 1.2 & 1.1 & 1.1 & 1.1 & 1.0 & 1.0 & 1.0 & 1.0 & 1.0 \\
2. & India & 3.0 & 2.9 & 2.8 & 2.8 & 2.7 & 2.5 & 2.3 & 2.5 & 2.8 \\
3. & Nepal & 1.1 & 1.4 & 1.6 & 1.9 & 2.2 & 2.2 & 1.9 & 1.8 & 2.0 \\
4. & Pakistan & 3.8 & 3.9 & 3.7 & 3.6 & 3.4 & 3.3 & 3.0 & 2.8 & 2.8 \\
5. & Sri Lanka & 4.3 & 3.3 & 2.9 & 3.0 & 2.6 & 2.8 & 3.3 & 3.7 & 3.5 \\
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SAARC members incurred higher defense expenditures as share of their central government spending than other developing states, except sub-Saharan Africa. According to World Bank, defence outlays of India and Pakistan stood 14% and 23%, respectively, of their central governments’ total spending in 2001. The defense outlays of both these states constitute about 93% of the total military spending in South Asia.\textsuperscript{253}

\begin{table}[h]
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\begin{tabular}{|c|c|c|c|c|c|c|c|c|c|}
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1. & Bangladesh & 1.2 & 1.1 & 1.1 & 1.1 & 1.0 & 1.0 & 1.0 & 1.0 & 1.0 \\
2. & India & 3.0 & 2.9 & 2.8 & 2.8 & 2.7 & 2.5 & 2.3 & 2.5 & 2.8 \\
3. & Nepal & 1.1 & 1.4 & 1.6 & 1.9 & 2.2 & 2.2 & 1.9 & 1.8 & 2.0 \\
4. & Pakistan & 3.8 & 3.9 & 3.7 & 3.6 & 3.4 & 3.3 & 3.0 & 2.8 & 2.8 \\
5. & Sri Lanka & 4.3 & 3.3 & 2.9 & 3.0 & 2.6 & 2.8 & 3.3 & 3.7 & 3.5 \\
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\textsuperscript{250} Gupta, “Issues in South Asia,” 9.
\textsuperscript{251} “Sri Lanka tipped to Raise defence spending.”
\textsuperscript{252} World Council of Churches, \textit{World Military Expenditures}.
\textsuperscript{253} According to the World Military Expenditures and Arms Transfers (WMEAT) summary report, the average military expenditures of the developing states were 14.5% of their central government total spending in 1999 but it stood 16.1% in South Asia – only below the Southern Africa (17.1%). See World
In real terms, India’s military spending have been higher than that of Pakistan. But in relative terms (as share of GDP), Pakistan’s military budget have been greater than that of India. Pakistan was spending 5.8% of its GDP on defense as compared to India’s 2.5% in 1991. However, over the years this difference has been narrowed due to Pakistan’s decision to restrict its military outlays and India’s choice to substantially enhance it. Thus in 2009, both countries spent 2.8% of their GDP on their defense. Meanwhile, the difference in their defense expenditure in real terms has widened significantly. India now spends about seven times higher on its defense than Pakistan.254

Table 6.2

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Military expenditure of South Asia state in constant US dollars for 2001–10
(Figures are in US $ million at constant 2009 prices and exchange rates for 2001–10).
Source: SIPRI (Sam Perlo-Freeman, et al. “Military expenditure; India.”)

India has also instigated nuclear arms race in South Asia. Both India and Pakistan possessed 80–100 nuclear war heads, each.255 They endeavor to further increase their fissile material production capacities and develop “new ballistic and cruise missile


254 See table 6.2. India’s defense spending as share of its GDP reduced from 3.0 % in 2001 to 2.3 % in 2007 due to high growth rate (8–9 % each year) but due to subsequent economic slow down their share resurged to 2.8 % in 2009. Sam Perlo-Freeman, et al. “Military expenditure; India.” Reportedly, Indian plans to increase its military spending by 50 % which would raise their share to 3% of its GDP. Sajjad Shaukat, “India’s Unlimited Defence Purchases,” available at http://www.newcenterpk.com/india-%E2%80%99s-unlimited-defence-purchases/ accessed on 20.10.2011.

systems capable of delivering nuclear weapons.”\textsuperscript{256} India acquired nuclear weapons “driven less by compulsions of security and more by hunger of ‘prestige’ and ‘status.’”\textsuperscript{257} It had refused to sign, despite appeal by her civil society, the CTBT for which it had “pioneered and as long canvassed for.”\textsuperscript{258} However, Pakistan was forced to initiate its nuclear program only due to a “real threat” to its national security. Even it had no intention to detonate its weapon but had to do that in order “to create a sort of strategic balance, both in perception and reality, in the region.”\textsuperscript{259} Pakistan’s nuclear program is India specific because Indian leaders, generals and experts still dream to destroy Pakistan had the country is stripped of its nuclear weapons. Gupta observed that more than 90\% of Indian troops are generally deployed on or towards Pakistan’s borders.\textsuperscript{260} In recent past, it has announced a “cold start doctrine” and initiated a massive arms build up program which has caused serious concerns in Pakistan.\textsuperscript{261}

India has been bent upon acquiring power through massive arms build up. In early 1990s, India had decreased its defense budget due to economic problems and IMF reform agenda. But in late 1990s, particularly after the brief Kargil war, it substantially increased

\begin{itemize}
\item \textsuperscript{256} SIPRI, “Resource Competition Raises Tensions.”
\item \textsuperscript{257} See IPRI, “Emerging nuclear paradigm in South Asia,” \textit{IPRI Fact Files}, available at \url{http://ipripak.org/factfiles/ff02.shtml} accessed on 30.10.2011.
\item \textsuperscript{258} The statement of its eminent citizens including diplomats, editors, scholars and journalists said: “It would be tragic if India is seen to be negatively disposed towards a treaty it had itself pioneered and as long canvassed for.... If the CTBT talks fail, the post-Cold War momentum towards nuclear restraint would be undermined, and even existing arms control agreements could unravel. New Delhi must discharge the moral and political responsibility it proudly assumed in 1954, by securing a good CTBT through a constructive, consensual approach.” \textit{Mainstream}, a New Delhi Weekly, July 20, 1996 cited by Gupta, “Issues in South Asia,” 12.
\item \textsuperscript{259} IPRI, “Emerging nuclear paradigm in South Asia.”
\item \textsuperscript{260} Cohen, “Rising India has a Pakistan Problem;” Gupta, “Issues in South Asia,” 11.
\item \textsuperscript{261} In the wake of “inconclusive 1999 ‘Kargil war’” and presence of nuclear deterrence with Pakistan, “India sees the option of an all–out military attack on Pakistan… as unviable.” Therefore, it has decided, under its “cold start” doctrine announced in 2004, to build its military capabilities for mobilizing its troops for limited war within 72 hours to undertake “limited, swift, [and] ‘smart’ attacks.” Sam Perlo-Freeman, \textit{et al.} “Military expenditure; India.”
\end{itemize}
its military spending. It increased its military expenditure at the rate of 20 to 24.4% per year during 1994–97 and 28.2% in 1999. It increased its arms expenditures by four times (in real terms) in a 10 year period since 2001.\textsuperscript{262} India significantly increased share of its capital (on equipments and infrastructure) and R&D expenditure.\textsuperscript{263} Since 2003, it spent a major part of capital expenditures on modernization of Indian Air Force in a bid to buy fighter jets, radars, sensors, satellites, and unmanned aerial vehicles in order to “achieve superiority over China and Pakistan in air power and information.” It also increased share of spending on navy “to expand its blue-water naval capabilities to allow it to project power in the Indian Ocean.”\textsuperscript{264} It was reported in 2007 that India spent $10.5 billion on arms purchases during previous three years and would further spend $30 billion in the coming five years.\textsuperscript{265} India imported arms constituting about 9% of international arms purchases from 2006 to 2010 and replaced China as the world’s largest arms importer.\textsuperscript{266} It would spend $200 billion over a period of 12 years (2010–2022) on its armed forces. On R&D side, India strived to reform its arms industry through allowing more private

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\textsuperscript{262} Reddy, “India-Pak Defence Spending,” 122–3; Sam Perlo-Freeman, \textit{et al.}, “Military expenditure; India;” Shaukat, “India’s Unlimited Defence Purchases.”

\textsuperscript{263} Capital spending were raised from 23% in FY 2003–04 to 37% in FY 2004–05 and then kept about 34% of total defense expenditure. While the share of R&D in defense budget “has quadrupled” from 1.3% in FY 2001–02 to 5.6% in FY 2010–11. Sam Perlo-Freeman, \textit{et al.}, “Military expenditure; India.”

\textsuperscript{264} Sam Perlo-Freeman, \textit{et al.}, “Military expenditure; India.” India intends to spend an half of the future 12 years defense expenditure, i.e. $100 billion to modernize IAF through replacing half of fighter jets, entire transport airplanes and helicopter fleet. Its navy plans to purchase ships, aircraft carriers and nuclear submarines. For details see Shaukat, “India’s Unlimited Defence Purchases.”

\textsuperscript{265} It has planned to buy over 500 fighter jets, helicopters and UAVs. Earlier, it purchased Israeli Phalcon radars and French Scorpene submarines in 2004 and 2005, respectively. See Siddharth Srivastava, “Deal to see Indian defense spending soar,” \textit{Asia Times Online}, May 17, 2007, available at \url{http://www.atimes.com/atimes/South_Asia/EIE17Df02.html} accessed on 20.10.2011.

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investment and technology transfers from abroad under offset arrangements.\textsuperscript{267} It has stipulated the condition that any firm intending to supply arms to India would “have to invest 30\% of the order in Indian public–and private–sector companies.”\textsuperscript{268}

6.7.2 Cost of High Defense Expenditure

Arms build up put adverse political and socio-economic effects on states as high defense expenditures leave little resources for investment, and arms imports disturb balance of payments. It forces the governments to seek foreign aid with attached strings due to which states have to compromise on their sovereignty. External debts put further strain on national budgets as its huge share goes on debt servicing.\textsuperscript{269}

There is an apparent “trade-off” between the provision of basic facilities to people and military expenditures. Hussain argued that at least 60 million people can get safe drinking water facilities in a price of single modern submarine with associated support systems that cost US $300 million.\textsuperscript{270} The UNICEF claimed that basic human needs of every person on earth could be met if only $70 to $80 billion, i.e. just 10\% of the world’s defense expenditures in 2000, were redirected to this end.\textsuperscript{271} India would spend around $16–19 billion (at the rate of 1998–99 Market Exchange Rate) on its nuclear program. It would cost 0.5\% of its GDP which is equal to annual expenditures of introducing

\begin{thebibliography}{9}
\bibitem{267} Shaukat, “India’s Unlimited Defence Purchases;” Sam Perlo-Freeman, \textit{et al.} “Military expenditure; India.”
\bibitem{268} Srivastava, “Deal to see Indian defense spending soar.” The Western companies are prevented to sell arms to China since 1989 Tiananmen Square incident. They “are in desperate need to find export markets” which give India a position in the context of its high arms imports to demand transfer of technology as part of weapon supply deals. Mustafa, “India Overtakes China.”
\bibitem{269} World Council of Churches, \textit{World Military Expenditures}, 19; Reddy, “Indo-Pak Defence Spending,” 124–31. Sometimes, the debt servicing and defense expenditure constituted the largest and second largest part of their national budgets.
\bibitem{270} Hussain, “A Perspective on Peace,” 12.
\bibitem{271} World Council of Churches, \textit{World Military Expenditures}, 20.
\end{thebibliography}
universal primary education in India. India’s defense outlays were three times higher than the total expenditures on health sector spent by its central and state governments.

Huge military expenditures benefit a few at the cost of many in India. India’s huge military outlays mostly benefit foreign arms exporters, i.e. companies from Russia, the US, Israel, France, U.K., Germany, and other Western countries, which compete with each other to supply weapons to India. Sometimes, they use unlawful tactics, such as payment of kickbacks to political and military leadership, to win arms deals. Thus, these political leaders and high military officials are also the beneficiaries of high arms expenditures. High military spending only empower a few people (certain groups) at the cost of many who suffer from poverty, illiteracy, malnutrition, under-or-unemployment, low-income and without proper health, clean drinking water and sanitation facilities.

Due to high defense outlays, regional states are left with insufficient resources to give adequate attention to provide basic services to their people. Most of the developing states spend about 12–14 percent of their national budgets on provisions of these facilities but SAARC members spent a very small fraction of their income on health and education. South Asian social indicators were worst in the world except the sub-

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274 In June 2005, India signed a 10 years defense agreement “the New Framework for the US-India Defense Relationship” with the US. India also planned to purchase 197 helicopters for an estimated cost of $700 million for which two American companies were competing. The US was also looking forward to strike a deal of worth $ 30 billion over a few years. Srivastava, “Deal to see Indian defense spending soar;” SIPRI, “Military expenditure;” and Mustafa, “India Overtakes China.”

275 For instance, an Austrian firm went to the Indian Supreme Court on the plea that “Russian armaments manufacturer Kazan Helicopters paid Rs.290 million (more than $7 million) in kickbacks to swing a Rs.1.8 billion deal to supply 16 Mi-17 helicopters.” Srivastava, “Deal to see Indian defense spending soar.”


277 World Council of Churches, *World Military Expenditures*, 17–8; Gupta, “Issues in South Asia,” 8–9. Gupta noted: “It appears that of its $360 per capita GNP, India spends a total of $6.4 on health and education; Pakistan $7.9 of its $400 per capita GNP; Bangladesh $3.1 of its $210, and Nepal around the
Saharan Africa, i.e. child death rate due to easily preventable diseases, women death rate during pregnancy or child birth, illiteracy and drop out during primary education and lack of clean drinking water and sanitation facilities.\textsuperscript{278} Most of the people in the region are poor, almost one half of children are undernourished, more than one third of population suffers from “health deprivation”\textsuperscript{279} Poverty put “gravest impact on children” in South Asia where hundreds of million of children missed their primary or secondary education while growth of 200 million others was inhibited due to malnutrition.\textsuperscript{280}

The situation is worst in India itself – the largest arms importer in the world. “In 2005 India had more people living on less than $1.25 a day than sub-Saharan Africa.”\textsuperscript{281} India stood 134\textsuperscript{th} out of 182 states on its UNDP human development index and 50\% of world’s undernourished people lived in India where around one third of population earned less than a dollar per day.\textsuperscript{282} Cohen noted that India still had “half of the world’s poor.” World Bank says that “more than three-quarters of India’s 1.2 billion people live on less than a $2 a day.”\textsuperscript{283} Reportedly, hundreds of thousands of street children lived in slums of India’s big cities such as New Delhi, Bombay, Calcutta and Bangalore. They earned their livelihood “by collecting rags, shining shoes, scavenging rubbish dumps and so forth.” Several of them were also involved in “petty crimes.”\textsuperscript{284} Under these

\footnotesize{same. At one time Sri Lanka spent over 30 percent of its $500 per capita GNP on education and health, but the ethnic war launched by Tamil militants (LTTE) has forced Colombo to hike its military expenditure to nearly 40 percent of the national budget.”
\textsuperscript{278} World Council of Churches, World Military Expenditures, 18.
\textsuperscript{279} Health deprivation is measured in terms of lack of access to safe water and undernourishment. Hussain, “A Perspective on Peace,” 12. Also see “World Military Expenditure,” 17–8.
\textsuperscript{280} Gupta, “Issues in South Asia,” 8.
\textsuperscript{281} Sam Perlo-Freeman, \textit{et al.} “Military expenditure; India.”
\textsuperscript{282} Shaukat, “India’s Unlimited Defence Purchases.”
\textsuperscript{283} Cohen, “Rising India has a Pakistan Problem;” Mustafa, “India Overtakes China.”
\textsuperscript{284} Gupta, “Issues in South Asia,” 8.}
conditions, Binalakshmi Nepram, Secretary General of the India’s Control Arms Foundation rightly raises the question: “When people are dying of poverty and bad sanitation, what protection will arms provide them?”285

The smaller states had to spend far more on defense in relative terms leaving far less to spend on social sector. Dreze and Sen argued that increased arms purchases divert: government priorities and resources from important social sector areas such as education and health; time and energy of government officials and leaders; scientific and technological resources from civilian to defense sector; nuclear weapons increase arms race and cause further diversion of resources; and; high armaments and acquisition of nuclear weapons increase insecurity of people.286

South Asia stands “suspended between the hope of a better life and fear of cataclysmic destruction.” Hope stems from the vast human and natural resources which could contribute to socio-economic development in the region. Fear is rooted in the prevalence of the largest number of South Asian people living under a permanent threat of “a nuclear holocaust.”287 In fact, acquisition of nuclear weapons or increased defense spending cannot “buy a country peace and security.” It can only be achieved through “constructive diplomacy.” Regional peace particularly between India and Pakistan is the “key” to human survival, security and sustained economic growth in South Asia.288

285 Cited by Shaukat, “India’s Unlimited Defence Purchases.”
287 Hussain, “A Perspective on Peace,” 11. Hussain observed that “three features define the India–Pakistan strategic nuclear environment, which imply a high probability of an accidental nuclear war, thereby making nuclear deterrence unstable: (a) the flying time of nuclear missiles between India and Pakistan is less than five minutes; (b) the unresolved Kashmir dispute fuels tensions between the two countries, making them susceptible to disinformation about each other’s intentions; and (c) intrastate social conflicts in each country feed off interstate tensions.”
CONCLUSION

New Delhi had different perceptions and preferences in the region. India’s founding fathers had envisioned a specific role for their country and wanted India to play a leading role in the global politics. It took South Asian states as granted and showed no significant interest in promoting cooperation in the region. India took advantage of its power and location and imposed its domination on regional states. It did not expect too much from SAARC and gave it a secondary importance. Contrary to the demands of smaller states, India persisted to exclude contentious issues and bilateral disputes from discussion at SAARC forum. New Delhi preferred bilateralism over multilateralism in order to consolidate its predominance in the region. Even it was not serious in bilateral negotiations and wanted to maintain territorial status quo. India used bilateral means to extracts maximum benefits and imposed its policies and decisions on smaller states. Contrary to the expectations of the leaders of smaller states, generally it did not show magnanimity, generosity and accommodation towards the needs and concerns of its co-partners in SAARC. Most of the time, India had tense relations with its neighbours which prevented SAARC from reaching agreements on important matters. Generally, it attempted to massively increase its power and build strategic and political ties with super powers to achieve its objectives. It gradually endeavored to create complementarity of interests with the US to seek its approval in playing a much bigger role in the world.

New Delhi believed that it had no compulsion to compromise its position due to its dominance in the region and that its neighbours would ultimately have to accept the status quo. Thus, India deliberately did not allow the growth of multilateralism in political and security matters in order to consolidate its military and political dominance
in South Asia. India’s insistence to exclude political problems and contentious issues from discussion in SAARC meetings made it an ineffective organization. In fact, India was not sincere to promote SAARC since its very creation.

India’s confidence in its national capabilities prevented it from pursuing a policy of accommodation and cooperation towards its neighbours. The rising political and economic power of India, compounded with its acceptance as a major player in world politics, had enabled it to achieve most of its strategic and political objectives. Resultantly, New Delhi believed that the policy of accommodation and cooperation towards its smaller neighbours was unnecessary. New Delhi also felt that South Asia fell too short to meet its far larger ambitions and interests. India believed that its great power ambitions could be promoted through building extra-regional linkages and SAARC could do little to help in this regard. Thus, India did not bother too much about SAARC.

Apparently, there were no internal or external compulsions which could have forced India to change its policy towards regional states. India had enough national capabilities to advance its interests independently. The advancement of its objectives through bilateralism in the region and building alignment with key world players particularly the US could help achieve its interests. New Delhi rationally calculated its options and decided to grasp the moment. It skillfully exploited the opportunities, provided to it by history, in its favour. It could extract more benefits through unilateral and bilateral means and building extra-regional linkages than through promoting South Asian regionalism. Thus, it preferred the former over the latter because international politics is dictated by power and national interests and not by ethics and morality.
Chapter 7

INDIA’S ROLE IN PROMOTING ECONOMIC INTEGRATION, AND COOPERATION IN THE FIELDS OF CULTURE, SPORTS, AND TOURISM

The smaller states mostly considered security and political matters more important for growth of regional cooperation in South Asia. However, India preferred “low politics” to “high politics.” New Delhi believed that increased economic cooperation and trade liberalization, enhanced people-to-people contacts, interactions among scholars, cultural exchanges and cooperation and socio-cultural ties among the people of regional states would be more vital for success of SAARC. It would help manage bilateral disputes and normalization of relations between regional states.\(^1\) Indian perspective on possible areas of regional cooperation was expressed in the first meeting of the foreign secretaries of South Asian countries, held in Colombo in April 1981. During the meeting, Indian foreign secretary R. D. Sathe had said that the potential areas of regional cooperation had to be related “to functional cooperation in areas which are most relevant for the socio-economic development of our peoples.” He also proposed to convene regular meetings of the “economic planners” of South Asian countries to discuss and share each others experiences and explore the prospects of regional cooperation in “long-term planning perspectives.”\(^2\) He had also emphasized the need to involve common people, academicians and the NGOs in the process of regional cooperation. However, the smaller states particularly Pakistan was not convinced by Indian approach.\(^3\)

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\(^1\) Makeig, “War, No–War,” 281.
\(^2\) SAARC Secretariat, *From SARC to SAARC*, 17.
\(^3\) Ibid. 17; Makeig, “War, No–War,” 283–4.
7.1 ECONOMIC PROFILE OF SOUTH ASIA

The share of regional trade to global trade was about 18 percent in 1948. Later on it was reduced to and, Razzaque observed, remained around 4 percent of the world trade. However, the share of regional trade in total trade of SAARC members varied significantly. For instance, it stood 50 percent in case of Nepal and 17% each of Maldives and Sri Lanka. In respect of Bangladesh, Pakistan and India this figure remained 11, 6, and 3 percent, respectively. There also existed a large volume of unofficial or illegal trade among SAARC states, i.e. 30 percent of Indo–Sri Lankan trade, 103 percent of Indo–Nepal trade, and 138 percent of Indo–Bangladesh trade. There existed a vast potential of regional trade in South Asia. For instance, in 2011, the SCCI in its session in Sri Lanka observed that there was an annual regional trade potential of US$ 65 billion in South Asia which could not be realized due to lack of interconnectivity. No significant changes have been observed in regional trade pattern or South Asian share in world trade and global production since inception of the organization. At the time of launching of SAARC, the regional trade was very small part of the total world trade, i.e. just 5%. Initially it shrunk to 2.42% in 1990 and then resurged to 5% in 2005. This resurge was caused mainly due to bilateral FTAs and WTO regimes.

There have been several economic factors that impeded growth of regional trade. SAARC members had competitive instead of complementary economies. India had a

5 Razzaque, “Weaker Economies in SAFTA,” 380. Upreti observed that Nepal was heavily relying on India for its foreign trade. For instance, 35 percent of Nepalese imports came from and 44 percent of its exports went to India. Upreti, “India-Nepal Relations,” 270.
diversified economy. The exports of other states were “highly concentrated” and they mainly exported primary goods and labour-intensive products. Textiles accounted for the major part of their exports. They mainly imported capital-intensive goods and petroleum products. Regional states pursued policies of self-sufficiency and Import Substitution Industrialization (ISI) till late 1980s to develop local industries which resulted in inefficiency, corruption, rent seeking and growth of illegal trade among regional states. The growth of regional trade has also been impeded by several tariff barriers, Non Tariff Barriers (NTBs) and Para Tariff Barriers (PTBs). It was also an effect of the prevailing illegal trade in the region. The amount of illegal trade was estimated to be US$ 3 billion, as compared to formal trade worth US$ 1641 million, in 2004. The cost of cross-border trade has also been very high in South Asia.

7.2 DIVERGENT PERSPECTIVES ON TRADE LIBERALIZATION

Due to slow progress towards trade liberalization, the critics alleged that the SAARC had become “a talking shop and resolution adopting forum.” There was a perception in India that the smaller states pursued economic nationalism which inhibited

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9 These problems included: discriminatory treatments by members against each others’ products; lack of information, sustained dialogue and follow up as well as of adequate transport facilities; travel and tourism barriers; poor banking relations; lack of finance and credit; complex and lengthy procedures; trade imbalances, absence of exportable surplus, high cost of production, threat of India’s dominance, lack of creditability in regional capabilities, lack of Quality Control and Skilled Manpower Constraints etc. Joy, SAARC, Trade and Development, 221–6.

10 Jhamb, “India’s Regional Trading Arrangements,” 46.


12 For instance, trucks have to wait for about 4–5 days to cross a main border point (Petrapole–Benapole) between Bangladesh and India. Some 200 signatures are required in Nepal for trade with India and 140 signatures in India to trade with Nepal. Ahmed and Ghani, “Making Regional Cooperation Work,” 53–6.

13 Jha, SAARC The Period Ahead, 115–6.
growth of economic regionalism. Among the smaller states, Sri Lanka had a different perspective on trade liberalization. Colombo had initiated economic liberalization far earlier than others, i.e. in 1977. Its economy was relatively more developed and diversified than those of the other states. Thus, Sri Lanka was in favour of trade liberalization since the inception of SAARC but it also realized that it would not be an easy task. President Jayewardene had stated: “If regional co-operation is to be meaningful and is to have a beneficial effect in improving the quality of life of our people, we must now address ourselves to the feasibility of co-operation in the core area of trade, industry and economic co-operation. This is easier said than done, because co-operation in these vital areas is difficult and requires from each one of us, some sacrifice.”

India was far more enthusiastic towards trade liberalization due to its economic superiority mainly caused by its vast resource base, production capacity, well endowed, resilient and diversified economy. During the British period, the areas occupying present day India, were socio-economically far more developed in terms of basic physical infrastructure, etc. than other parts of the region. After independence, New Delhi adopted policies of ISI to attain self-sufficiency and promoted domestic industries protecting them from outside competition. Due to huge economic resources, large market and economic nationalism, Indian industrial sector flourished enormously and was far more advanced than those of other regional states. Its industries were producing most of the capital and consumer goods to meet domestic needs. Regional cooperation in trade

15 Jayewardene, Address to the Inaugural Session of the Fourth Summit, *SAARC Summits*, 185.
17 Muni, “South Asia as a Region,” 2.
and services could benefit enormously to India.\textsuperscript{18} Thus, it wanted trade liberalization in South Asia even at a time when its own economy was yet not liberalized. It formally proposed removal of trade barriers in 1982 but it was opposed by other members.\textsuperscript{19}

India continued to press for trade expansion. It wanted smaller states to set aside political problems including Kashmir issue and instead of becoming “hostage to the narrow security and political” considerations, they should pursue trade liberalization.\textsuperscript{20} Gandhi had stated that increased cooperation and practice of working together would put positive impact on bilateral relations of the SAARC states.\textsuperscript{21} India wanted Pakistan to give it MFN status and to help promote regional peace through building economic cooperation that would bring progress, social stability and economic prosperity in South Asia.\textsuperscript{22} India also wanted to involve private sector in the process as well as deeper regional integration in trade, investment, services, money and finance, and harmonization of macro-economic policies.\textsuperscript{23} However, smaller states resisted such demands.

\textbf{7.2.1 The Fears of the Smaller States}

The smaller states, particularly Pakistan and Bangladesh, were opposed to trade liberalization mainly due to persistence of their bilateral disputes with India and fears of Indian economic domination. Hussain observed that unresolved bilateral disputes and political conflicts in the region caused “cautions and hesitancy” among smaller states to consider trade links “with a perceived, actual or potential rival at both the regional and

\textsuperscript{18} Hussain, “New Directions for SAARC,” 64.
\textsuperscript{19} Naqvi, “South Asian Cooperation,” 178.
\textsuperscript{20} Barua, “Economic Diplomacy in South Asia,” 31; and Harshe, “India-Pakistan Conflict,” 57.
\textsuperscript{21} Rajiv Gandhi, Address to the inaugural session of the first summit, \textit{SAARC Summits}, 16.
\textsuperscript{22} Barua, “Economic Diplomacy in South Asia,” 31; and Harshe, “India-Pakistan Conflict,” 57–9.
bilateral levels.” The overall state of relations between India and Pakistan also influenced the process. Pakistan wanted a parallel progress on political side, i.e. towards resolution of its bilateral disputes with India. The failure on the part of regional states to address their political problems prevented them from creating regional economic complementarities which could have promoted regional trade. But the economic concerns of the smaller states were also the main factors to impede growth of regional trade. Kelegama observed that smaller states had reservations over “four broad areas” towards trade liberalization: political commitment of large members; market access to their products: protection of domestic industries and; investment policies. Hussain observed that economic disparities and prevailing trade imbalances between India and smaller states inhibited progress on regional trade. Major members such as India and Pakistan were more interested to promote economic cooperation outside the region and lacked necessary enthusiasm that serves as a driving force in the growth of regionalism. Due to India’s policies of ISI and self-reliance pursued in the past and existence of NTBs and PTBs, smaller states found it hard to get access to India’s market for their products. They had concerns over India’s policy of giving subsidies to its business class. Some of the smaller states were at the early stage of economic development and unregulated trade with India could favour its more developed industrial sector. They even feared that

25 Ibid. 64–5.
27 Hussain, “New Directions for SAARC,” 64.
India would dump its cheaper goods in their markets.\textsuperscript{31} At the time of creation of SAARC, the regional trade pattern exhibited “heavy imbalance” in India’s favor. The smaller states particularly Pakistan feared, partly on the basis of its experience of trade liberalization with New Delhi during mid 1970, that “unregulated trade” could gravely harm their newly nascent industries.\textsuperscript{32} The LDCs mainly produced and exported primary goods to, and imported manufactured goods from, India.\textsuperscript{33} Due to their limited productive capabilities and vast economic disparities in the region, the smaller states believed that there was barely any scope of economic cooperation on equal basis. They feared that they would ultimately end up merely as buyers of Indian products scarcely selling anything to India with huge trade deficit against the latter.\textsuperscript{34} In the context of prevailing regional trading pattern – largely in India’s advantage at the expense of others – the smaller states feared that increased, unregulated and unbalanced trade would result into a relationship of their permanent economic dependence on India. Due to India’s hegemonic ambitions, they feared that this “gradual and one-sided economic dependence” would culminate into their political dependence on India.\textsuperscript{35} Islamabad did not want to increase trade links with New Delhi and become economically dependent on it which India could use in future to “blackmail” Pakistan.\textsuperscript{36}

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\textsuperscript{31} Joy, \textit{SAARC, Trade and Development}, 225. \\
\textsuperscript{32} Pakistan had trade balance in its favour when it was being carried out “on a government-to-government basis” but after allowing private sector to conduct trade, its exports dropped from Rs.149.5 million to Rs.1.2 million whereas its imports increased from Rs.12.7 million to Rs.235.7 million just in a short span of time (from 1975–76 to 1976–1977). Bokhari, “South Asian Regional Cooperation,” 386. \\
\textsuperscript{33} Hussain, “New Directions for SAARC,” 64. \\
\textsuperscript{34} Bastianpilla, “SAARC: A Decade Later,” 220–1. \\
\textsuperscript{35} Hussain, “New Directions for SAARC,” 61–4. \\
\textsuperscript{36} Makeig, “War, No–War,” 284. \\
\end{flushright}
The smaller states, particularly Pakistan wanted, in the words of Benazir Bhutto, a “level playing field.”\textsuperscript{37} Their perspective was that the process of trade liberalization must protect the interests of all members and it must be based on the principles of transparency, equal opportunities, and mutuality of interests. The process must also give due consideration to the weaknesses and strengths of economies of member states. They argued that tariff cuts must accompany “parallel efforts” for removal of PTBs and NTBs, such as psychological and procedural impediments to trade.\textsuperscript{38}

7.2.2 **South Asia and Prerequisites of Trade Liberalization**

A number of experts opposed trade liberalization in South Asia claiming that the region lacked its pre-requisites. Jhamb and Panagariya claimed that creation of a discriminatory trade bloc, i.e. RTA would be a “mistake.” Both preferential and free trade would result into trade diversion instead of trade creation. It would result into severe revenue losses as well as reduction in consumers’ welfare severely. Particularly it would hurt the interests of the smaller partners especially those with high tariffs such as Bangladesh.\textsuperscript{39} A World Bank study observed that the prospective benefits accrued through enhanced efficiency, increased competition and economies of scale would not outweigh the economic cost of trade diversion.\textsuperscript{40} Sharan argued that free trade will result into polarization of benefits in which India being the most developed state in the region

\textsuperscript{38} Hussain, “New Directions for SAARC,” 64–5.
would get benefits at the expense of others.\textsuperscript{41} Kelegama, Dash, and Rais observed that trade liberalization under a RTA would be detrimental to the interests of economically weak states and it could be counter-productive for the growth of regionalism in South Asia.\textsuperscript{42} Therefore, regional states should pursue modest trade objectives. Rais and Kelegama argued that rather SAARC members must focus on other issues such as creating amity among them through addressing political issues, taking CBMs, and adherence to non-interference in each others’ internal affairs.\textsuperscript{43} They also needed to improve and develop basic infrastructure, and seek joint development projects.\textsuperscript{44} As such, Rais observed, they must pursue a “functional and incremental approach to community building” which also needed to create economic complementarities and mutual interdependence through regional planning and rationalization of new industrial structures to ensure equitable distribution of gains of cooperation.\textsuperscript{45} Sharan argued that in order to prevent developmental polarization and consequent strains in the region, SAARC members must harmonize their industrial planning leading to “specialization and the creation of specific production centres” capable of meeting the needs of region. Though, it required greater coordination among members but it would benefit both the producers and the consumers through economies of scale and ultimately help promote regional trade on sustainable basis.\textsuperscript{46} Raipuria argued that the goals of expanding trade could happen only if “economic structures” are built in the shape of production bases, physical and

\textsuperscript{41} Sharan, \textit{India’s Role in South Asian},” 111.
\textsuperscript{44} Dash, “The Political Economy of Regional Cooperation,” 208.
\textsuperscript{45} Rais, “Integration and Community Formation,” 222–7.
\textsuperscript{46} Sharan, \textit{India’s Role in South Asian}, 36–47 and 110–1.
social infrastructure and strong and efficient financial sectors. Regional states needed to adopt “a financial vision” and focus on mobilizing financial resources, from within and outside the region, to implement their development projects. Iqbal observed that they also needed to constitute a regional development fund through contributions from internal and external resources. The SAARC members, on the pattern of ASEAN, also needed to create economic complementarities through intra-regional investment and FDI.

7.3 TRADE LIBERALIZATION IN SOUTH ASIA: SAPTA AND SAFTA

The SAARC members moved towards trade liberalization with signing of SAPTA in 1993 which became effective in 1995. Under SAPTA, the members had completed four rounds of negotiations on tariff reductions which covered 5000 items by 2004. SAPTA could not play its role to significantly increase regional trade because it covered only a small fraction of the total goods traded by SAARC members. Meanwhile, SAARC members started negotiations to conclude SAFTA and set 2001 as its target date. But the tension between India and Pakistan in the context of Kargil war delayed the process and SAFTA was signed in 2004 amid various doubts about its success.

SAFTA adopted a different approach to boost regional trade. Instead of positive list as adopted in SAPTA, it provided for a negative list approach. It meant that members would phase out tariffs on all imports from co-members except those put under the

48 Iqbal, “Economio-Political Dynamics,” 97–100.
50 World Bank report 2004 estimated that SAPTA covered only 8.4 % of tariff lines for the goods imported from non-LDCs and 6.2% from LDCs. Weerakoon, “SAFTA: Current Status,” 74.
negative list.\textsuperscript{52} Sri Lanka and India maintained relatively larger negative lists as compared to Pakistan which showed apparent generosity particularly towards LDCs. However, it decided to maintain a positive list approach in its trade with India.\textsuperscript{53} This decision on the part of Pakistan was the early dispute regarding implementation of SAFTA which otherwise progressed as per timeframe given in the agreement. Later on, India unilaterally cut short its negative list by eliminating further 264 items being imported from LDCs even before the scheduled four-year period specified for revision of sensitive list.\textsuperscript{54} The agreement was criticized on various grounds, such as Rules of Origin (ROO), and exclusion of trade in services and investment. The critics observed that SAFTA did not require any “explicit commitment” from its members to address NTBs which continued to impede free trade in South Asia. It included only an understanding on the part of members to continue negotiations on NTBs.\textsuperscript{55}

SAFTA was signed when members were already lowering tariffs either under bilateral FTAs or IMF / World Bank reform programs. Particularly, in the presence of India’s bilateral FTAs with other regional states, SAFTA looked like an agreement between India and Pakistan. These factors in combination could contribute significantly to tariffs reduction in the region. However, regional geopolitics could adversely affect the

\textsuperscript{52} Weerakoon, “SAFTA: Current Status,” 74. Under the agreement, it was provided that non-LDCs members would cut tariffs to 20\% within first 2 years and then to 0–5\% range within next 5 years. LDCs members would cut import tariffs to 30\% in the first 2 years and then 0–5\% in the next 8 years period.

\textsuperscript{53} Ibid, 78. Pakistan put only about 17\% of its imports in its negative list while India and Sri Lanka put 38.4\% and 51.7\% of their imports, respectively, under their sensitive lists. Weerakoon observed that still Pakistan “has the largest number of items in the sensitive list of non-LDC members.”

\textsuperscript{54} Ibid, 79–80.

\textsuperscript{55} Ibid, 78–9. Weerakoon observed that there are two types of NTBs: those needed to be eliminated; and those to be harmonized. The former include quotas, customs surcharges, monopolistic measures such as state controlled agencies’ exclusive import rights etc. The latter include “measures relating to technical standards, plant and animal health, and environmental protection and safety” etc.
process.\textsuperscript{56} Weerakoon observed that the current level of regional trade and limited potential of SAFTA to boost it might make South Asian economic integration “a distinct dream.” Meanwhile, the “alternative” regional trading arrangements (RTAs) were “already paving the way for an eventual approximation to free trade in the region.” To this end India’s “role and relevance” was quite significant.\textsuperscript{57}

\textbf{7.3.1 Alternative Regional Trading Arrangements and Implications for SAFTA}

SAARC members had taken initiatives towards trade liberalization with signing of SAPTA in 1993 and have taken a decision to move towards SAFTA in 1996. As such there was no apparent rationale for signing bilateral FTAs in South Asia.\textsuperscript{58} But New Delhi was not satisfied with the pace and scope of trade liberalization under SAPTA which covered limited products of India’s interest. The progress on SAPTA was slow while future of SAFTA was uncertain. Particularly, the process had come to a deadlock after nuclear tests conducted by India and Pakistan. It prompted SAARC members to look at “bilateralism with greater interest.”\textsuperscript{59}

India initiated several bilateral, sub-regional and alternative regional initiatives. India concluded bilateral FTAs with smaller states, except Pakistan. It had signed a trade agreement with Maldives in 1981 and FTA with Nepal in 1991. The latter was renewed in 1996 and renegotiated in 2002. It signed FTA with Bhutan in 1995 and renegotiated it in 2006. It signed a FTA with Sri Lanka in 1998. Both states also initiated talks on Comprehensive Economic Partnership Agreement (CEPA). India concluded a trade

\begin{footnotesize}
\textsuperscript{56} Iqbal, “Economical-Political Dynamics,” 100.
\textsuperscript{58} Deshal de Mel, “Bilateral Free Trade: Agreements in SAARC and Implications for SAFTA,” in Ahmed, Kelegama, and Ghani, eds. Promoting Economic Cooperation, 89.
\textsuperscript{59} Mel, “Bilateral Free Trade,” 89.
\end{footnotesize}
agreement with Bangladesh in 2006 and also discussed a FTA.60 Meanwhile, Pakistan had also signed FTAs with Sri Lanka and Bangladesh.61 India also joined the initiative to form South Asian Growth Quadrangle (SAGQ), comprising Bangladesh, Nepal, Bhutan, and parts of India.62 It became member of the Kunming Initiative comprising Bangladesh, Bhutan, and Nepal, as well as North-Eastern states of India, the Yunan province of China, and northern Myanmar.63 Another possible subregional grouping would include the Maldives, Sri Lanka and South India.64 Opposition parties in Nepal and Bangladesh had widely criticized their governments on their decision to join sub-regional groupings, which they believed were a part of conspiracy to “sideline SAARC.”65

In 1997, India also strived to broaden its agenda of cooperation outside South Asia. It played an active role to establish IOR-ARC.66 It signed an agreement that later emerged as BIMSTEC.67 Its members also concluded a free trade agreement (BIMSTEC-
FTA). India, Bangladesh and Sri Lanka, are also members of Asia Pacific Trade Agreement (APTA) whose members were also negotiating a FTA. Meanwhile, India also signed bilateral FTAs with ASEAN, the EU, Korea and Singapore.

Weerakoon argued that Bhutan, Nepal and Sri Lanka, under their bilateral FTAs, enjoy almost free access for their exports to Indian market while New Delhi restricts only a smaller fraction of exports from Maldives and Bangladesh under SAFTA. Some potential RTAs would give these two states further access to Indian market. Thus SAARC members, except Pakistan, are increasingly getting access to Indian market under these FTAs and RTAs. India has played “a pivotal role” in these arrangements which were now giving way to “something approximating free trade within the region.”

The alternative RTAs with overlapping membership also create various problems such as formulation of ROO, loss of preferences for some members and the excluded states.

In the context of regional trade in South Asia, India is the main trading partner of all other members. Its bilateral trade with Bangladesh, Nepal and Sri Lanka accounts for 90 percent of their regional trade. Even about two-thirds of Pakistan’s regional trade is with India. Thus, regional trade links in South Asia are mainly India’s bilateral trade relations with other states. Weerakoon observed, the free trade in South Asia mainly means the giving of market access to India by other countries and the vice versa. In this background, India “played a more proactive role in the bilateral process than in the

68 Harun, “Regional Cooperation in South Asia,” 286.
69 Weerakoon, “SAFTA: Current Status,” 83 and 86.
70 Ibid, 85. The possible alternative arrangements include a Bilateral India–Bangladesh FTA, conversion of the Bangkok Agreement to an FTA under the Asia Pacific Trade Agreement (APTA) and BIMSTEC-FTA.
71 Weerakoon, “SAFTA: Current Status,” 86.
73 Ibid, 90.
regional arena with regard to its engagements in South Asia.” New Delhi showed more generosity and gave “significant asymmetric treatment to Sri Lanka” in ISL-FTA. It gave more concessions to Sri Lanka in ISL-FTA, e.g. size of its negative list and extra period to complete trade liberalization, than what it offered to LDCs under SAFTA.74

The critics had argued that India’s bilateral FTAs could have adverse implications for SAFTA. Naik argued that it could make SAFTA “redundant” or “retarded” or at least undermine its importance.75 Harun warned that if members did not coordinate these RTAs, they could “potentially create a chaotic situation.”76 Weerakoon observed that some members had adopted a cautious approach towards trade liberalization in South Asia which gave India’s bilateral FTAs and RTAs chances to overtake the process and upstage SAFTA. Weerakoon observed that these RTAs are in the process of creating “an environment that could reasonably approximate free trade in South Asia.” SAARC members pursued different strategic and economic interests which led to the creation of alternative arrangements which now “pose internal challenges to the SAARC process and the future pace of regional economic cooperation under SAFTA” which had also lost the “momentum” to play a key role in evolving dynamics of wider Asian regionalism.77

74 ISL-FTA provided that India would remove tariffs on 52 products within 3 years while Sri-Lanka would eliminate tariffs in 8 years. India had placed only 13 % of Sri Lanka’s exports in its negative list under ISL–FTA as compared to 42 % exports under SAFTA. However, India had placed Sri Lankan ready made garments, tea, coconut and rubber under its negative list while ROOs required at least “35 percent local input to qualify for preferential import tariffs.” Naik, “SAARC—From Association to Community,” 338. For details see Weerakoon, “SAFTA: Current Status,” 81–4; and Mel, “Bilateral Free Trade,” 90–6. Mel noted that India’s negative list was very small and covered only 3.3 % of its imports from Sri Lanka “in value terms in 2006” while Sri Lankan sensitive list covered about 50 % of its imports from India. Sri Lanka put about three-time higher number of products under its negative list, i.e.1220 items as compared to India’s 429. Sri Lanka kept most of its agricultural products as well as many medium and small scale industries under protection. It was also allowed to keep important revenue–generating products, such as automobiles and auto-parts etc., in the sensitive list.

75 Naik, “SAARC—From Association to Community,” 338.


along with other non-LDC members of SAARC maintained larger negative lists in SAFTA than in their bilateral FTAs and the former needed “much improvement” to help increase regional trade. Thus, some members, such as Sri Lanka had even lost interest in SAFTA.\textsuperscript{78} These were the consequences of SAFTA being slow to keep in line with the parallel developments. Weerakoon noted that if SAFTA did not include trade in services and investment and some members continue to pursue market access through alternative RTAs, then there is a real risk that SAFTA could “stagnate” or even “fragment.” If various RTAs create an approximate or alternative free trade area in the region, it would compromise many of the economic and political objectives which regional states had intended to achieve under SAARC.\textsuperscript{79} Gooneratne observed that the structure and format of SAARC was “too constrictive” to handle “new functional ventures” in South Asia due to which it was bypassed by the creation of new regional groupings, i.e. IOR-ARC and BIMSTEC. India’s interests were extended far beyond South Asia and thus SAARC had become less important for it.\textsuperscript{80} However, Brar claimed, these organizations could not help India to increase its political and economic clout at the world level, which it can achieve through consolidating cooperation under SAARC. Brar argued that making wider trading blocs and pushing parts of South Asia in emerging East Asian economic bloc would “threaten the integrity and viability of SAARC.” It would compromise various political and economic benefits that could be achieved through SAARC.\textsuperscript{81}

\textsuperscript{78} Mel, “Bilateral Free Trade,” 104 and 107. Due to its bilateral FTAs, SAFTA had lost its relevance and interest for Sri Lanka. Colombo already has access to the markets of two largest regional states – India and Pakistan – which under SAFTA, it could get only by 2013.

\textsuperscript{79} Weerakoon, “SAFTA: Current Status,” 87.

\textsuperscript{80} Gooneratne, “Sri Lanka and Regionalism,” 60.

\textsuperscript{81} Brar, “SAARC: If Functionalism Has Failed,” 39.
7.4 **INDIA’S INTEREST WITHIN AND OUTSIDE SAARC**

It was widely recognized that India had to play a key role to make South Asian regionalism successful. However, in the context of India’s “growing economic status” as well as emerging trade and investment pattern in larger Asian region, South Asian regionalism has to be seen in a wider framework. Weerakoon observed that India’s position, approach and possible role in economic regionalism needed to be understood in terms of its economic relations in South Asia as well as in the wider Asian region. It required not only to understand “India’s own economic interests and how they relate to the South Asian region, but also how other South Asian economies respond to new challenges.” 82 In 1990s, Mohla observed, a feeling increasingly got rooted in India that “SAARC needs India more than India needs SAARC.” There could be several reasons for this development. 83 Muni observed that Indian leadership felt “frustrated” particularly after its failure to persuade both Bangladesh and Pakistan to establish mutually “comprehensive” and “normal” economic ties, respectively. 84 India believed that stubborn behaviour of smaller states particularly Pakistan had inhibited growth of regionalism. Therefore, “the SAARC may move ahead even without Pakistan.” 85 But most importantly, there was a realization in India that South Asia alone could not meet the requirements of rising Indian economy. It resulted in India’s diminishing interest in SAARC and it started looking beyond the region to promote its security, political and economic interests at large. 86 Gupta observed that Indian leadership wanted to “break out

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84 Muni, “Regionalism Beyond the Regions,” 335.
of the claustrophobic confines of South Asia, a region with no strategic resources, overburdened with poverty and population, and still a victim of the fault-lines of the British empire (sic).”

The end of Cold War and resultant changes in world politics also altered India’s previous mindset towards certain developments such as those taking place in Southeast Asia. Consequently, it had started building its relations with Southeast Asian states.

In mid-1990s, India made a big change in its policy and started lobbying for its membership in ASEAN and APEC. India also sought to build economic relations with Gulf States particularly Iran and the Central Asian Republics (CARs). It continued to pursue “Look East,” policy envisioned in Gujral Doctrine, and to find “an Asian-Pacific identity” as well as areas of cooperation with China, Korea, Japan and ASEAN members. New Delhi strived to build economic complementarities with East Asian states particularly in “knowledge-based” sectors, such as IT. Its bilateral FTAs and RTAs with these states were taken in the same context. India’s role in SAARC and SAFTA must be understood in this context. India was confident of its emerging economic power as well as capabilities to sustain its growth momentum in the long run. Weerakoon observed that India had emerged “as an Asian Economic power” and now was a “rapidly emerging world economic power” which had changed the dynamics of regionalism in South Asia. India gave increasingly more attention to intensify its trade links outside

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89 Andersen, “India in 1995,” 176.
South Asia, i.e. “the wider Asian region” particularly with East Asian economies. Weerakoon observed that pattern of India’s imports and exports suggested that New Delhi’s economic interests did not lie in South Asia. He claimed that India’s exports to and imports from the region had stagnated at about 5 percent and 1 percent, respectively. But its exports to Japan, China, Korea and ASEAN states had risen from 13.5% to about 22% and imports grew from 17.1% to 27% during the period from 2000–2006.\textsuperscript{91} India’s economic and political profile had increased since early 1990s, and its economic interests had expanded to the various parts of the world.\textsuperscript{92} Buzan argued that the importance of South Asia was diminishing for India and its influence and interests were increasing “within the Asian supercomplex.”\textsuperscript{93} Thus, India was ignoring SAARC in several respects.

India was likely to continue prioritizing intensification of its “strategic links with East Asia.” However, it could carry other South Asian states along in the process serving as the “hub that connects South Asian countries and also would be the bridge that connects South Asia to East Asia.” Weerakoon claimed that India had adopted a “more accommodative approach” towards smaller states which was a “sign of its willingness to carry along the South Asian region as it links up with East Asia.” Under these circumstances, the other regional states had “to weigh the advantages and disadvantages of strategically linking with a fast-expanding Indian economy and to take advantage of potential intraregional trade and investment linkages.” The smaller states such as Bangladesh, Maldives and Pakistan also had strived to enhance their trade with East Asian states. Resultantly, their regional trade has either stagnated or even declined.

\textsuperscript{91} Weerakoon, “SAFTA: Current Status,” 72–3 and 82.
\textsuperscript{92} Gooneratne, “Sri Lanka and Regionalism,” 60.
However, the two regional states which had “the most comprehensive bilateral FTAs with India” witnessed an increase in their bilateral trade but their trade with East Asian states has either stagnated, in case of Sri Lanka, or reduced in case of Nepal.\textsuperscript{94}

The smaller states were faced with a “peculiar dilemma” in their drive towards regional cooperation. They needed India’s help to “resist” economic exploitation by external powers. But Indian behaviour had convinced them that it could be “available only at the cost of accepting its economic dominance.”\textsuperscript{95} India did not leave them with the choice to either accept its domination or keep it “at bay.” Rather, the only “real choice” they had, was either “to join the South Asian bandwagon or to get left behind.”\textsuperscript{96} It compelled smaller states to bilaterally integrate their economies with India’s to promote their economic interests. The process largely “marginalized” SAFTA. For SAFTA to play some important role in the process, two “least integrated” states, i.e. India and Pakistan needed to pace up bilateral trade liberalization which required them to relax their sensitive lists and find ways to address contentious issues.\textsuperscript{97}

\section*{7.5 CHALLENGES TO MARKET INTEGRATION IN SOUTH ASIA}

The trade liberalization process in South Asia confronts various challenges. Indian exports to smaller states increased manifold during the period from 2002 to 2006, as these went up more than two times to Maldives, three times to Bangladesh and in case of Nepal and Sri Lanka rose further higher. Similarly, Indian imports from these states

\begin{itemize}
\item \textsuperscript{95} Reed, “Regionalization in South Asia,” 246.
\item \textsuperscript{96} Gonsalves, “Sri Lanka and Regionalism,” 209.
\item \textsuperscript{97} Weerakoon, “SAFTA: Current Status,” 73 and 87.
\end{itemize}
also increased significantly.\textsuperscript{98} However, smaller states continued to face barriers to enhance their exports to India and correct their trade imbalance.

Bangladesh believed that India did not fulfill its obligation under its bilateral agreements and was allegedly involved in “trade terrorism.”\textsuperscript{99} During the period from 1991 to 1996, Indo-Bangladesh formal trade increased by 5 times with major increase in Indian exports to Bangladesh which reached to a total of US $1.1 billion. If smuggled Indian goods were included, this figure went over US $2 billion per year. Sobhan claimed that it had increased Dhaka’s economic dependence on India in several respects. However, enhanced Bangladeshi imports were not matched with any increase in its exports to India. Rather, these were dropped from 16.6 percent in 1986 to 6.6 percent in 1996 and their trade gap widened from Tk.1.5 billion to Tk.42 billion.\textsuperscript{100} In order to minimize its trade deficit, Dhaka had been requesting India since early 1990s for unilateral removal of barriers to its exports, and to place Bangladesh at par with Bhutan and Nepal in gaining access to Indian market. Dhaka was not in a position to reciprocate due to its small economic base and existing huge trade deficit with India whose products already had enough access – both legally and illegally – to Bangladeshi market. Thus, India did no accept this demand.\textsuperscript{101}

Dhaka continued to face trade imbalances with New Delhi due to India’s high tariffs, NTBs and PTBs on imports from Bangladesh. For instance, during fiscal year 2000-01, Bangladesh’s exports to India stood worth $62 million against its imports worth

\textsuperscript{98} Razzaque, “Weaker Economies in SAFTA,” 380.


\textsuperscript{100} Sobhan, “Regional Cooperation in South Asia,” 9–10.

\textsuperscript{101} Ibid, 18.
$1.2 billion from India. In 2006, Bangladesh imported goods of worth $2231 million from India while latter’s imports from the former stood at $147 million. The experts called this huge trade imbalance a result of India’s failure “to honour its commitment” to give zero tariff facility to selected Bangladeshi products. The officials and businessmen in Bangladesh have also been concerned over smuggling and illegal imports from India. Dhaka believed that India was not willing to remove barriers to its exports until it get “something in exchange.” In case, India had given trade concessions to Bangladesh, it could have helped decrease their huge trade imbalance as well as had removed the “strong resentment” against India in Bangladesh. Instead, India was apathetic to the economic problems of Bangladesh, which was also signaled by its decision to impose anti-dumping law on imports of automobile batteries from Bangladesh. Bangladesh had exported automobile batteries and parts etc. worth $0.38 million in 1999–2000. However, Indian government on the pressure of local battery manufacturers had imposed anti-dumping laws on even this small volume imports from Bangladesh. New Delhi also refused to allow a Bangladeshi origin firm to open a base for providing cargo handling services in India by misinterpreting the relevant law. Harun observed that India was accounted for about one half of Bangladesh’s trade deficit and still Dhaka faced several PTBs and NTBs in exporting its goods to India. Dhaka complained that New Delhi had given unilateral duty-free access to goods produced in Bhutan and Nepal but it put restrictions on exports from Bangladesh. Dhaka perceived that it was a discriminatory

102 Zahid, “Trade Terrorism.”
104 Zahid, “Trade Terrorism.”
105 Ibid.
measure against it. Bangladesh could provide several goods particularly agro-processed items to northeastern Indian states due to its close vicinity and 84 percent of its shared border with them. But India had imposed a surcharge and an additional customs duty besides about 60 percent customs duty on these items. Moreover, several NTBs also denied Bangladeshi exports an access to these states. Bangladesh was so perturbed on its trade imbalance with India that it had refused to cooperate with New Delhi in some areas, including participation in Myanmar-Bangladesh-India gas pipeline project, until India took certain remedial measures.

India had signed a bilateral trade agreement with Nepal on December 5, 1996 for a period of 5 years extendable for another 5 years. It provided Nepalese manufactured goods, except those under sensitive list, the duty free access even without any quota restrictions to Indian market. India had agreed to give Nepalese goods a “national treatment” in terms of additional duty. The treaty provided large investment opportunities in Nepal to India and other SAARC states. Resultantly, FDI inflow to Nepal increased significantly and reached to $132 million in 1999. The treaty had also attracted Indian investors in joint ventures in Nepal. Resultantly, Nepalese exports particularly bulk export of a few products to India increased considerably. Still trade balance was heavily in India’s favour. For instance, Nepalese imports from India stood worth 47 billion rupees against its exports to India worth 27 billion rupees, thus facing a trade

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109 Pant, “Government-Industry Partnership,” 135. “Earlier, this facility was available to products with a minimum 50 per cent Nepalese or Nepalese and Indian raw materials or Nepalese labour content.”
110 Ibid, 137; Jain, “Regional Cooperation in South Asia,” 305.
deficit of 20 billion rupees during 2000–2001. Upreti observed that trade imbalance continued throughout and remained one of the main obstacles to improvement of their bilateral relations.\(^{111}\) In December 2001, Indian government raised the issue of anti-dumping and extended the treaty only for 3 months. India alleged that third countries products were flooding into Indian market through Nepal. Katmandu believed that New Delhi was retreating from the treaty on the pressure of strong Indian business lobbies who did not want free inflow of Nepalese goods.\(^{112}\) On March 7 2002, India forced Nepal to amend the treaty and incorporate ROO and norms of value addition. This revision resulted not only in “a degree of retrogression in Indo-Nepal bilateral trade but have also affected attempts at economic diversification in Nepal.”\(^{113}\)

In the context of slow progress on trade liberalization under SAARC and growing economic links between India and Sri Lanka since early 1990s, both states had decided to sign bilateral FTA, in 1998.\(^{114}\) ISL-FTA became effective in March 2000, which led to increase in their bilateral trade, particularly Sri Lankan exports to India and flow of FDI to Sri Lanka. Foreign investors viewed it as a window for their products to Indian market.\(^{115}\) The overall effect of the ISL-FTA had shown gains for Sri Lanka. Initially its exports to India increased significantly due to concessions given by India. Its exports to India jumped up from $46 million in 1999 to $515 million in 2007, which were 6.6 percent of its total exports. The trade balance having a 14.3 to 1 ratio in 1998 in India’s

\(^{111}\) Upreti, “India–Nepal Relations,” 270.
\(^{112}\) Baral, “Reconstruction of South Asia,” 82–3.
\(^{113}\) Jain, “Regional Cooperation in South Asia,” 305. The modified agreement included a negative list as well as provisions that required 30 percent value addition and “quantitative restrictions” on the import of copper, zinc oxide, acrylic yarn and vegetable ghee.
\(^{114}\) Mel, “Bilateral Free Trade,” 89.
favour shrank to 4 to 1. By then, its exports to India also included processed goods such as refined copper, wires, rubber, margarine, vegetable oil and fats, antibiotics, ceramics, and furniture etc. In 2006, Sri Lanka’s 75 percent of exports received preferential treatment as compared to 22 percent in 2001. India’s investment in Sri Lanka also increased significantly.\textsuperscript{116} Due to these successes, Sri Lanka wanted to “deepen and broaden” the cooperation. Both states had started negotiations on a CEPA in 2004, in order to include trade in services and investment.\textsuperscript{117} This process underwent a set back after 2005. In spite of apparent gains for Sri Lanka, a detailed and “disaggregated” scrutiny of bilateral trade had shown that the real picture was “less encouraging.”\textsuperscript{118}

Since 2006, some of Sri Lankan major exports faced difficulties in getting access to Indian market. Initially, Sri Lanka’s exports to India were mainly dominated by vanaspati (vegetable oil) and copper. In 2006, India imposed quotas on vanaspati imports from Sri Lanka. Resultantly, Sri Lankan exports of vanaspati to India declined. Following a rise next year, India decided to remove MFN tariffs on vanaspati imports due to which Sri Lankan vanaspati exporters lost their preferential status as well as competitiveness in the Indian market. Meanwhile, India changed the invoicing method due to complaints of under–invoicing. It hurt Sri Lankan copper exports which fell from worth $145 million in 2005 to $27 million by 2007.\textsuperscript{119} The copper and vanaspati had a share of 50 percent in Sri Lanka’s total exports to India. However, India removed MFN status for vanaspati exports from Sri Lanka and changed rules regarding imports of copper which now stated that its

\textsuperscript{116} Mel, “Bilateral Free Trade,” 91–6. The cumulative value of India’s FDI rose from $ 2.5 million or 1.3 percent of total FDI, in 1998 to $ 191.2 million in 2005, i.e. 8.3 percent of total FDI in Sri Lanka. As such, India became fifth largest investor in the country. ISL-FTA substantially deepened their economic ties and India became Sri Lanka’s largest source of imports and third largest destination of exports.

\textsuperscript{117} Weerakoon, “SAFTA: Current Status,” 82.

\textsuperscript{118} Mel, “Bilateral Free Trade,” 90.

\textsuperscript{119} Ibid, 95–6.
“imports should conform to prices stipulated by the London Metal Exchange.” These measures resulted in sharp decline in Sri Lankan exports to as well as overall volume of trade with India. Under ISL-FTA, Sri Lanka’s traditional export goods such as tea and garments were not given enough access to Indian market.

In a period of 8 years after operationalization of ISL-FTA (2000–2008), India’s imports from Sri Lanka increased from US$ 58 million to US$ 418 million as compared to its exports from US$ 600 million to US$ 3443 million. Kelegama argued that under ISL-FTA, 53 percent of Sri Lankan exports, including tea and garments, were placed under Tariff Rate Quotas (TRQs) due to which Sri Lankan exporters could not get enough access to Indian market. Therefore, they had reservations over trade agreement with India. Sri Lanka exports also faced several NTBs such as India’s complex rules related to entry of foreign goods at airports and seaports etc. Indian state level (provincial) taxes which impeded movement of goods from one state to another within Indian union also restricted Sri Lankan exports to India. Sri Lankan tea exporters continued to face hardships in getting access to Indian market due to port restrictions and ROO. In 2007, port restrictions were relaxed but no change in RRO was made. Sri


121 Mel, “Bilateral Free Trade,” 92–8. India had included garments in its negative list “except for a 50 percent margin of preference for 8 million pieces.” Out of it, 6 million were required to use Indian fabrics. Mel noted: “The sourcing requirement ensured that Sri Lankan garment exports to India were not competitive relative to domestic producers and, as a result, there was less than 1 percent quota utilization.” However, in 2007 India agreed to allow 3 million garment pieces duty free import from Sri Lanka without sourcing requirement. In 2008, this figure was further raised to 6 million garment pieces and extra 2 million pieces with 70 percent margin. However, required administrative procedures to implement the decision were not finalized.

122 Savadasa, “Indo-Sri Lanka Free Trade.”


124 Savadasa, “Indo-Sri Lanka Free Trade.”
Lankan exporters had concerns on prevalence of PTBs, particularly tariffs imposed by provincial governments in India which undermined potential export competitiveness of neighbouring countries. For instance, foreign producers were charged two times higher state tax than those on local ones in Indian state of Tamil Nadu – a major export market for Sri Lankan competitiveness due to geographical proximity and less transportation cost. India also imposed quota restrictions on its pepper imports from Sri Lanka on the plea that imported peppers had adversely affected its prices in Kerala. It led to decline in Sri Lankan pepper exports to India. As such, India’s protectionist measures resulted into a decline in Sri Lankan exports to India. A recent study has shown that Sri Lankan exports to India had witnessed a sharp decline after 2005. In 2005, Sri Lankan exports to India had reached to an all time all volume of $568 million which later on dropped to $328 million in 2009. The year 2009 also witnessed a dramatic decrease in India’s exports to Sri Lanka, i.e. $1724 million from $2838 million in 2008. Due to growing concerns among its business community over trade links with India, Sri Lanka had refused to sign CEPA which both states had earlier agreed to conclude in 2008.

Pakistan-India trade relations also face various challenges. Sayeed observed that in the immediate post independence era, about 56 percent of Pakistan’s exports and 32

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125 Mel, “Bilateral Free Trade,” 97–8. In Tamil Nadu, producers from other Indian states and foreign countries have to pay 21 percent state tax as compared to 10.5 percent imposed on local producers.
126 Savandasa, “Indo-Sri Lanka Free Trade.”
percent of imports were India oriented. The “battle of rupee” which had caused communal violence in East and West Bengal and brought two countries at the brink of a war, had severely undermined bilateral trade which was further smashed during 1965 and 1971 wars. After the currency issue, both states had also taken conscious steps to decrease their economic dependence on each other. However, in 1980s both states decided to revive trade and established an Indo-Pakistani joint commission to promote cooperation in fields of trade besides consular affairs, communication and cultural exchanges. In 1986, both states signed a Memorandum of Understanding (MOU) to allow private sector trade in forty-two selected items. Earlier, both countries were conducting trade only through state agencies. Their bilateral trade further improved in 1990s but its volume was small. During 1995–2005, the annual volume of trade between India and Pakistan remained less than $1 billion and both countries did not fall in each other’s lists of top ten trading partners. Pakistan’s average share in Indian trade was less then one percent while India’s share in Pakistan’s trade remained less then two percent. Their trade was mostly restricted to four major commodity groups. Indian exports to Pakistan mainly comprised of the intermediate products such as plastics, chemicals, and rubber while Pakistani exports to India were mostly primary goods and some share of textiles. Indo-Pakistan trade rose ten times in ten years since 2000. Presently, the annual volume of official trade is about $2.7 billion and it could jump to $10 in next two years. There also existed illegal trade sized about two fold of the formal trade between two states. Illegal

132 Sayeed, “Gains from Trade.”
trade was mainly one-sided, i.e. Indian goods being smuggled into Pakistan. A recent report claimed that unofficial trade between India and Pakistan stood about $10 billion. However, the cost of smuggled products became double in Pakistan.\(^{133}\)

There is a huge potential of bilateral trade, i.e. $10–15 billion per annum thereby both countries could gain a lot. For instance, State Bank of Pakistan had estimated in 2006: trade liberalization with India could help reduce Pakistan’s import bill by $400–900 million; enhance public revenue; increase consumer welfare and economic competitiveness of producers in Pakistan.\(^{134}\) According to Pakistan Business Council, increased trade with India could raise Pakistan’s growth rate by 1–2 per cent. Some experts claimed that Pakistan could save $1.5–2 billion through directly exporting to India.\(^{135}\) Pakistan could also gain by giving India transit route for its trade with Afghanistan and Central Asian Republics and construction of gas pipelines for import of gas from Iran and Turkmenistan.\(^{136}\) It would increase interdependence between two states and could help Pakistan to get concessions on some of its political disputes with India including Kashmir issue.\(^{137}\)

Pakistan was reluctant to promote trade with India due to political and economic reasons. Pakistan wanted progress on its political disputes with India parallel to trade liberalization. Even after signing of SAFTA, Prime Minister Shaukat Aziz had made it clear that progress on economic and trade issues with India would depend on


\(^{134}\) Sayeed, “Gains from Trade.”

\(^{135}\) “Pakistan business hits at barriers.”

\(^{136}\) Sayeed, “Gains from Trade.”

\(^{137}\) Khan, “Pakistan and regionalism,” 51.
breakthrough on the Kashmir issue.\textsuperscript{138} Earlier, Premier Jamali had stated that if regional political disputes were not resolved in a realistic and judicious manner, the vision of South Asian economic and monetary union would not be attainable.\textsuperscript{139} Aziz had also stated that Islamabad was willing to promote its trade with India provided it was given “a level playing field.” However, Aziz had expressed his concerns over huge trade imbalance and called for exploring the factors which impeded growth of Pakistani exports to India.\textsuperscript{140} Pakistani business community and leadership were also fearful of Indian economic domination. A section of business groups in Pakistan and right wing political parties argued that Pakistani industries particularly those related to automobiles, pharmaceuticals, light engineering and steel would be adversely affected due to trade liberalization with India. Most importantly, it would weaken Pakistani position on the Kashmir issue.\textsuperscript{141} The critics had argued that refusal to liberalize trade with India was inconsistent to Pakistani policy of supporting a free trade regime in the world.

Recently, a broad consensus among mainstream political parties and major business groups in favour of trade liberalization with India has been evolved in Pakistan. The process had started in mid 1990s and it got further momentum after 2004. Thus, representatives of several business groups including Pakistan Chambers of Commerce and Industry (FPCCI), Pakistan Business Council, Karachi Chamber of Commerce and Industry (KCCI), Lahore Chamber of Commerce, Karachi based India-Pakistan Chamber of Commerce and Industry, and Pakistani Agricultural Traders have strongly voiced in


\textsuperscript{141} Sayeed, “Gains from Trade.”
favour of increasing trade with India and grant it MFN status.\textsuperscript{142} The English press, electronic media and other interest lobbies and civil society organizations as well as many writers, intellectuals and academicians - leftists and liberals among them more vocal – also supported increased trade links with India. The US officials and intellectuals have also suggested Pakistan to build political and economic ties with India.\textsuperscript{143} Sayeed argued that in the wake of “changing geo-political configurations” with increased US interest to promote economic integration in South Asia, Pakistan’s continued balance of payment problem and need to boost foreign investment, there is consensus among the main Pakistani political parties to forge trade ties with India.\textsuperscript{144} Some analysts argued that trade liberalization with India would also help decrease the power and influence of military in Pakistani politics.\textsuperscript{145} Thus, Pakistan’s main political parties and leaders including those from Azad Jammu & Kashmir (IJK) favoured trade links with India.\textsuperscript{146}

Quite recently, Pakistan has decided to substantially liberalize trade with India. It has announced to grant New Delhi MFN status, shift trade with it from the positive list – containing 1958 items – to negative list effective from February 2012, and allow import


\textsuperscript{144} Sayeed, “Gains from Trade.”

\textsuperscript{145} Padukone, “Undoing Partition.”

of more than 7000 Indian products. Pakistan’s decision to give India MFN status was a surprise for many analysts as just a week before the move was made there was “strong resistance” to it.\footnote{147}{“Pakistan grants India Most Favoured Nation trade status,” The Indian Express, November 02, 2011, available at http://www.indianexpress.com/news/pakistan-grants-india-most-favoured-nation-trade-status/869714/; Zia Khan, “16 years on... Pakistan finally reciprocates granting MFN status to India,” The Express Tribune, November 3, 2011, available at http://tribune.com.pk/story/286925/16-years-on-pakistan-finally-reciprocates-granting-mfn-status-to-india/ accessed on 20.11.2011.} However, different domestic strategic, political, and economic considerations and external factors, such as the US influence, have contributed to this decision. A senior State Department official had termed Pakistan’s decision to grant India MFN status as a “positive development” towards realizing the goal of economic integration from Central Asia to South Asia.\footnote{148}{“US welcomes Pakistan’s move to grant MFN status to India,” available at http://www.pakistantrade.org/PC/newsticker/nf1_n.pdf accessed on 15.12.2011.} Pakistan expected that the decision would help revive peace process with India. The move was also linked with India’s decision to withdraw its opposition at the General Council of WTO to EU proposal of giving tariff concessions to Pakistan’s textile products.\footnote{149}{Anthony, “Pakistani industries view India.”} India was “the major stumbling block to the passage” of the proposal though Bangladesh, Sri Lanka and Vietnam were also opposed to it.\footnote{150}{Shahbaz Rana, “Concessions to Pakistan: India opposes EU trade relief, again,” The Express Tribune, May 4, 211, available at http://tribune.com.pk/story/161428/concessions-to-pakistan-india-opposes-eu-trade-relief-again/ accessed on 15.11.2011. According to package, EU would withdraw duties on 75 Pakistani products which accounted for 27 percent of EU imports from the country and amounted to about 900 million Euros. The proposal was aimed at helping 20 million flood affected people in Pakistan.} Both countries were also close to sign a liberal visa regime particularly for business communities of two states.\footnote{151}{Anthony, “Pakistani industries view India.”}

Different groups and leaders have reacted differently to the decision. Some members of the cabinet, including ministers of defence and industries and production, had initially opposed the proposal in the cabinet meeting and had expressed their concerns due to its effects on Kashmir issue and some matters related to defence, political...
The representatives of industries including Pakistan Pharmaceutical Manufacturers’ Association, All Pakistan Textile Manufacturers’ Association, and Pakistan Automotive Manufacturers’ Association, have expressed their concerns over trade liberalization with India. Several political leaders including Chaudhry Nisar Ali Khan, the opposition leader in the National Assembly, Fazal-ur-Rehman, Munawar Hassan, Salim Saifullah Khan, Haroon Akhtar, and PPP’s senator Sughra Imam, besides others, have expressed their concerns over the decision and demanded the government to withdraw it. Akhtar warned that free trade would benefit India and Pakistan would face replica of “China syndrome.” Thousands of people in different parts of the country including AJK have protested over the decision. However, Zafar Mahmood, Pakistan’s secretary commerce stated that trade liberalization would not hurt domestic industries. He stated: “Trade was already taking place illegally. We have just regularised it.” Pakistani business community had “overwhelmingly commended the decision.” Due to its strong support in its favour, no mainstream political

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152 Khan, “16 years on... Pakistan finally reciprocates.”
153 Anthony, “Pakistani industries view India;” “Pakistan business hits at barriers.”
156 “Pakistan business hits at barriers.”
157 Khan, “16 years on... Pakistan finally reciprocates.”
party was in a position to seriously oppose it. However, they wanted reciprocal measures from India particularly the removal of NTBs to Pakistani exports.158

Pakistani political parties, business groups and the government alike have serious concerns over NTBs, PTBs, prejudices and Pakistan-phobia which impeded Pakistani exports to India. New Delhi had given Pakistan MFN status in 1996 and Islamabad had not reciprocated till recently. Still Indo-Pakistan trade was heavily in India’s favour. For instance, during 2009-10 bilateral trade was about US$ 1.4 billion and Indian exports stood $1.2 billion against its imports worth $268 million.159 In 2010, bilateral trade remained about $1.7 billion which included Indian exports worth $1.45 billion against its imports of $275 million.160 Pakistan’s imports from India stood at about $1.6 billion during the year 2010–11 but its exports to India were of just $300 million. Jawad claimed that this huge trade imbalance was due to prevailing PTBs, NTBs, prejudices and “Pakistan-phobia” in India.161 It is feared in Pakistan that unless India removes these barriers, trade liberalization with India would aggravate bilateral trade imbalance. Akhtar, a former Commerce Minister, has recently warned that opening Pakistani market for Indian goods, and giving it MFN status, without any agreement on removal of NTBs and PTBs by New Delhi could severely hurt Pakistani industries.162 Ahsan Iqbal, Deputy Secretary General of PML–N, claimed that removal of NTBs by India was the real issue. He maintained that NTBs were the “major hurdles” to full realization of bilateral trade

159 Anthony, “Pakistani industries view India.”
160 Khan, “16 years on... Pakistan finally reciprocates.”
PPP’s senator Sherry Rehman told that Pakistan had identified 27 NTBs which had impeded Pakistani exports to India. Pakistani officials also believed that trade liberalization with India should be paralleled by removal of NTBs by New Delhi. Pakistani exporters were facing several NTBs in India including: delay in custom clearance; dispute over pricing of Pakistani goods to determine duties; strict application of Indian standardization laws; imposition of composite tariffs on textile exports. Some of the NTBs were related to several rigid rules such as sanitary requirements for fisheries, livestock and agricultural products, quality certifications for cement and other products, and regulatory certificates which gave “bureaucracy with the leverage to discriminate between products and countries.” Jawad claimed that due to delay in clearance, which sometimes take 8–9 months, export prices of Pakistani goods increased in Indian market. He argued that Indian track record was not good and it will deceive by not removing NTBs after getting MFN status.

India’s attitude towards removal of NTBs and PTBs has not been positive. FICCI claimed that after getting MFN status from India, it was Pakistan’s responsibility to increase its exports. However, Pakistani officials and exporters believed that India had several NTBs, PTBs and tariff barriers (latter for the agricultural products) which denied market access to Pakistani products. The leaders of several industries pointed out that India was protecting its agricultural sector and Pakistani exporters had to pay 37 percent

164 Mehtab, “Political parties agree.”
165 Anthony, “Pakistani industries view India.”
166 Ibid; Rana, “MFN status to India.”
167 Jawad, “Aik-se-du.”
168 Sayeed, “Gains from Trade.”
tariff instead of 13 percent which was a standard tariff in India.\textsuperscript{169} Pakistan has raised the issue of NTB with New Delhi which had asked to highlight “Pakistan-specific” NTBs.\textsuperscript{170} In principle these regulations are applicable to all countries, but Pakistani exporters complained that they were often subjected to “arbitrary discrimination based on the regulatory structure.” Indian officials caused delay in clearing Pakistani products and its railways delayed deliveries of Pakistani products. The high transaction costs including strict visa regulations, complex tariff and duty structures, and customs clearance etc. prevented Pakistani businessmen from making investment in sales and marketing of their products in India.\textsuperscript{171} Pakistan’s Secretary Commerce had assured the Senate Standing Committee on commerce that government would not move forward on trade liberalization with India without ensuring protection of domestic industries. He claimed that “Pakistan would not implement the free trade regime without ensuring level playing field for its exporters.” Islamabad had proposed India three agreements in order to ensure “level playing field for its exporters” and ensuring “effective protection” of domestic producers.\textsuperscript{172} The proposed agreements were related to the Customs Cooperation, Grievances Agreements to address consumer protection, and Mutual Recognition Agreement for standardization of quality standards. New Delhi had promised to respond after inter-ministerial consultations in India.\textsuperscript{173} Keeping Indian track record in view, one is tempted to believe that New Delhi would continue to maintain NTBs and PTBs which haunt its trade relations with all regional South Asian states.

\textsuperscript{169} “Pakistan business hits at barriers.”
\textsuperscript{170} Rana, “MFN status to India.”
\textsuperscript{171} Sayeed, “Gains from Trade.”
\textsuperscript{172} Rana, “MFN status to India.”
\textsuperscript{173} Ibid.
7.5.1 Effects of Trade Liberalization in South Asia

It has been argued that trade and welfare effects of RTAs are generally uncertain and depend on various factors. They do not always create trade and enhance welfare. Even when they result into economic gains, its distribution among members can be unequal. It is possible that some members only experience “net adverse consequences.” Particularly, the RTAs among the low income states results into trade diversions in which “the poorest members tend to lose” and economic disparities between comparatively advanced and weaker states further increase. The widening economic disparities and unequal distribution of gains strain regional cooperation scheme and can lead to its disintegration. Thus, the EU had evolved a mechanism to avoid the problem of widening inequalities among its members. A World Bank report had recommended low income states to not form RTAs among them because it would result into trade diversion and widen economic disparities among them. Economically weak states suffer revenue losses due to trade diversion which takes place due to two factors: when a member replaces its more efficient non-members trade partner with less efficient co-member; due

174 Razzaque, “Weaker Economies in SAFTA,” 373. These factors include; members’ innate characteristics, members’ trade pattern with regional and extra-region countries prior to RTA, their trade regimes, and the scheme and implementation of RTA rules.

175 Ibid. 373–4. Razzaque observed that the member intending to form RTA are generally diverse in terms of their sizes, i.e. geographical, demographic, GNP, nature and structure of their economies as reflected in “the composition of goods and services produced and traded,” and intervention mechanisms related to fiscal, financial, and trade policies. “These varied characteristics of the members greatly influence their gains from an RTA.”

176 Roshan Madawela, review of Trade Blocks: A World Bank Policy Research Report, by Paul Collier at. el. South Asia Economic Journal, 4 : 2 (2003), 321 and 329. A member can lodge a complaint that an EU policy has put some adverse effects on its economy. After investigation, the claimant member is either compensated or “granted a gradual adjustment process.”
to overlapping membership in various RTAs, a state can suffer due to developments taking place in another RTA, being non-member in the latter.\textsuperscript{177}

Experts, leaders and businessmen had diverse views about potential gains from RTA in South Asia. A group of scholars believed that South Asia did not possess the most of the preconditions required for success of any RTA and regional states could get more gains through unilateral trade liberalization.\textsuperscript{178} Others pointed out the cost of non-cooperation in terms of lost opportunities and argue that regional economic integration would bring favourable gains in various fields.\textsuperscript{179} Ahmed and Ghani argued that market integration could result in large growth in the region. Particularly, the smaller and land locked states would “benefit most” from increased access to the markets of larger states. Their economic integration with vast Indian market would enable them to overcome their disadvantageous positions arising out of their small size and population and inabilities to reap the benefits of economies of scale due to their limited market.\textsuperscript{180}

\textsuperscript{177} Razzaque, “Weaker Economies in SAFTA,” 375–6. Due to RTA all members cut tariffs but trade diversion put pressure on affected member to further cut tariffs and suffer additional revenue losses. Imports from a partner having lower tariff induce an affected member to further decrease its tariffs and suffer revenue losses. When inputs for exportable goods are not rebated than high import duties make final products uncompetitive in external markets. It puts pressure for tariff cuts for imported inputs. All these measures result into revenue losses for the affected member.

\textsuperscript{178} Kelegama, “A Need for a New Direction for SAARC,” 176; Harun, “Regional Cooperation in South Asia,” 280; Razzaque, “Weaker Economies in SAFTA,” 387; Weerakoon, “SAFTA: Current Status,” 73. Economies of regional states had the same features, such as plentiful labour, low income, and comparative advantage in the same products such as garments etc. which decrease the prospects of trade among them. Therefore, any RTA could result into a “net welfare loss.”

\textsuperscript{179} Harun, “Regional Cooperation in South Asia,” 280–1. Harun noted that economic integration will create opportunities for exploiting “synergies based on comparative advantages, investment in cross-border infrastructure projects, and coordinated programs to address challenges” related to social development, environment, governance, and other areas which would “spill over national boundaries.”

\textsuperscript{180} Ahmed and Ghani, “Making Regional Cooperation,” 55–6. It has been observed that economic growth of Brazil, Kenya and Thailand have created export opportunities, through intra-industry trade in the region, and propelled economic activities in their poor neighbours in Latin America, Southern Africa and Southeast Asia, respectively. However, such opportunities for LDCs in South Asia are “constrained by the quality of connectivity and productivity-enhancing infrastructure.”
The actual results of trade liberalization are yet to be seen but some studies have projected that the process is most likely to result into unequal distribution of potential gains. The smaller states, particularly LDCs which depend heavily on external world for their international trade, would lose due to trade diversion.\textsuperscript{181} India would gain more at their cost. LDCs would suffer increasingly huge trade imbalance with India. Some members, such as Bangladesh, Bhutan, and the Maldives, still maintain high tariffs and they would suffer revenue losses.\textsuperscript{182} Pakistan would suffer due to adverse effects of overlapping RTAs of SAARC members.\textsuperscript{183} Even, at the larger spectrum, the trade liberalization process has not brought some salutary effects on the lives of the common people of South Asia and even did not help in significant reduction of poverty from the region. In fact, South Asia is still “home to half the world’s poor.”\textsuperscript{184}

\section*{7.6 INDIA’S RESPONSE TO ECONOMIC NEEDS OF SMALLER STATES}

The expectation of the smaller states towards SAARC failed to materialize. They had expected that regional cooperation would bring equal benefits to all states, bridge the development gap among SAARC members and would contribute to their economic and political independence. But their expectations, so eloquently elaborated in Bangladesh’s working paper could not materialize. It had stated that the regional cooperation process must create trust and mutual understanding among members so that the prevailing

\begin{itemize}
  \item \textsuperscript{181} Raihan and Razzaque while exploring “the possible reasons for the large trade diversion effects for Bangladesh” had noted that “imports from China and other low-cost sources outside the region had declined, while those from India increased significantly. This indicated a replacement of the most efficient supplies with relatively expensive imports.” See Razzaque, “Weaker Economies in SAFTA,” 383–8.
  \item \textsuperscript{182} Ibid, 385. Bhutan would lose revenues of about 2.5 percent of its GDP, and Maldives and Nepal around 1.5 percent and 1 percent, respectively.
  \item \textsuperscript{183} Ibid, 389–92.
\end{itemize}
economic disparities should encourage the LDCs “to catch up with their more fortunate neighbours” and induce the “more developed” member to help others to narrow the existing disparities among them.\textsuperscript{185} The leaders of smaller states more or less reiterated these objectives in their speeches delivered at various SAARC forums.\textsuperscript{186} The SAARC declarations also mentioned that there was consensus on taking into account “the special needs” and interests of smaller states, particularly the LDCs, through taking some special measures for them, during trade liberalization process, so that its benefits could accrue equitably to all members.\textsuperscript{187} None of these expectations are materialized. Rather, regional cooperation has brought unequal economic benefits to members manifested in regional trade patterns. The trade deficit of smaller states against India have increased manifold since the inception of SAARC and so their economic and political dependence on it. All smaller states were concerned over barriers to their exports in the Indian markets due to prevailing NTBs, and PTBs etc. The economic growth and trade liberalization has also resulted in increased income disparity and development imbalance within as well as among the SAARC members.\textsuperscript{188} The development imbalances are caused by differences in “three key drivers:” mobility of factors of production; scale economies; and transportation costs. Several factors could contribute to the goal of “both high and inclusive growth” such as: resolution of bilateral disputes; provision of better education and skills development facilities; creation of better job and employment opportunities;

\textsuperscript{185} Government of Bangladesh, “A Paper on the Proposal.”
\textsuperscript{186} See chapter 5, sections 5.5.4 and 5.5.5.
\textsuperscript{187} SAARC Secretariat, \textit{SAARC Documents}, vol. VI, 375 and 383; Thirteenth SAARC Summit, “Dhaka Declaration.”
and facilitation for free labour movement.\textsuperscript{189} Under prevailing geo-political conditions these measures were inconceivable in South Asia.

India did not come up with the expectations of smaller states attached to it regarding economic cooperation in South Asia. For instance, the SAARC members, particularly LDCs, suffered “from an acute resource crunch” and were not in a position to implement their developmental projects without mobilizing financial resources, technology and expertise from external sources. Without it, SAARC projects could not be implemented too.\textsuperscript{190} They were also aware that the ASEAN members had successfully implemented “most of their projects agreed upon with unconditional assistance of their dialogue partners,” such as Japan, the US, the EU, UNDP, Australia, Canada, Germany, UK, France, Switzerland and New Zealand etc.\textsuperscript{191} Therefore, they wanted to accept foreign funding for regional projects. In fact, several foreign countries including the US, China, Japan and Australia had offered SAARC members to provide assistance for various programs.\textsuperscript{192} But India had opposed the idea because it perceived external funding as a “sensitive” matter. It feared that it would bring foreign influence in the region detrimental to its national interests and regional security.\textsuperscript{193} Despite its sensitivities towards external influences, India itself continued to receive military, economic, scientific and technological assistance from several outside nations including both the super powers during the cold war and beyond.\textsuperscript{194} Khosla argued that there was a need to take “special measures” to protect the interests of smaller states to promote the SAARC

\textsuperscript{189} Ibid, 39 and 42.
\textsuperscript{190} Dash, “Political Economy of Regional Cooperation,” 209.
\textsuperscript{191} Soldium, “ASEAN: SAARC’s Interested Neighbour” 87, 90–2.
\textsuperscript{192} Khan, “Pakistan and Regionalism,” 45.
\textsuperscript{193} Muni, “South Asian Association for Regional Cooperation,” 62–3.
\textsuperscript{194} Bratersky and Lunyov, “India at the End of the Century,” 927–942.
idea of equity. It could be ensured through taking measures such as: giving assistance for national development plans; building and strengthening of economic complementarities; sharing of expertise and knowledge; and joint development of infrastructure in the fields of transport, communication and energy.\textsuperscript{195} GEP had suggested several measures for ensuring equitable distribution of gains of economic cooperation. But SAFTA did not include “far enough” measures to that end. For instance, GEP had recommended creating of a large SAARC development fund to help finance projects to develop infrastructure, human resources, and production and export capabilities of LDCs. Kelegam argued that without changing and improving the production structures in LDCs, equitable distribution of benefits to them would not be possible. Without taking these measures, trade liberalization and increased competition may result into “closing down” of even their efficient industries, instead of adjustment. It can have serious economic, social and political implications for LDCs. GEP had recommended for “vertical industrial integration” in SAARC which could help increase export capabilities of the smaller states. It had also recommended for creation of a SAARC Investment Area that could help promote regional investment flow to LDCs and compensate, through capital account, for their trade imbalances with India. However, SAFTA did not include these measures. Unlike other RTAs and FTAs, SAFTA did not exempt the LDCs from provisions related to enforcement of anti-dumping and countervailing measures. Under its article-11 (a) it only stated that SAFTA members “shall give special regard to the situation of LDCs while considering application of anti-dumping and countervailing measures.”\textsuperscript{196} This provision did not give sufficient safeguard to LDCs.

\textsuperscript{195} Khosla, “Constructing the South Asian Community,” 195–6.
Among the regional groupings of unequal economic potential, the relatively developed members must take the responsibility of generating economic development in the area. India being the most developed state in SAARC, needed to take the responsibility of generating “development impulses” among its co-members through various economic activities. It could give them special concessions such as non-reciprocal tariff preferences or to cancel or even reschedule the repayments. It could make a few sacrifices and forgo some short term benefits to foster development in its neighbourhood.\(^{197}\) Naqash argued that Indian market did not provide for import of manufactured goods produced in the smaller states due to its past policy of self-reliance. But a modification in its policy and creation of a market for their goods could enable them to enhance their exports to India and to earn some money for import of capital goods from India thus creating some balance in bilateral trade.\(^{198}\) India could also pursue its policies related to trade, investment and infrastructure development etc. towards regional states giving due consideration to their interests in a wider regional framework aimed at promoting economic cooperation and sharing prosperity in the region.\(^{199}\) Brar claimed that India could successfully play its role as a regional patron and being most resourceful state in the region it could provide economic assistance to its neighbours. Even a small fraction of economic assistance could contribute significantly towards development of its smaller neighbours. It could have help India to consolidate SAARC which in turn would help increase its political and economic influence in the world.\(^{200}\) Thus, the changes in Indian policy were, in fact, in its own interests. It could create a

\(^{197}\) Sharan, *India's Role in South Asian*, 111 and 121.

\(^{198}\) Naqash, *SAARC: Challenges and Opportunities*, 107–8.

\(^{199}\) Muni, “Problem Areas in India’s Neighbourhood Policy,” 192–3.

\(^{200}\) Brar, “SAARC: If Functionalism Has Failed,” 40.
political goodwill in its neighbourhood and generate a feeling among smaller states that India was doing “something for them.”\textsuperscript{201} It could adopt a common regional approach to generate economic growth among LDCs which could even help it to prevent illegal entry of workers from these states to India. It could also share its prosperity with its neighbours through allowing their labour to enter into India in search of employment. Instead, Muni noted, India pursued harsh and ill-fated policies such as “push back operations” or erection of “barbed wire fencing” on its borders with smaller states, which created only “ill-will” and caused tensions among regional states without addressing the real problem of illegal migration.\textsuperscript{202} Exploring the sources of India’s behaviour towards its smaller neighbours, Muni observed that at times India’s policies became “captive to small but politically powerful provincial states and other vested interests lobbies.” For instance, the Nilgiris tea growers, despite being producing “inferior and expensive tea,” strived to distort the tea segment in the Indo-Sri Lanka free trade agreement. The garment and jute manufacturers in the West Bengal affected India’s policy of giving access to Bangladeshi products in its market. Similarly, the local vested interests in northern Indian states had influenced the revision of Indo-Nepal Trade Treaty in 2002. He maintained that despite being the “most important economic partner” and supplier of economic assistance to some of its neighbours, New Delhi was not able to create “political goodwill” for itself through economic diplomacy in its neighbourhood. It mostly strived to link different economic issues for mutual bargaining and to get equal concessions “in comparable areas in return for the concessions given to the neighbours in a specific area.” India despite being quite resourceful and capable of giving something without gaining reciprocal

\textsuperscript{201} Sharan, \textit{India’s Role in South Asian Regional Cooperation}, 111 and 121.

\textsuperscript{202} Muni, “Problem Areas in India’s Neighbourhood Policy,” 193.
concessions has proved itself, in the eyes of its neighbours, “as a petty trader of economic goods and advantages” and lost the opportunities to create political goodwill.\footnote{Ibid, 192–3.} Due to lack of vision, Indian leaders were not able to show large-heartedness, magnanimity and accommodation towards smaller states to help promote regionalism in South Asia.

Harun noted that “the chronic and huge trade imbalance with India” along with several other factors, such as lack of political will and presence of bilateral disputes, security concerns, mistrust among regional states, and fear of Indian domination had impeded growth of economic regionalism. He noted that SAARC members did not share “perception of common benefit.” For the success of a regional grouping, it is important that all its members must perceive that they equally share the costs and benefits of economic cooperation. But it did not happen in South Asia due to “asymmetric trade relations” between India and smaller states. It was a consequence of India’s economic preponderance and comparative advantage in a wide range of products.” India could play a leading and proactive role to dispel the fears of smaller states and address their concerns through “early harvest and goodwill.”\footnote{Harun, “Regional Cooperation in South Asia,” 283–5.} An editorial of the Economic and Political Weekly had noted: “It is for India to ensure that smaller states of the region have a growing stake in regionalism.” But India did not take this responsibility seriously.\footnote{“Editorial,” Economic and Political Weekly, January 10–6, 2004, 119, cited by Kelegam, “SAFTA: A Critique,” 13.}

It has also been argued that transnational transactions alone, in fact, cannot help promote regionalism because the process is conditioned by some other variables.\footnote{Hashmi, Iran, Pakistan and Turkey, 21–2.} The dissolution of big states suggested that “political integration never took hold in the face of
both insufficient rewards for at least one party to these transactions and serious lack of homogeneity of values, attitudes, status, wealth, and other factors.”207 The experiences of regionalism in Latin America and Africa suggested that increased free trade among members had raised “sensitivities to national interests,” and created inter-state tensions due to members concerns for equitable distributions of benefits.208 Economic disparities and unequal distribution of “cost and benefits” led to deterioration of internal security in various states as well as caused disintegration of countries and interstate wars.209 Under prevailing circumstances, one cannot rule out the possibility that South Asian regionalism, particularly trade liberalization accruing unequal benefits to SAARC members, would face tensions and setbacks. The setback to Indo-Sri Lankan trade reinforced such fears. Economic interdependence that prevailed between India and Pakistan the time of Partition could not prevent them from fighting wars. Rather political problems and bilateral disputes had forced both states to decrease their dependence on each other which suggested that politics prevailed over economics in South Asia.

7.7 PEOPLE-TO-PEOPLE CONTACTS: CULTURE AND SPORTS

India from the very beginning had stressed the importance of building a South Asian identity and removing the gaps in “mutual acquaintance.” For instance, Premier Gandhi had emphasized that the “first step” towards promotion of regional cooperation

207 Jacob and Toscano (eds.), The Integration of Political Communities, 26, cited by Hashmi, Iran, Pakistan and Turkey, 22.


209 Madawela, review of Trade Blocks, 321. The report cited the examples of the American civil war, breakup of Ireland from the UK following a potato famine, disintegration of Pakistan and war between Tanzania and Uganda.
had essentially “to be just getting to know each other.” He claimed that regionalism was like embroidery which would “have to be fashioned patiently, stitch by stitch. The strength of the fabric will be determined by the weakest of the threads.”  

The significance of regional cooperation, he maintained, rests in “bringing together” of people. For him, the people occupied top most priority. He attached highest importance to interactions among the people and “their growing awareness of the possibilities and potential of working together.”  

India had underscored the need of promoting contacts among the people, including professionals at all levels. Gandhi had argued that “it is through art, culture and sports that our people most readily recognise each other.” He had stressed on the need of exploring the ways to use mass media and culture as means of increasing mutual awareness and knowledge about each other. He believed that South Asian arts and cultural festivals and sports events, which generate deep interests among the people and attract mass public participation, can significantly increase people-to-people contacts and contribute to mutual knowledge. He stressed the need of exploring the prospects of using mass media, including television and radio programs, and organized tourism to promote people-to-people contacts among the regional states.

7.7.1 Culture

Rajiv Gandhi had believed that there existed vast potential of cooperation in the field of culture. He had stated that through culture, regional people could “best affirm

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210 Rajiv Gandhi, Addresses to the inaugural and concluding sessions of the second summit, SAARC Secretariat, *SAARC Summits*, 56 and 91.
211 Gandhi had also said: “We might consider a South Asia Festival which brings together from all parts of our region a diversity of arts and crafts, poetry and songs, dance and drama, and traditional sports.” Address from the inaugural session of the third summit, *SAARC Summits*, 119.
212 Gandhi, Address to the inaugural session of the second summit, *SAARC Summits*, 56.
213 Gandhi, Address to the concluding session of the second summit, *SAARC Summits*, 91–92.
214 Gandhi, Address from the inaugural session of the third summit, *SAARC Summits*, 119.
affinities while celebrating diversity.” Regional states could cooperate enormously in several forms of culture especially which attract people in large number as “participative spectators.” Gandhi had also proposed to hold a South Asian Festival in which regional diversity of arts, crafts, music, drama, dance, poetry and songs could be presented. He offered that India could host such a festival.\(^\text{215}\) Gandhi had also initiated the idea of the SAVE programs and got approved it during his chairmanship. He believed that radio, television and cinema had the great potential to bring South Asian people together to “speak to each other, enrich and fulfil themselves.”\(^\text{216}\)

The SAARC members in their meetings had recognized that their common cultural heritage and cooperation in the field of arts and culture could bring their people closer. The regional Ministers of Cultural Affairs had met in Sri Lanka to work out an Action Plan to network their “national institutes of cultural relations.” Sri Lanka hosted the first SAARC film festival in Colombo in 1998.\(^\text{217}\) It also established a SAARC Cultural Centre in Kandy to preserve traditional crafts skills and crafts and to promote “cultural heritage” of regional states.\(^\text{218}\) The fourteenth SAARC summit, held in New Delhi in 2007, had launched SAARC Agenda for Culture and also agreed to institutionalize the annual SAARC Festival for cultural exchanges.\(^\text{219}\)

There has been vast potential of regional cooperation in several popular forms of culture such as music, drama, and films etc. Recently, Indian Prime Minister Manmohan Singh has stated that the love for cricket and the Bollywood movies could best unite the

\(^{215}\) Gandhi, Address from the inaugural session of the fourth summit, *SAARC Summits*, 176–7.


\(^{217}\) SAARC Secretariat, *SAARC Documents*, vol. VI, 379, and 382–3.

\(^{218}\) SAARC Secretariat, *SAARC Documents*, vol. VII, 393.

\(^{219}\) Fourteenth SAARC Summit, “New Delhi Declaration.”
people of South Asia. MNCs have successfully used the fame of the cricket and movie stars to advertise their projects in South Asia.\textsuperscript{220} Bollywood movies are very popular within and outside South Asia despite political differences, occasional tensions and border skirmishes, economic protectionism and social segregation among regional states. Indian movies are watched everywhere in Pakistan, as elsewhere in the region. Likewise, Pakistani TV dramas are reportedly very popular in India and so are the Indian TV dramas in Pakistan. Sobhan observed that like cricket stars, South Asian films stars, and singers were also popular across national borders. Not only traditional and playback filmi singers but also the folksingers, qawali and ghazal singers have demand across the region. Lata Mangeshkar, Muhammad Rafi and others from India, Runa Laila from Bangladesh and Noor Jehan, Mehdi Hassan, Nusrat Fateh Ali Khan, Abida Perveen and many others from Pakistan have been very popular across South Asia. Likewise, Indian movies have been recognized as “culturally unifying force in South Asia.”\textsuperscript{221} This situation opens up several avenues of cooperation at regional, sub-regional or bilateral level including joint production of films and dramas, cultural exchanges as well as provision of opportunities to each other’s artists to work in neighbouring countries.

The Bollywood is the largest and most advanced film industry in the region and as such attracts artists of various forms to perform in India. India is also a big market for movies as well as other fields related to entertainment and performing arts. It provides huge opportunities to make fame and wealth for those working in India. As such, several artists including actors, actresses, singers, and musicians from across the region want to express their talent and make their future in Bollywood. Indians generally kept their

\textsuperscript{220} Crick, “Contact Sport,” 62.

\textsuperscript{221} Sobhan, “Regional Cooperation in South Asia.” 13.
doors open for these entertainers coming from their neighbouring countries. Several of them coming from other South Asian countries have earned fame and wealth in India. Pakistani artists are no exception to this fact. Even, some of them became more popular stars in India than in their own country.

Pakistani singers have always enjoyed widespread popularity in India. For instance, Pakistani legends like Noor Jehan enjoyed lot of respect not only among common Indian people but also among Indian popular singers such as Lata Mangeshkar. Similarly, Mehdi Hassan, Nusrat Fateh Ali Khan, Ghulam Ali, Abida Perveen with many others, have been very popular and as such visited and performed several times in India. In recent years, young Pakistani singers such as Adnan Sami Khan, Atif Aslam, Ali Zafar, Rahat Fateh Ali Khan, and Azmat Amanat Ali etc. are very popular in India. Some of them had created “superlative tracks of their careers adorned with their ethereal voices” in India and played important role in the success of Indian movies. Some of them even won best singer awards on various occasions. A few, such as Adnan Sami Khan has permanently settled there. Some Pakistani poets, composers, actors and actresses also worked in India. A few of the popular Pakistani film artists who worked in India included Muhammad Ali, Javaid Shaikh, Meera, Aneeta Ayub, Sana, and Veena.

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225 Virk, “An Artist or A Terrorist ?”
Malik etc. Unlike Pakistani singers, these film artists have not been so successful and some of them became victims of controversies. A few even alleged that they were cheated by Indians. For instance, Muhammad Ali and Javaid Shaikh claimed that were initially given powerful roles in Indian movies but later on their characters were reduced to small ones. A few female artists were shown in indecent way which created strong reaction at home. These tactics on the part of Indian producers and directors etc. have been termed as their attempt to insult Pakistani artists as well as the nation as a whole. Thus, politics has increasingly crept into the cultural field as well.

In the recent past, Indian authorities caught a Pakistani singer Rahat Fateh Ali Khan and took him under custody on charges that he was taking away $124,000 unlawfully from India. A Pakistani artist, Atiqa Odho commented that Khan was humiliated by Indian authorities mainly due to absence of relevant rules. Syed Noor, a film director said, “Indians spared no effort to slander the Pakistani artists.” He termed the incident shameful for Pakistani artists who visited India despite several threats and humiliation by extremist elements in India. He claimed that the Indian officials had punished and insulted him because he was a Pakistani. Pakistani signers had also earned rivalries in Bollywood. Several Indian artists complained that when Islamabad did...
not allow Indian artists to perform in Pakistan, then why New Delhi had permitted Pakistani artists to work in India. For instance, ghazal singer Jagjit Singh had complained that several Pakistani artists were working in India due to which talented Indians were not getting enough opportunities. He said, “We have been giving them opportunities and they are exploiting us. They don’t have any future in Pakistan. India is their only market so they are encashing it.” Singh claimed that India had “never closed doors for our neighbours, but now, it is their turn to open doors for us which they will never do.” On the same plea some Indian singers such as Anoop Jalota, Babul Supriyo, Jagjit Singh, Kumar Sanu, Abhijeet Sawant and Jaspinder Narula had written to their government demanding it to ban Pakistani artists from working in India. Abhijeet claimed that they had the support of several NGOs who were against Pakistani artists working in India. He said “We call Pakistani singers to perform here. Our heroines dance with them; that is bad.” He believed that it was insulting for Indians. However, he also recognized that it was also a matter of bread and butter for Indian artists. He said that Indians did not “need to share that with our enemy country.” It has also been pointed out that a few elements which could not make their fortunes in Indian entertainment industry hatch ploys to expel Pakistani singers and artists from India. Some extremist political parties such as Shiv Sena have also tried to impose “cultural censorship” in Mumbai. Sena opposed

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232 Jha, “Should Pakistani musicians be banned.”

Pakistani artists working in India and frequently issued warnings to Pakistani artists as well as their producers in India to not cast them. Quite recently, after a warning issued by Thackeray, his activists staged protests against a TV show which had included two Pakistani artists. Raj Thackeray led Maharashtra Navnirman Sena also protested against the TV show. Shiv Sena had compelled the cable operators to block the channel, attacked the Big Boss bungalow located near Mumbai and beat up the guards.

After Mumbai incident in 2008, extremist elements in India “took a toll” on Pakistani artists working therein. They were asked to cancel their scheduled programs, and commitments and leave the country forthwith. Among them also included renowned Pakistani ghazal singer Ghulam Ali who had to abruptly cancel his multi-city tour and scheduled programs in India. Some of comedians working in India were stopped from performing in various programs and were also reportedly maltreated and beaten up. Extremist parties such as Shiv Sena had threatened that it would not allow any Pakistani artists to come to Mumbai or even Maharashtra. Reportedly, nothing has significantly changed even after three years since Mumbai incident. Pakistani artists still “have to witness junctures of suspicion, aloofness and indifference.”

India singers and artists are right to complain that Pakistani authorities did not allow them to perform in Pakistan. However, in recent years some restrictions have been

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“After Thackeray warning, Sainiks beat up Big Boss guards.”

236 Virk, “An Artist or A Terrorist ?” and also “Should Pakistani musicians be banned in India?”


238 Virk, “An Artist or A Terrorist ?”
relaxed for Indian performers in Pakistan. Moreover, Indian artists and singers always enjoyed fame among the common people and some of them were even received as state guests by Pakistani leadership. For instance, Indian actor Shatrughan Sinha had very close relations with President Zia while former Prime Minister Nawaz Sharif had friendship with Dev Anan. Indian movies are available everywhere in Pakistan in videocassettes since long and now also in CDs. During Musharraf era, a few of Indian movies were allowed to be shown on cinemas. Since then the restrictions on Indian movies have gradually been relaxed and now these are regularly shown on Pakistani cinemas in significant number. Private TV channels and cable operators also show Indian movies in Pakistan even to the distaste of many in the country. Besides others, many Pakistani film producers, directors, and artists want ban on Indian movies in Pakistan. They claimed that Indian movies were not only available on CDs and video cassettes, but private TV channels, cable operators and cinema owners were also showing them which had destroyed Pakistani film industry. They claimed that if Indian movies were stopped showing in Pakistan, local films could do better business. They also claimed that India had invaded Pakistan culturally through its movies which were destroying our youth. They demanded the government to ban Indian movies in Pakistan. Some of them even decided to go to court on this issue.\textsuperscript{239} Syed Noor, a film director, had clarified that they wanted to “protect Pakistani films” and were not against Indian movies, or its film industry, otherwise. Rather they wanted to revive Pakistani films. He claimed that

Pakistani film industry needed “the support of Indian filmmakers.” Indians must come to shoot their films in Pakistan and use local artistes and technicians in their movies. In his interviews, he also said that Indian film industry should provide us technical and technological support to revive our film industry.\footnote{Noor said this several times in various TV programs / talk shows on the topic.} He claimed that Bollywood had a vast Indian market and could help revive Pakistani film industry. Unfortunately, it was rather destroying Pakistani film industry.\footnote{“Ban Indian films in Pakistan: newspaper Islamabad.”} Most importantly, Indian movies which are widely seen in Pakistan did not play any positive role in promoting friendly relations between two states.

Indian film industry produced several movies during the past two decades which were largely filled with anti-Pakistan contents. Apparently, they created hatred among Indian masses against Pakistan projecting it as perpetuator of terrorism in India. In some movies released in 1990s, the very foundation and creation of Pakistan was denounced. Their heroes championed the cause of removing the “artificial border lines” on the Indian soil as these had divided the motherland. The movies depicted Pakistan’s ISI as harbouring terrorism in India, sending its agents in disguise and collaborating with Indian Muslims. In some cases, the poets and writers visiting India were portrayed as ISI officials executing plans of death and destruction therein. Such movies had been detrimental to the growth of people-to-people contacts and cultural exchanges etc. so widely emphasized upon by Indian leaders for the success of SAARC process. These movies have generally depicted Pakistan and its people as “bad” and Indians as “good” which did not help increase mutual understanding. A few of the movies released during the last two decades bashing Pakistan or Indian Muslims or even both included; Gadar
(chaos), Maan Tujhe Salaam (Mother I Salute thee), Border, LOC, Ab Tuhmhare Hawale Watan Sathiyo (Now the nation is in your hands, friends), Lakshya (Goal), Veer-Zaara, Krantiveer (Revolutionary Brother), and Mission Kashmir etc. In some of such movies, Pakistani artists were also offered the roles to perform which they declined. For instance, film-star Shaan had rejected the offers to perform roles in movies “Delhi-6” and “Ghajini” as he believed that these had “projected Pakistanis as villains.” Similarly, some Indian artists such as Shahrukh Khan, refused to perform in anti-Pakistan movies as they believed that it could hurt their popularity across the border.

Indian television channels can be seen throughout Pakistan, either on dish or cable but New Delhi did not allow Pakistani television channels to be seen in India. Pakistani media persons and politicians have expressed their concerns over it. For instance, Ahsan Iqbal deplored that New Delhi had not allowed Pakistani television channels to be seen in India whereas Indian channels could be seen in Pakistan. However, the popularity of Indian channels in Pakistan had provided India to spread propaganda against Pakistan, due to which Indian news channels were banned in Pakistan. In rural areas of Pakistan, a large number of people listen Indian music, particularly filmi songs aired by Indian radio stations. Knowing this fact, All India Radio broadcasts a few Urdu programs directed at Pakistani audience after some intervals every day. These programs such as Tahmeel-e-Irshad and Apki Farmahish etc. are widely listened in Pakistan. However, Indian authorities do not forget to mix politics in these purely musical and entertainment programs. In the mid of these programs, Urdu news are aired which are generally filled

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243 “Ban Indian films in Pakistan: newspaper Islamabad.”
244 Bhaumik, “Politics of Indian War Films,” 85–93.
245 Mehtab, “Political parties agree.”
with anti-Pakistan propaganda material. Certainly, mixing politics even in music and entertainment, however, could not serve the goals of promoting mutual understanding, trust and friendship in any part of the world and more so in South Asia.\textsuperscript{246}

\subsection*{7.7.2 Sports}

In the words of Rajiv Gandhi, sports “is a ready medium for mass participation”, enhancing people-to-people contacts and increasing mutual understanding. Referring to the successful holding of South Asian Games in Dhaka and Katmandu in previous years, he had stressed the need of exploring the means through which regional states could use sports to increase mutual contacts and awareness.\textsuperscript{247} He had called for organizing more and more sports events, “both in traditional sports and in modern mages.”\textsuperscript{248} Manmohan Singh stated that cricket is one of the few things which could unite South Asian people together. Cricket is one of the most popular games in South Asia which can both “unite and divide polities,” both at national and international level.\textsuperscript{249}

Four of the SAARC members are among the world’s test playing nations and three of them have even won one-day cricket World Cup. Their cricket teams frequently play matches against each other but cricket ties between India and Pakistan have some unique features. Unlike political and cricket relations between other regional states, Indo-Pak cricket ties have always reflected the situation of their bilateral political relations. Crick observed that cricket ties of both states had been influenced by every shade of their bilateral relations. Cricket matches between India and Pakistan always attracted mass public interests and contributed people-to-people contacts between two states. For

\begin{itemize}
\item \textsuperscript{246} Present researcher has personally listened such programs in the past.
\item \textsuperscript{247} Gandhi, Address to the Concluding Session of the Second Summit, \textit{SAARC Summits}, 91.
\item \textsuperscript{248} Gandhi, Address from the Inaugural Session of the Fourth Summit, \textit{SAARC Summits}, 176.
\item \textsuperscript{249} Crick, “Contact Sport,” 59 and 62.
\end{itemize}
instance, in 1955, during India’s first tour to Pakistan, Wagah border was for once left open for Indian spectators. Reportedly, 10,000 Indians had come to watch a test match at Lahore, and many more living in Amritsar were permitted to “cross back each night to their homes.” Both states also used cricket as a tool of multiple tracks of diplomacy, involving top level leaders as well as middle ranked government officials, private professional groups, NGOs, and the common people of both countries. However, nature of Pak-India political relations always influenced their bilateral cricket ties. When their political relations were good, they played the cricket against each other but stopped playing it when their relations got strained. It has been observed that India has repeatedly tried to impose cricket sanctions against Pakistan after several political incidents and thus attempted to “securitize” their bilateral cricket ties.250

Crick noted that due to wars between them in 1965 and 1971, both India and Pakistan did not play cricket series against each other till 1978. After destruction of Babri Mosque and Bombay riots in 1992 and 1993, respectively, and rise of militancy in Kashmir, India again severed cricketing relations with Pakistan till 1997 when both countries played a “Friendship Series” in Canada. Next year their political relations and cricket ties again got deteriorated when they had conducted nuclear tests. In early 1999, a rapprochement in their bilateral relations witnessed a parallel resumption of their cricket ties and Pakistani team went India on a full tour after 12 years. New Delhi again refused to play cricket with Islamabad after the Kargil war, military coup in Pakistan in 1999 and an attack on Indian Parliament in 2001. Both countries resumed bilateral cricket series after a breakthrough in their political relations in 2004. Indian team toured Pakistan in

250 Ibid, 63, 65–6 and 69–75.
2004 and 2006 while Pakistani team went India in 2005. However, India again severed cricket ties with Pakistan after a terrorist attack in Bombay in November 26, 2008 and has so far refused to resume them. Thus, teams of both countries did not play any bilateral cricket series since 2007 when Pakistani team had toured India. Crick noted these sanctions were the product of “aggressive Hindu chauvinism” and part of Indian attempts to put diplomatic pressure on Pakistan on its alleged support to militancy in Kashmir. He maintained that most of those who called for and supported cricket boycott belonged to the right wing extremists Hindu parties, such as BJP and Shiv Sena. Even Kapil Dev, a former cricketer and the captain of Indian team, also opposed playing cricket with Pakistan until it stopped militancy in Kashmir. In fact, there was little opposition or criticism to government decision to sever cricket ties with Pakistan. For instance, a study conducted a survey of 60 articles published in English language newspapers published from India in 2003. It revealed that only one article – even that written by a former Pakistani cricketer Ramiz Raja – had opposed and argued against the Indian government decision to link cricket with politics. Crick observed that due to the popularity of cricket, extremist elements in India had found cricket matches as a “fertile terrain” for expression of “Hindu chauvinism and communalist ideologies.”

On some occasions, the Hindu nationalist parties have also strived to subvert Pakistan’s tours of India. In 1999, for instance, Shiv Sena had threatened that it would withdraw its support to BJP’s led coalition government in the center if it approved the

251 Ibid, 70–1.
253 Crick, “Contact Sport,” 64–9. 
tour. Bal Thackeray had opposed the tour saying that Pakistan was supporting militancy in Kashmir. He threatened Pakistan’s team and also that his men would release snakes into stadium. His followers dug up the cricket pitch at a stadium in Delhi where Pakistani team had to play a match and throw stones at the Pakistan’s High Commission in Delhi. Shiv Sena also had ransacked offices of the Mumbai Cricket Board.254

When the teams of both states had to compete in various multilateral events amid strained bilateral relations, their matches were depicted as fights between their forces in the battlefield. A match between them during 1999 World Cup in England during Kargil war was its classical example. Similarly, the media had portrayed the quarterfinal match of the 2003 World Cup, played between two states, as a “mimic warfare.” In India, Crick observed, a defeat to Pakistan in a cricket match “hurts even more than a loss on the battlefield.” Probably due to this reason also, Indian government sometimes wanted to stop playing cricket with Pakistan. For instance, before Indian tour to Pakistan in 2004, Deputy Prime Minister, L. K. Advani had argued that poor performance by Indian team could adversely affect BJP’s position in the forthcoming general elections. Therefore, India should tour after the election. But Prime Minister Vajpayee did not approve it.255

Sometimes, the local crowd in India became furious after seeing their team being defeated by the opponents. For instance, in the third test match at Kolkata during Pakistan’s tour to India in 1999, Indian crowd became so aggressive after a controversial run out of Tendulkar that the match had to be completed in an empty stadium. Earlier, a

254 Ibid, 64 and 70.
255 Ibid, 69 and 71.
world cup match between India and Pakistan at Bangalore had witnessed a “hate-filled chauvinism with communal overtones.”

Contrary to the behaviour of Indian ruling elites, Pakistani leaders generally strived to use “cricket diplomacy” as an opportunity to negotiate and build relations with India. For instance, President Zia, who had the credit to coin “cricket diplomacy,” went on an unofficial tour to India to see a cricket match there. During the visit, he met Indian Prime Minister which helped defuse bilateral tension during Brasstacks crisis in 1987. Later in 2005, when President Musharraf was not satisfied with pace of peace process, he went to India to watch a cricket match. He stayed there for three days and held several meetings with Manmohan Singh, the new Prime Minister of India. In 2011, Prime Minister Gilani also visited India to watch Cricket World Cup semi final between India and Pakistan. He met Indian Prime Minister to normalize bilateral relations. Even when Indian leadership was hesitant to send its team to Pakistan in 2004 due to security concerns, Musharraf government had assured of giving comprehensive, i.e. highest level security to Indian team. Consequently, despite opposition from within the government, Indian Prime Minister had approved the tour. Crick observed that Pakistani had pursued a policy of using cricket as a mean of creating opportunities for negotiations and building

256 Ibid, 74.
257 Ibid, 72.
trust with India. Generally, Pak-India cricket ties promoted people-to-people contacts and helped improve public opinion about each other in both states.\textsuperscript{259}

Pakistan’s tour of Indian in 1999 and Indian tour to Pakistan in 2004 were widely welcomed and regarded successful. Pakistani nation extended unprecedented welcome to Indian team in 2004. Reportedly, about 20,000 Indians were given visas to visit Pakistan. Many people who were born in Pakistan visited their birthplaces, received warm welcome and hospitality by the people and “returned to India praising their newfound friends.” Next year, a large number of Pakistanis visited India during Pakistan cricket team’s tour. As such, cricket tours were paralleled with brief relaxation in visa restrictions and provided people the chances of visiting neighbouring state which they otherwise never get the chance to explore.\textsuperscript{260}

Generally, the cricket boards of both countries maintained good ties in spite of bad relations at the government level of two states during 1990s.\textsuperscript{261} They have jointly organized world cup in 1987, and 1996 (with Sri Lanka). These three countries along with Bangladesh had won at International Cricket Council (ICC) to jointly organize the World Cup again in 2011. Pakistan Cricket Board (PCB) and Board of Cricket Control in India (BCCI) coordinated on several other issues at ICC forums. On the issue of Indian Cricket League (ICL), an illegal championship organized in India, PCB fully supported BCCI and declared that it would not allow any Pakistani players to participate in ICL. However, a few of Pakistani players decided to join ICL against the board policy.

\textsuperscript{259} Crick, “Contact Sport,” 72, and 75–7. In 1955, during India’s first tour to Pakistan, “for once the Wagah border crossing was left open and 10,000 Indian fans traveled to watch the Lahore Test match; those that lived in Amritsar were allowed to cross back each night to their homes.”

\textsuperscript{260} Ibid, 66 and 74.

\textsuperscript{261} Ibid, 64.
Consequently, PCB banned them in all forms of cricket in Pakistan. Some of the banned players were considered as the backbone of Pakistani team, such as Muhammad Yousaf and Abdul Razzaq. However, PCB took stern actions against them for the sake of its good ties with BCCI and implement ICC policy on the issue.\footnote{262} Notwithstanding the history of good relations between cricket boards of both countries, the Indian government has, in the recent past, used BCCI to destroy cricket in Pakistan in the wake of the Bombay incident. Reportedly, the Indian government had pressurized BCCI to work against the interest of PCB. Initially, it refused to play cricket series with Pakistan on political grounds against the principles laid down by ICC.\footnote{263} Reportedly, BCCI had also played a key role in moving out 2011 World Cup matches scheduled in Pakistan. ICC had decided to move World Cup matches out of Pakistan a month after an attack on Sri Lanka Cricket team in Lahore on March 3, 2009. Ehsan Mani has disclosed that ICC had agreed to allow Pakistan to host its allocated matches at a neutral venue. However, BCCI opposed the idea and, supported by Sri Lanka and Bangladesh, got these matches reallocated to their own countries.\footnote{264} Reportedly, Indian move had severely hurt Pakistan’s cricket and deprived PCB of multi-million dollar potential revenues.\footnote{265} BCCI had introduced Indian Premier League (IPL) as an official T-20 championship to challenge ICL in 2008. In IPL different Indian franchises hired

\footnote{264} Reportedly, David Morgan and Sharad Pawar, then President and vice-President of ICC, respectively, had agreed to allow Pakistan to host these matches at some neutral venue. But powerful Indian board had strongly opposed it. Mani, “From immense respect to utter disgrace.”  
renowned players from all over the world. Then Pakistan was regarded as one of the best teams of T-20 format and its players were very popular in India. Many of them were hired by various franchises to represent them in IPL. However, after Bombay incident in 2008, India government and BCCI strictly instructed IPL franchises to not select any Pakistani player. Since then, all Pakistani players are banned to participate in IPL.

Mani claimed that BCCI have also marginalized PCB at Asian Cricket Council (ACC) and ICC forums. A day before the election for ICC President, BCCI had verbally indicated PCB that it would resume cricket ties with Pakistan if the latter opposed Australian candidate in the election. As soon as Pakistan complied with Indian demand, BCCI backed off and denied of making any such commitment. Mani claimed that BCCI was trying to hurt and even target Pakistan cricket on the instructions of Indian government. In such circumstances, Stephen Cohen is right to make the point that “Indians do not know whether they want to play cricket and trade with Pakistan, or whether they want to destroy it.”

Crick has noted that both India and Pakistan have tried to use cricket for political objectives but in different ways. Islamabad has always strived to use cricket to keep doors of bilateral negotiations open with India and build trust and understanding. On the other hand, India has repeatedly sanctioned Islamabad and used cricket to put diplomatic pressure on Pakistan for various purposes. Indian efforts to impose cricket embargo after Mumbai incident and use of a terrorist attack to subvert international cricket activities in Pakistan are its clear manifestation.

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266 Mani, “From immense respect to utter disgrace.”
267 Ibid.,
268 Cohen, “Rising India has a Pakistan Problem.”
269 Crick, “Contact Sport,” 59–79.
India was also involved in a terrorist attack on the visiting Sri Lankan cricket team in Pakistan in 2009. Indian government had believed that some Pakistani elements were involved in Mumbai incident. Consequently, it refused to allow its cricket team to visit Pakistan on a scheduled tour in early 2009. Thus, PCB requested Sri Lanka cricket board to send its team to Pakistan which it agreed to. Sri Lankan team was warmly welcomed in Pakistan. However, an unfortunate incident took place during the series when some terrorists attacked the touring side on its way to stadium from the hotel on the third day of a test match at Lahore. Some people were killed and a few of Sri Lankan players were injured in the incident after which the touring team hurriedly returned to Sri Lanka. The terrorist attack not only compelled Sri Lankan team to leave their tour incomplete but also gave an excuse to several others teams to cancel their scheduled tours of Pakistan. On the same pretext, the World Cup matches allocated to Pakistan were taken out.

In fact, several Pakistani officials had claimed that India was involved in the attack on Sri Lankan team. A day after the incident, Lahore Police Chief, Pervez Rathore had claimed that the police had “credible evidence” of Indian involvement in the attack. He maintained that intelligence agencies had provided them “considerable information in this case. One thing is for sure that there is an Indian hand behind the attack.” Reportedly, the rocket launchers and explosives used by the terrorists were generally used by Indian security forces. Soon after the incident, Sri Lanka Foreign Minister had

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271 Bangladesh team was due to tour in just two weeks when the incident took place and Dhaka cancelled the tour. Similarly, Australian team also cancelled its scheduled tour in 2009.

said the possibility of Indian involvement in the incident could not be ruled out. Later on, Prime Minister of Pakistan, Yousaf Raza Gilazi had disclosed that he was told by the Sri Lankan President during his visit to Libya that LTTE had provided funds for the attack in Lahore. Reportedly, Indian secret agency RAW had used its “frankenstein” LTTE for the terrorist attack. Pakistani intelligence sources were of the view that RAW had masterminded the attack with these four objectives: to sour Pak-Sri Lanka relations; to destabilize Pakistan; to stop foreign teams coming to Pakistan and; impress upon the Pakistanis that RAW was more powerful than ISI and could execute such attacks even in the middle of the security personnel. In sum, Indian has increasingly used cricket to coerce Pakistan for political objectives.

Cricket can be used positively or negatively, i.e. to bring people closer or otherwise. On one hand, cricket can be used to exacerbate regional or national divisions in the world. But it can also be used as a mean to unite diverse groups in a society as well as nations in the world and build “bridge of peace.” It can also be used as a mean of multi-tack diplomacy. As a mean of track III diplomacy, involving people-to-people contacts, cricket can play a role to prepare a ground for negotiations and further improving bilateral relations. In fact, several western countries have encouraged such channels of diplomacy in South Asia. Cricket can provide a useful platform for such

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275 “Indian hand seen in attack on Lanka’s team.”

interactions. The cricket series played between both countries during 2004, 2005 and 2006, were widely successful in invigorating “goodwill” between the two states. However, history has proved that sports ties, increased people-to-people contacts as well as other means of Track II and Track III diplomacy between the two hostile states, “are always vulnerable to ‘strategic surprises’ such as terrorist attacks” or government changes etc. Any single incident such as Kargil War, an attack on Indian Parliament or Mumbai incident, can swing back all the process.\(^{277}\) Most importantly, Cohan observed that track-II diplomacy was mostly used to avoid “serious strategic dialogue” between both states. It had involved the people “who were responsible for past bad decisions” and just a few years back they were willing to do nothing during their service and suddenly became preacher of dialogue and peace after their retirement.\(^{278}\)

7.8 TOURISM

Tourism is another area which had the potential to boost people-to-people contacts, develop regional economies and increase interdependence in South Asia. In an increasingly globalized world, international tourism has become one of the most significant social and economic phenomena and it can put multiplier political, economic and social effects on the lives of the people. A remarkable growth in global and regional tourism has been witnessed all over the world.\(^{279}\) Despite wide potential of attracting

\(^{277}\) Ibid., 75–7.

\(^{278}\) Cohan has cited an Indian journalist as saying on such track-II dialogues that “both governments should consider extending the age of retirement by five or ten years since so many of yesterday’s hawks had morphed into today’s doves.” Cohen, “Rising India has a Pakistan Problem.”

\(^{279}\) Golam Rasul and Prem Manandhar, “Prospects and Problems in Promoting Tourism in South Asia: A Regional Perspective,” *South Asia Economic Journal*, 10:1 (2009), 188–9 and 192. Reportedly, the world has witnessed a 32 fold increase in number of international tourist’s arrivals in 55 years, i.e. from 25 million in 1950 to 808 million in 2005.
tourists, South Asia lagged far behind in this field. Alwis claimed that South Asia possessed all necessary features of becoming a main tourists’ destination.\footnote{Renton de Alwis, “Promoting Tourism in South Asia,” in Ahmed, Kelegama and Ghani, eds. 
\textit{Promoting Economic Cooperation in South Asia}, 259.}

South Asia is rich with geographical, religious, cultural and civilizational and biological diversities which present vast attraction for adventure tourism, eco tourism and religious and cultural tourism etc.\footnote{Harun, “Regional Cooperation in South Asia,” 282.} The South Asian states are home to a few of the world’s most beautiful places such as highest mountain peaks on the planet, neat and clean sea beaches, mangrove areas, rivers, swamplands, deserts, forests, grasslands, historical and archeological sites, and religious places, as well as diverse and tasty foods and hospitable people.\footnote{Rasul and Manandhar, “Prospects and Problems in Promoting Tourism,” 189; and Alwis, “Promoting Tourism in South Asia,” 259.} The historical, religious, cultural, and social links of the people across borders and beyond South Asia can attract lot of visitors to the regional states.\footnote{Khalid Amin, “Regional Cooperation in South Asia: Pakistan Perspective,” in Ahmed, Kelegama and Ghani, eds. 
\textit{Promoting Economic Cooperation in South Asia}, 327.}

Presently, about three-fourth of tourists come in the region for conventional tourism, i.e. pleasure and sightseeing. Several other aspects of tourism are still untapped.\footnote{Jain, “Regional Cooperation in South Asia,” 312–3.} Even some international donors, such as ADB, have also recognized the vast potential of tourism in the region and gave assistance for promoting tourism through regional and subregional efforts.\footnote{Ibid, 305. Reportedly, ADB had extended US$3 million and US$20 million in Technical Assistance grants and annual concessional loans, respectively, for sub-regional and regional cooperation projects in tourism sector to the South Asia Sub-Regional Economic Cooperation (SASEC) which includes India, Bangladesh, Sri Lanka, Nepal and Bhutan.} Amin claimed that SAARC members could increase their existing earnings of about US$ 15 million to US$ 155 million per year from tourism through

\begin{thebibliography}{999}
\item Harun, “Regional Cooperation in South Asia,” 282.
\item Rasul and Manandhar, “Prospects and Problems in Promoting Tourism,” 189; and Alwis, “Promoting Tourism in South Asia,” 259.
\item Jain, “Regional Cooperation in South Asia,” 312–3.
\item Ibid, 305. Reportedly, ADB had extended US$3 million and US$20 million in Technical Assistance grants and annual concessional loans, respectively, for sub-regional and regional cooperation projects in tourism sector to the South Asia Sub-Regional Economic Cooperation (SASEC) which includes India, Bangladesh, Sri Lanka, Nepal and Bhutan.\footnote{Ibid, 305. Reportedly, ADB had extended US$3 million and US$20 million in Technical Assistance grants and annual concessional loans, respectively, for sub-regional and regional cooperation projects in tourism sector to the South Asia Sub-Regional Economic Cooperation (SASEC) which includes India, Bangladesh, Sri Lanka, Nepal and Bhutan.}
\end{thebibliography}
improving interconnectivity and visa liberalization.\textsuperscript{286} Growth of tourism contains large spillover and multiplier effects. It generates employment, increase government revenues, and foreign exchange earnings etc. and also stimulates economic activities in several other sectors such accommodation, transport, food, catering and beverage, recreation and excursions etc. As such, it can help create employment opportunities and reduce poverty. Its prudent development and management can assist in preservation of culture and protection and conservation of environment in the region. Contacts with other people stimulate social change and progress. More importantly, through increased people-to-people contacts, it can help build mutual understanding, trust, and contribute to regional peace and security.\textsuperscript{287} Recognizing its importance, South Asian states have taken several unilateral and sub-regional initiatives to promote tourism in the region. In fact, several factors warrant regional cooperation in tourism that would develop the region to attract tourists from outside South Asia. It has been observed that about 66 percent tourists in SADC, 70 percent in MERCOSER, and 55 percent in ASEAN come from Africa, Latin America and Asia-Pacific, respectively.\textsuperscript{288}

Earlier, the second SAARC summit after realizing the importance of tourism had underscored the need of joint projection of South Asia as a single tourist destination.\textsuperscript{289} In 1986, SAARC members had agreed to launch organized tourism program, effective from 1991 and to introduce a travel voucher system for promotion of tourism in South Asia. They established a TC-Tourism in 1991 with the task to promote tourism in South

\textsuperscript{286} Amin, “Regional Cooperation in South Asia,” 327–8.


\textsuperscript{288} Rasul and Manandhar, “Prospects and Problems in Promoting Tourism,” 191.

\textsuperscript{289} SAARC Secretariat, \textit{SAARC Summits}, 150; SAARC Secretariat, \textit{SAARC Summits}, vol. II, 55.
Asia. In 1999, they assigned this task to Tourism Council of SCCI and then formed a working group on Tourism in 2004 to compliment the efforts of the former in public-private partnership. In 2004, the working group in its first meeting held in Colombo, made several recommendations regarding; tourism promotion programs; sustainable development of Nature Tourism, Eco-Tourism and Cultural Tourism; initiating exchange programs; and encouraging cooperation with regional and international tourism organizations. The second meeting of the regional Tourism Minister, held in Bangladesh in 2006, had approved a comprehensive action plan for promotion of tourism in South Asia. Several of the measures mentioned in the program were merely reiteration of such programs announced in the past.

SAARC members have tried, in their individual capacities, with varying results, to attract tourists from the world. Some of them, such as India and Maldives, have achieved some success in recent years. Still the overall share of SAARC states in global tourist market has been very small. Reportedly, South Asian states attracted just around one percent of the tourists from around the world in the near past. The South Asian states had the lowest per capita receipts (income) from tourism in the world, i.e. US $6. Despite recent increase in their income from tourism, the share of South Asian states in global receipt market has been very low. Even a country like Thailand earned

292 Rasul and Manandhar, “Prospects and Problems in Promoting Tourism,” 194–5. The Ministers announced the program aimed to establish direct links between member states’ capitals, to simplify visa procedures, involve private sector, to develop human resources, to project South Asia as a single identity, promote cultural and eco-tourism, to establish linkages with other international tourism organizations, and to implement the SAARC action plan.
293 For details see Alwis, “Promoting Tourism in South Asia,” 260, and 262–6.
294 For instance, out of total 800 million and 898 million international tourists, only 8 million and 9.7 million visited South Asia, in 2005 and 2007, respectively. Rasul and Manandhar, “Prospects and Problems in Promoting Tourism,” 195; Alwis, “Promoting Tourism in South Asia,” 260.
more than all South Asian states.\textsuperscript{295} The contribution of tourism in the economies of SAARC members in terms of share in GDP or creation of employment, except Maldives, has been nominal. As such, it can be inferred that South Asian states have not been able to fully exploit their potential in tourism.\textsuperscript{296} In fact, there was a large potential of social and religious tourism in the region. A large number of families, who were divided and lived apart after partition in 1947, wanted to meet their families and relatives or visit their birthplaces in neighboring states. Since religious shrines and places of worships of people living in South Asia are dispersed in various countries which created a vast potential for religious tourism in the region. Meanwhile, economic growth in regional states has created a large middle class who wanted to visit neighbouring states for recreation. The growing trade links have also created opportunities for economic or business tourism in the region.\textsuperscript{297} However, regional states could not fully exploit these opportunities due to various factors which also impeded arrival of tourists from the outside world.

There existed several barriers to free movement of tourists across the borders in South Asia, which impeded growth of tourism in the region. Jain and Amin observed that most of the regional states had restrictive visa policies, some containing provisions for city-wise permission, and reporting to the police. They maintained that visa-processing system and staff in the region was mostly inefficient and unfriendly towards promotion of tourism.\textsuperscript{298} The poor communication and transportation links, through air, roads, railways and sea and internal waters, posed major impediments to the free flow of people across

\textsuperscript{295} Rasul and Manandhar, “Prospects and Problems in Promoting Tourism,” 195. Thailand has per capita receipts of US $ 157, i.e. 26 times higher than in South Asia. Thailand has a tourism market share of 7.9 percent as compared to South Asian share of 7 percent in the Asia-Pacific region.
\textsuperscript{296} Ibid, 187.
\textsuperscript{297} Amin, “Regional Cooperation in South Asia,” 327.
\textsuperscript{298} Ibid, 342; Jain, “Regional Cooperation in South Asia,” 315.
national borders. Even the existing road and rail facilities, particularly between Pakistan, India and Bangladesh – which in combination from 97 percent of region’s population and GDP – were not fully utilized due to various border restrictions. Moreover, the regional states did not offer tourists friendly environment at most of their air-and-sea ports, bus and railways stations etc. The poor infrastructure, weak interconnectivity, inadequate facilities compounded with comparatively high rates in hotel and restaurants, difficulties in foreign currency convertibility, lack of information, negative South Asian image in the outside world, and poor law and order situation in certain areas also impeded growth of tourism in South Asia. The security and safety related issues also discouraged tourists to visit South Asia. In fact, several western states issued travel advisories for their citizens from time to time and asked them to not travel in a certain South Asian country or area due to regional tensions, political instability, public unrest, civil wars, insurgencies, terrorist attack, bomb blasts, frequent strikes, and incidents of political violence etc. Reportedly, most of the regional states were ranked poorly on the international security and safety index.

The growth of tourism has a direct link with good law and order situation and peace and security in a region. The political instability and violence in Nepal, Sri Lanka, Pakistan and parts of India, such as Jammu and Kashmir have adversely affected tourists’ arrival to these states. Most of the restrictions to cross-border movement of the people, including complex and long visa procedures, police reporting system, and issuance of city specific visas etc., were also related with political problems, fears of subversion and


threats of terrorism which in itself was either a product of unresolved political disputes or cross-border insurgency for political objectives. India being the largest and most developed regional state with most advanced tourism industry and largest growing middle class in the region could play a vital role in promoting regional tourism in South Asia. It could contribute to regional peace and security through resolving interstate conflicts and political problems that would pave the way for removal of restrictions to free flow of people including businessmen and tourists.\textsuperscript{301} Rajiv Gandhi had once stated that “SAARC will start becoming a tangible reality when the people of South Asia find that, without let or hindrance, they can travel around the region.”\textsuperscript{302} To make his dream true, it was imperative to remove barriers which were consequence of unresolved regional political problems and bilateral disputes, most of them centered on India. However, India has not played its role to successfully resolve its bilateral disputes with its neighbours and remove the mutual suspicions and mistrust which were the main causes of erecting hurdles to the free movement of people in South Asia.

\textbf{CONCLUSION}

Unlike smaller states, India did not desire any political or security role from SAARC. Rather it was rather enthusiastic to promote trade liberalization in South Asia. It claimed that economic cooperation, enhanced people-to-people contacts, socio-cultural ties and exchanges would create regional awareness which in turn would help manage bilateral disputes and normalization of relations among SAARC members. India continued to press for trade liberalization. The SAARC members signed SAPTA and SAFTA. Being dissatisfied with pace of trade liberalization under SAARC, India actively

\textsuperscript{301} Ibid.; and Alwis, “Promoting Tourism in South Asia,” 263–6.

\textsuperscript{302} Rajiv Gandhi, Address from the Inaugural Session of the Fourth Summit, \textit{SAARC Summits}, 175.
promoted bilateral, subregional and alternations RTAs which gave way to an approximate and alternative free trade area in South Asia that bypassed SAARC and undermined SAFTA. Believing that South Asia could not meet its growing strategic and economic needs, India increasingly built economic linkages with extra-regional powers, particularly East Asian states. Thus India’s interest in the SAARC had diminished.

The implementation of India’s bilateral trade arrangements with smaller states could not contribute positively to growth of economic regionalism in South Asia. Its restrictive policies and protectionist measures impeded growth of exports of smaller states to India. It, compounded with huge trade imbalances, created resentment towards India and the process of trade liberalization in South Asia. The process also increased disparities among regional states. Being the largest country in SAARC, more was expected from India than others. The onus of success of SAARC lay on India but New Delhi did not come up with the expectations of smaller states. Even it was failed to remove NTBs, PTBs and other barriers denying access to the products of smaller states in Indian market. Indian leaders could not show large-heartedness, magnanimity and accommodation towards smaller states to help promote economic regionalism in South Asia. India had failed to create a stake for the smaller states in SAARC.

India’s inclination to politicize cultural and sports ties have also badly affected the process of promoting people-to-people contacts in the region. It also shows the limits of sports and culture and other means of Track III diplomacy to help improve the regional political environment. History shows that it was politics which mainly dominated and influenced sports and culture, and not vice versa. The failure of regional states to promote tourism due to various factors mainly associated with the nature of bilateral relations of
smaller states with India have again validated the primacy of politics in South Asia. Unless, SAARC members overcome political problems, they cannot move significantly in any field having potential of regional cooperation.
The environment, water and energy related areas, which are in fact interrelated, present SAARC states vast opportunities of regional cooperation. These areas are also the sources of conflicts between SAARC members and threaten regional peace and security. Regional cooperation in these areas can help build mutual trust and understanding necessary to pave the way for mutually beneficial endeavours in other important fields.

Due to their energy needs and environmental threats, SAARC members could cooperate on bilateral or multilateral basis in the following areas: joint development, conservation and management of common water resources; generation and trade of hydropower; import of gas through pipelines; and use of efficient and renewable energy resources. They could share their energy resources and create a common energy market, one of the most important factors of promoting regionalism. Regional states could share following three main energy resources: hydropower resources of Bhutan and Nepal; coal reserves of India and Pakistan; gas reserves of Bangladesh. However, a solid political commitment was needed to materialize this vision.

8.1 ENVIRONMENTAL CHANGES AND SOUTH ASIAN REGIONALISM

Economic growth accelerates economic activities and changes peoples’ lifestyle which is reflected in their water-consumptive habits and increased water demand. Human

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activities aimed to meet various needs and agricultural and industrial development put adverse effects on the environment and cause global warming, glacial melting and changes in rainfalls pattern etc. The changes in rainfalls pattern are quite evident in various parts of the world but so more profoundly in South Asia. It causes far less rainfalls and resultant draughts during dry season and excessive rainfalls during monsoon causing floods that make thousands of people homeless and disrupt their social, economic and political life almost every year. The floods, sea level rise and intensive land irrigation and resultant soil salinity etc. destroy valuable arable lands as well as lessen the availability of usable and safe drinking water. Due to population explosion and environmental degradation, water scarcity is increasingly becoming a serious problem throughout the world. In 2009, UNESCO observed that 700 million people were living in water-stressed states. It estimated that this number would increase to over 3 billion by 2035. The most of the affected countries would be from the developing world, including South Asia. The problem of water scarcity is already visible in the region.  

South Asian states face various problems resulting out of the environmental degradation. Potentially the region can be “the worst hit” area in terms of its effects on rainfalls, water resources, forests and agriculture. The ecological changes and its adverse affects are the consequence of various activities taking place within and outside South Asia. As such, it is not likely that the entire environment related problems could be addressed through regional cooperation but some of them certainly needed collective action on the part of South Asian states. The rest demand them to take united positions at various global and multilateral forums and to put collective pressure on the industrialized

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states for taking much needed remedial measures to compensate for their activities that cause environmental degradation.\textsuperscript{4} It is evident in the shape of emission of greenhouse gases that cause depletion of ozone layer and global warming etc. The latter threaten the security and very survival of the people of some of the regional states. Reportedly, Maldives, Sri Lanka and coastal areas of Bangladesh, India and Pakistan are severely threatened by the global warming and resultant rise in the sea level. Even, the recurring floods, cyclones and droughts as well as air pollution and acid rains etc. pose severe threats to the lives and property of the people in Bangladesh, India, Nepal and Pakistan. The severity of these threats, however, can be lessened and controlled to varying extent through collective efforts on the part of regional states.\textsuperscript{5} South Asian states shared common Himalayan ecology. They could cooperate to preserve and improve regional atmospheric conditions and collectively harness water resources for irrigation, flood control, river navigation, power generation and development of aquatic resources.\textsuperscript{6}

One of the environment related problems is linked with water resources in South Asia. Ecological changes cause recurring floods, droughts and changes in the rainfalls patterns. Most of the rivers flowing through Bhutan, Nepal, India and Bangladesh have their sources in Himalayan glaciers which are melting down with alarming pace due to global warming. Initially the glacial melting increases water flow causing floods and devastating destruction in the concerned countries. Over the years, however, glacial melting will decrease leading to reduced water flow in the rivers which may cause

\textsuperscript{4} For instance, the sixth SAARC summit had expressed concern on the environmental degradation, and held the developed states main responsible for it. It demanded them to help developing states to address the issue because “most of the emission of pollutants originates in those countries and since they also have greater capacity for taking or facilitating corrective measures.” SAARC Secretariat, \textit{SAARC Summits}, vol. II, 89–90.

\textsuperscript{5} Pachauri, “Energy and Environment,” 299–306.

\textsuperscript{6} Naik, “SAARC — From Association to Community,” 340.
draughts in several parts of South Asia. Meanwhile, population growth, growing food needs, land irrigation, industrialization and urbanization would intensify the water demand in the region which is already faced with the threats of water scarcity. It can lead to intensification of cross-border disputes on distribution and sharing of international water resources. India already has long-standing disputes with its smaller neighbours on the issue. It has been warned that if existing economic, demographic and ecological trends continue it will intensify water demand in South Asia and so India’s conflicts with its neighbors that can threaten regional peace and security. However, regional cooperation in related areas could minimize these threats.

8.1.1 Joint Development and Management of River Basins

It has been argued that river basins must be developed as a single unit not prejudiced to the national political boundaries. Any unilateral interference with water flow at one place, such as construction of a dam etc., can have adverse implications at another place. Thus, international rivers need to be developed and managed jointly by all concerned parties to avoid mutual conflicts. According to Johan Waterbury, such a joint “basin-wide development” and management of common water resources takes into account the industrial and domestic water needs, careful stock of soils, values of substitute crops, viability of land irrigation and drainage, in order to ensure their optimal and equitable utilization. The UN Convention on Uses of International Water Courses

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9 Arun Kumar Banerji, “Rivers of Joy, Rivers of Woe: Sharing, Augmentation and Management of Water Resources in the Ganga-Brahmaputra Basin,” South Asian Survey, 6 : 1 (1999), 41. This need has increasingly been felt since 1940s, and practiced with varying results in different river basins, i.e. the Mekong, the Senegal, the Rio Grande and the Jordan River basin (the last one without much success).
1997 provides a “comprehensive framework” for inter-state cooperation on protection, conservation and management of international water resources.\textsuperscript{11} The water resources of international rivers can be best utilized through joint, integrated and cooperative development of river basins. It requires devising the plans and strategies for equitable water sharing as well as their protection, conservation and augmentation. It must also entail environment friendly, economically viable and sustainable mechanisms on the basis of the cost and benefit analysis.\textsuperscript{12} SAARC members could benefit a lot from joint development and management of their common water resources.

There is a vast network of rivers in South Asia. Most of them originate in the Himalayan mountains, flow through more than one regional state and form three main river systems, i.e. the Brahmaputra, the Ganges and the Indus.\textsuperscript{13} India shares the Brahmaputra and the Ganges basins waters with Bangladesh, Nepal and Bhutan and Indus basin with Pakistan. Nepal is the upper riparian state for four major and five smaller rivers flowing into India that make up about 71 percent of glacial-fed flow and 47 percent of the total flow in the Ganges basin. These rivers are main sources of water supply for Indian states of Bihar, Upper Pradesh (UP) and West Bengal during the lean season. They also cause massive flooding in monsoon.\textsuperscript{14} India and Bangladesh share 54 international rivers including 3 main rivers, i.e. Brahmaputra, Ganges, and Meghna. About 93 percent of Ganges River waters flow through Bangladesh whose low elevation


\textsuperscript{12} Banerji, “Rivers of Joy,” 47.


\textsuperscript{14} Condon \textit{et al.} \textit{Resource Disputes in South Asia}, 12. The major rivers include Mahakali, Gandak, Karnali and Kosi while small rivers or tributaries include Babai, Bagmati, Kankai, Kamala and West Rapti.
make it susceptible to floods in the monsoon and vulnerable to drought during the dry season.\textsuperscript{15} Similarly, most of the rivers flowing through Pakistan originate in the Indian controlled territories. This warranted regional states to jointly develop and manage their common water resources. In 1950s, some neutral experts had proposed Pakistan and India to jointly develop their common resources but both states had rejected the proposal. Rather they had agreed to divide their common rivers and to develop them separately.\textsuperscript{16} However, Bangladesh and Nepal were interested for the joint and multilateral development of their water resources.

The SAARC had put on its agenda from the beginning to develop Himalayan water resources as a common entity and to evolve a mutually agreed framework for joint protection, conservation and management of shared water resources. It also explored the ways of regional cooperation in conservation and management of water resources for agricultural purpose.\textsuperscript{17} The eleventh summit held in Katmandu in 2002 had stressed the need of devising mechanism of promoting cooperation in water conservation and its better management. The fifteenth summit had expressed its concerns over the rising water crises at the world level and affirmed the resolve of member states to take the lead in the world to focus on conservation of waters. It had agreed to initiate capacity building and research on rain water conservation and river basin management. The SAARC members also called for development of regional projects for water conservation and management and sharing of related knowledge, capacity building of member states and transfer of

\textsuperscript{15} Ibid, 8.
\textsuperscript{17} Banerji, “Rivers of Joy,” 44; also see \url{http://www.saarc-sec.org/areaofcooperation/cat-detail.php?cat_id=44} accessed on 08.2.2011.
environment friendly technology in the region. The members in their meetings made repeated references to these objectives but could not make any significant progress on the practical side. Particularly, they could not devise any regional policy for “integrated basin development.” One of the reasons of this failure could be the varying needs, priorities and strategies of the regional states. To make such a vision successful, Indian willingness and active participation was vital due to its, size, resources and central location.

The smaller states, particularly, Bangladesh was quite enthusiastic to this end. For instance, President Ershad had stated: “What I have in mind is a plan for Multipurpose Himalayan Water Resources Development covering such areas as flood control, irrigation, navigation, hydro-electric power generation, municipal and industrial water supply, fish and wildlife protection, recreation, and water quality control.” Awami League had also claimed that it was interested to develop “a comprehensive regional water policy” with Bhutan, Nepal and India. It also stated that Bangladesh attached a high priority to evolve a “water policy and associated development goals” in the region. India had recognized the need of joint development and conservation of its shared water resources with Bangladesh and had made a reference to it in its 25 years treaty of peace, friendship and cooperation, signed in 1972. However, both states had signed a 5 years Farakka Treaty in 1977 which provided only for sharing of Ganges water during the dry season leaving the question of joint water development unanswered. Bangladesh kept on insisting on a long-term treaty as well as flood control and augmentation of Ganges water

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19 Banerji, “Rivers of Joy,” 44.
20 Address from the inaugural session of the third summit, SAARC Secretariat, *SAARC Summits*, 112.
during the dry season through construction of large dams.\textsuperscript{23} For Bangladesh, permanent agreement on sharing of its all 51 minor and 3 major rivers shared with India was a prerequisite for its “national river development scheme.” It was argued that joint rivers basin development was one of the several measures which could entail “region based people-oriented development approach” and could contribute to improving the living standard of the poorest people of the world.\textsuperscript{24} Both states had agreed on the need of water augmentation but differed on its mechanism.

India had proposed construction of a 143 km long canal passing through Bangladesh to divert water from the Brahmaputra to the Ganga, as it believed that the water of the former was flowing wastefully to the sea. The proposal had the support of the World Bank but Dhaka rejected it on the plea that it would put adverse economic, social and agricultural effects on Bangladesh and also geographically divide the country into two parts.\textsuperscript{25} Since the rivers flowing through Bangladesh originated in or run through India, therefore, New Delhi argued that construction of storage dams within India’s territory could best address the problem.\textsuperscript{26} But Bangladesh opposed it believing that construction of dams in India would increase the latter’s leverage to control the river flow into it. It wanted augmentation within the Ganga basin and construction of storage dams in Nepal. Dhaka proposed construction of 7 high dams in Nepal that could store water and control floods during monsoon season and would augment water during the lean

\textsuperscript{24} Ghosh, review of \textit{Sharing the Ganges}, 327.
\textsuperscript{25} Banerji, “Rivers of Joy,” 45–8. Indian proposed construction of a barrage on the Sankosh River near Indo–Bhutan border whereby to release surplus water into Teesta and divert it ultimately to Farakka.
\textsuperscript{26} Ibid, 45. The construction of Farakka barrage and the proposed Barak project that include Thipaimok-Manipur-Assam Trijunction are its examples.
period. Bangladesh had even refused to undertake any feasibility study without Nepalese participation.\textsuperscript{27} King of Nepal had declared that Katmandu was willing to participate in any cooperative venture aimed for “multipurpose development” of Himalayan waters resources on multilateral, trilateral or even bilateral basis for common benefits of regional states.\textsuperscript{28} However, India did not want involvement of any third party, i.e. Nepal, in the matter which it argued was purely bilateral in nature. Reportedly, it had “several reservations” on the Bangladesh’s proposal on construction of these dams in Nepal. However, it had discussed some of these projects with Nepal on bilateral basis.\textsuperscript{29} Both states’ proposals regarding water augmentation were based on national interest considerations and fashioned by the history of mutual conflicts and distrust.\textsuperscript{30}

Banerji observed that India had taken some initiatives for cooperative and joint management of its common water resources with its neighbours. For instance, India-Bangladesh Joint River Commission (IB-JRC) took a decision in 1997 to build 1.5 km long embankment on both sides of the Teesta River on their common border.\textsuperscript{31} India also signed several treaties with Nepal on joint development of common water resources.

Nepal has more than 6000 rivers and streams through which flows about 225 billion cubic meter water into India and enters into Bay of Bengal every year. Its main

\textsuperscript{27} The construction of Pancheswar dam, which was later on agreed on bilateral basis between India and Nepal, was also included in the said Bangladesh’s proposal. Banerji, “Rivers of Joy,” 45; Iyer, “The Indo—Bangladesh Ganga Waters Dispute,” 132; and Ghosh, review of \textit{Sharing the Ganges}, 326.

\textsuperscript{28} The King had stated: “Nepal is willing to cooperate in any venture for the multipurpose development of her water resources bilaterally, trilaterally or multilaterally for the mutual benefit of the people in the region. I wish also to add that Nepal is willing to cooperate in whatever way she can within her competence to tackle the problem of rise in the sea level.” Shah Dev, Address to the Inaugural Session of the Fourth Summit, \textit{SAARC Summits}, 183.

\textsuperscript{29} Iyer, “The Indo—Bangladesh Ganga Waters Dispute,” 132; Ghosh, review of \textit{Sharing the Ganges}, 326.


rivers such as Karnali, Sapta Gandaki and Sapta Koshi, provide around 41 percent of the annual flow and 71 percent of the dry season flows of the river Ganges.\(^{32}\) Nepal being upper riparian for the various rivers flowing through India and Bangladesh, had a geographic position appropriate for construction of dams for flood control, water augmentation and power generation purposes. Since Nepal has not enough storage capacity, therefore, the glacial melting and heavy rainfalls cause sudden and devastating flooding downstream particularly in Indian states of Bihar and the UP where the general public and local leaders used to hold Nepal responsible for their miseries. This constituted a major cause of tension in bilateral relations. However, the problem also provided the potential of cooperation between two states. India and Nepal could cooperate for flood control, joint development, conservation, and management of common water resources. Nepal possessed the geographic place “to best control flooding” while India had expertise, technology and other resources needed for building dams. Both states could devise joint projects for monitoring of water flows, building dams for flood control and hydropower generation.\(^{33}\) Realizing its need, both countries took several bilateral initiatives to cooperate in these areas.

British India had signed an agreement with Nepal for construction of Sharada Dam in 1927. Later on India and Nepal signed Koshi agreement in 1954 (revised in 1966), Gandak agreement in 1959, Tanakpur Agreement in 1991 and the Mahakali Treaty in 1996.\(^{34}\) Rajan observed that the Mahakali agreement, despite some drawbacks, was a “model” for both states to create understanding and make agreements on important issues.

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in spite of political uncertainties and mutual suspicions. It also encouraged both states to discuss construction of other projects such as Koshi High Dam, Budhigandaki, Upper Karnali and West Seti hydropower project.\(^{35}\) However, these agreements have generated several controversies particularly in Nepal and soured its relations with India. These controversies were centered on sharing of waters and just distribution of benefits. India also has conflicts with Bangladesh and Pakistan on sharing of their common river waters.

8.1.2 Sharing of Waters between Regional States

SAARC members shared several water resources with each other which warranted them to cooperate and accommodate each other’s water needs for the sake of good neighborly relations and growth of regionalism in South Asia. India being the largest state and co-riparian with Bangladesh, Nepal and Pakistan owed the largest responsibility. It needed to agree on a mutually acceptable formula of water sharing with its neighbours and amicably resolve any differences with them. The people in Pakistan, Nepal and Bangladesh alleged that India was involved in stealing their share of waters.\(^{36}\)

8.1.2.1 Water Sharing between India and Nepal

The Kosi and Gandak agreements had provided for sharing of waters but they mainly meant diverting of rivers waters for irrigation to India, though the later revisions had given Nepal the right to withdraw water for any purpose.\(^ {37}\) Both projects were entirely executed by India with poor technology providing no benefits to Nepal during


the dry season and “inundation” during flooding. Nepal observed that technically the life of the Koshi barrage was just 50 years but Koshi agreement had bound Nepal to give the site of the barrage on 199 years lease to India. The people in Nepal believed that Katmandu bore the “loss of land” due to construction of Kosi and Gandak barrages. Both agreements were criticized on the ground that they were “unjust and unfavourable to Nepal.” Chintan observed that opposition to these agreements played important role in the growth of “strong nationalist-minded politics in Nepal, particularly for the left movement.”

In this background, the Tanakpur agreement signed in 1991 was a source of “shock” for Nepal. Opposition to Tanakpur project was so strong that it led to the fall of the Koirala government in 1994. India had concluded several agreements with Nepal on joint development of their common rivers. However, Nepalese perceived these treaties unfair and unjust believing that India wanted to exploit their national resources for its own benefits. Banerji claimed that Indo-Nepalese Treaty on integrated development of Mahaki River, signed in 1996, was expected to dispel the mistrust between two states and help ease public resentment against India in Nepal.

Reportedly, Mahakali agreement was signed after consensus among all political parties in Nepal intended for integrated development of Mahakali River basin. It involved construction of barrages at Sarada and Tanakpur and 315 meter high multipurpose

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38 Nepal, “Managing Nepalese Waters,” 48. Nepal observed that Koshi barrage was constructed “bearing technical constraints of the ‘sluice gate’, silt in the Chatara canal and change of course of the river etc. for getting none or little water to the Nepal side during dry seasons and ‘inundation’ during lean season.” After Gandak agreement, it had constructed a dam in Bhainsalotan “with similar technology.”

39 Ibid, 48; Dhungel, “Regional Energy Trade in South Asia,” 189.


Pancheswar dam. The new agreement was also aimed to resolve controversies related to construction of Tanakpur barrage under 1991 agreement. The Mahakali Treaty provided that Nepal would “get a larger share of water and power from the project” and would meet its all related needs through the proposed Pancheswar project that would also generate surplus power for its export to India. The treaty was expected to help resolve lingering dispute on sharing of water resources, lower bilateral tension and promote cooperation between India and Nepal. However, the progress on its implementation was slow and the treaty was unsuccessful in several respects.

Upreti observed that bilateral agreements on development of water projects could not be implemented. India’s misperceptions and belated decisions impeded implementation of projects while Nepal politicized water issue fearing that these projects would not ensure it equitable gains. Thus Nepal at times demanded for multilateral cooperation to develop its water resources due to which, by then no progress could be made on Mahakali, Pancheshwar and Karnali water projects. Nepalese parliament had annexed “four strictures” to the Mahakali Treaty at the time of its ratification. One of it had stated that Detailed Project Report (DPR) on Pancheshwar project would not be accepted until Kalapani issue was resolved. Kalapani is situated at the Trijunction of Indian, Nepal and China border in Tibet region where Indian para-military forces were stationed since Indo-Chinese war. Rajan observed that implementation of the treaty was slow due to “its over-politicisation in Nepal” as well as India’s “compartmentalized,

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43 Rajan, “Nepal-India Relations,” 86–7. The Treaty was signed by Prime Minister Sher Bahadur Deuba and Narasimha Rao during the former’s visit to New Delhi in March 1996. Also see, Banerji, “Rivers of Joy,” 45; and Condon, Resource Disputes in South Asia, 12–3.
overly-technical, poorly coordinated approaches.” to the treaty. Chintan noted that main provisions of the treaty were not implemented by both parties. India must be held responsible for that delay because Nepal could not do anything until India take initiative towards its implementation. She noted:

the treaty provided for the preparation of the Detailed Project Report (DPR) in six months, the mobilisation of financial resources in a year’s time and the construction of the Pancheshwar dam in 6-8 years. But six years have already gone by and there are no signs of even the DPR. Both countries are stuck over the issue of India’s claim of the prior consumptive use of the water from Sharada Barrage. Furthermore, India also does not seem interested in building the Pancheshwar dam but instead, it completed the Purnagiri as a storage dam in violation of the treaty provisions. It also breached the mutual understanding reached between the two countries to build such a storage dam in Rupalighat and not Purnagiri. The main concern for Nepal over the Mahakali Treaty now is the realisation that India got what it wanted, the water, and not necessarily the Pancheshwar dam. The bitter reality is that Nepal seems to have lost the major portion of its rights just by signing the treaty. The benefits from the Pancheshwar dam may only remain a dream for Nepal.

Some Nepalese regarded the treaty as a “milestone” in Indo-Nepal relations and claimed that it had “laid the foundation for the sharing of international waters on an egalitarian basis. However, most of the people felt that they were generally ‘cheated’ in bilateral agreements with India. It was argued that treaty was hurriedly concluded and both countries needed more time to analyze its costs and benefits. Generally there was a perception in Nepal that the Mahakali treaty, like the previous agreements, would mainly benefit India. Several Nepalese criticized the agreement and alleged that India had “cheated” them. Mahakali treaty was “criticized on the grounds of the highhandedness

48 ‘Chintan’, “Nepal: Under Big Neighbour’s Shadow,” 76.
of India” which created disunity among the Nepalese left forces that led to Maoist insurgency in the country.  

50 Nepalese parliament had stipulated certain conditions while ratifying the Mahakali treaty over which then Indian Joint Secretary of Water Resources had made these comments: “Indian government is interested only in the actual wordings of the Treaty and not in what such prastavs say.”  

51 In 2004, India inaugurated the Koshi High Dam which was highly criticized in Nepal. Pradip Nepal, Nepalese former Minister of Water Resources, claimed that construction of Koshi High Dam was “the invitation to destruction.”  

52 Both states had also signed an agreement on construction of Upper Karnali through joint investment. India and Nepal agreed to invest at the ratio of 70 to 30, respectively, in the project which would cost US $ 456.7 million. Several Nepalese scholars and politicians had criticized the agreement. They were concerned over Karnali (Chisapani) Multipurpose mega project with 16.2 billion cubic meters live storage capacity. From Nepalese perspective, the project was supposed to generate 10,800 MW of electricity, only exportable to India. For India, it was a multipurpose project due to which Nepalese people were highly “skeptical of Indian government.” They had expressed their concerns saying that India did not like to see Nepal to develop its hydropower potential “independently.”  

53 Reportedly India had also constructed some of the dams and barrages on its territory within a distance of 30 kilometers from No Man’s Land on Indo-Nepal border. The Nepalese government “keeps objecting to India and the latter goes on building.”

50 ‘Chintan’, “Nepal: Under Big Neighbour’s Shadow,” 75.
52 Ibid, 49. Reportedly the Koshi High Dam would damage “155 villages and 236 wards in Nepal.” 270 meters high dam was supposed to submerge places below 1200 feet.
53 Ibid, 49–50.
Chintan argued that India’s unilateral projects such as river linking project without consulting either its upper or lower riparian as well as construction of several of its water projects just on the other side of Nepalese border suggested that it did not pay any attention to the concerns of its smaller neighbours. New Delhi did not care what its neighbours feel or what effects its projects incur on their lands, people, environment, economy and socio-political systems. He claimed that several of Indian projects resulted in submersion of villages and arable land and displacement of people in Nepal but there was no compensation or resettlement plan for them.\textsuperscript{54}

Nepal had initiated several irrigation projects but it was faced various problems particularly financial constraints to implement some of them. Some foreign donors, including the EU and Saudi Arabia, were willing to invest in at least two of them but India had opposed these projects on the basis of its downstream riparian rights due to which these could not be implemented. Nepalese experts claimed that Indian opposition to these projects and construction of several projects on Nepalese border was a “direct contravention to Nepalese sovereignty and the Helsinki Convention.”\textsuperscript{55} Under these circumstances, any of Nepalese plans to unilaterally develop water storage project could trigger its dispute with India. Due to pressing water demand in over populated Indian states downstream, New Delhi would continue to put pressure on Katmandu to maintain high levels of water supply. However, Nepal argued, India needed to change its water related policies and “act with good faith” towards its neighbours in order to pave the way for mutually beneficial cooperation on bilateral and multilateral basis.\textsuperscript{56}

\textsuperscript{54} Ibid, 47; ‘Chintan’, “Nepal: Under Big Neighbour’s Shadow,” 76.

\textsuperscript{55} Nepal, “Managing Nepalese Waters,” 47.

\textsuperscript{56} Condon et al. Resource Disputes in South Asia, 13 and 42; Nepal, “Managing Nepalese Waters,” 52.
8.1.2.2 Water Sharing between India and Bangladesh

The sharing of common rivers’ water resources has been a bone of contention between India and Bangladesh. The disputes were related to construction of Farakka barrage, Teesta river project, land salinity caused by the Tipaimukh Dam and Indian proposed river linking project. Due to these disputes, Dhaka believed that “its more powerful neighbor treats it unfairly” and through different projects it was striving to “divert water destined for Bangladesh.”

India had a controversy with Dhaka since 1951 on its plan to construct Farakka barrage in order to augment water flow in Hooghly River for navigation purposes and save Calcutta port. Soon after its emergence, Bangladesh wanted long term agreement on sharing of river waters as well as joint development and management of common water resources. But for India, the immediate concern was to seek consent for “the commissioning of the Farakka barrage.” In 1977, both states signed a 5 years treaty, Farakka Agreement, on water sharing during dry season. On its expiry, both states signed a Memorandum of Understanding (MoU) in 1982 and another in 1984. From 1988 to 1996, there was no agreement between them. The lack of long-term agreement on sharing of water resources, and differences over modalities of augmenting river waters, between both states had been “a major irritant” in their bilateral relations.

Iyer observed that Indo-Bangladesh water dispute had been a classic example of conflicting interests between upper riparian and lower riparian. Bangladesh was insisting on historical flow of water. On the other hand, India “unconsciously” assumed a “primacy for its own needs” and regarded Bangladesh as a “residuary water-taker which

57 Condon et al. Resource Disputes in South Asia, 10.
59 Banerji, “Rivers of Joy,” 42. The MOUs had upheld the features of the Ganges agreement but did not include the “guarantee clause” that had ensured 80 percent of water flow to Bangladesh during dry season.
will have to be content with whatever it receives.” Indian position was an indirect and implicit claim of the Harmon Doctrine of territorial sovereignty that asserted sovereign rights over even the waters flowing through the state territory. He argued that India needed to understand that the water which it released from Farakka was not a gift to, but a legitimate right of, Bangladesh as a co-riparian state to share Ganges waters.  

Dhaka had serious concerns over construction of Farakka barrage and interpreted it as a move aimed to control the flow of water into Bangladesh. It believed that the “unilateral diversion” of the water by India was harmful for Bangladesh as it denied flow of water during the critical dry season to about a third of its territory and population that fell within Ganga Basin. Farakka barrage was detrimental to “the agro-ecological and economic well-being of southern Bangladesh.” The barrage had several adverse effects for Bangladesh, such as: low water availability for domestic and agricultural purposes during dry season which resulted in desertification of its land; decreased navigability in Ganges; intrusion of sea water causing salinity and environmental implications including those harmful for its fisheries and mangrove ecosystem. Bangladesh believed that it was “a case of a larger and more powerful country disregarding the legitimate interests of a smaller and weaker neighbour, and callously inflicting grievous injury on the latter.”  

Agreement was needed at least on 9 important common rivers. Some short term understandings existed on Ganga and Teesta but there was no long-term agreement on sharing of any of common water resources between India and Bangladesh.

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61 Ibid. 129–30; Ghosh, review of Sharing the Ganges,326–7; Condon et al. Resource Disputes in South Asia, 10.
62 Iyer, “The Indo—Bangladesh Ganga Waters Dispute,” 133. The nine rivers included; Brahmaputra, Dharla, Dudh Kumar, Ganga, Gumti, Khowai, Manu, Muhuri, and Teesta.
In mid 1990s, new governments came to power in both states which realized that deadlock on sharing of Ganga waters was regrettable and an early agreement was desirable to improve bilateral relations. They agreed to set aside issue of water augmentation and to resolve the question of water sharing between them. On December 12, 1996 both states signed Farakka agreement-II, which provided for sharing of Ganges waters, for a period of 30 years that can be further renewed. It included provisions that tried to reconcile the demands and concerns of both states.\textsuperscript{63} The treaty provided for joint monitoring of river water flow to minimize the risk of any dispute on numbers, and included a mechanism to address any conflict between two states.\textsuperscript{64} It also expressed good intentions such as conducting studies related to prospects of water augmentation and concluding agreements on sharing of other common rivers of both states. These were, however, not binding commitments. The treaty was welcomed in both states though some opposition parties criticized it.\textsuperscript{65} The Congress party in India had appreciated the treaty but its members of parliament from the West Bengal and the BJP had criticized the agreement and termed it as a “sell out to Bangladesh.” They also alleged that the treaty “did not protect the interests of the Calcutta port.” It was also criticized that it lacked transparency and it did not take into account the views of the government of Bihar.\textsuperscript{66}

\textsuperscript{63} Ibid. 142–4. From Bangladesh’s perspective, it was a long term treaty. For India it provided the time frame to observe for some time the effect, on flushing of Calcutta port, of enhanced water allocation to the Bangladesh. As such, it included provisions for a mandatory review at the end of five years or an optional review after two years, in case a signatory desires. Any possible uncertainty due to review related provisions were addressed by assuring that pending any possible adjustments after such review, India would release below Farakka at least 90 percent of Bangladesh’s entitled share of water under the treaty.\textsuperscript{64} Ibid, 144. It was agreed that any dispute or conflict, if arises during the operation of the treaty, would be referred first to the joint committee. In case of its failure to address the problem it can be referred to the joint river commission or finally to the governments of the two countries.\textsuperscript{65} Ibid. 144.\textsuperscript{66} Banerji, “Rivers of Joy,” 40 and 43–4.
Generally the treaty was welcomed believing that it had opened new windows of cooperation between the two states in various fields, such as; commerce and trade; joint exploitation of common resources; and development of joint ventures etc. In December 1998, on completion of two years after signing of the Farakka Agreement, Dhaka allowed India to use its territory for transportation of goods, through roads and rails, to Indian north-eastern states. Banerji observed that Farakka Agreement-II was a manifestation of new Indian government’s desire to improve its relations with its neighbours by building mutual trust and confidence among its smaller neighbours. It was an application of Gujrals doctrine to Bangladesh which put positive effect on their bilateral relations.\(^{67}\)

In Bangladesh, the opposition parties had criticized the government on signing Ganges agreement and alleged that it was an unequal treaty in which national interests of Bangladesh had been compromised. BNP, the main opposition party, had termed it as “sell-out” to India.\(^{68}\) The treaty was also criticized on the ground that it was concerned only with water sharing and did not provide for conservation and augmentation of water resources. However, both states also discussed the issue of sharing of the Teesta River water, but could not reach on any agreement. Bangladesh claimed that India diverted more water to Gazoldoba barrage “at the expense of Bangladeshis downstream.”\(^{69}\) Bangladesh also has concerns over Indian rivers linking project.

\(^{67}\) Ibid, 43–4.

\(^{68}\) Ibid. 44; Thapliyal, “Potential for Cooperation,” 57; Iyer, “The Indo—Bangladesh Ganga Waters Dispute,” 144.

\(^{69}\) Banerji, “Rivers of Joy,” 44–5; Condon, et al. Resource Disputes in South Asia, 11. In 1980s, India had constructed the Gazoldoba barrage over Teesta River some 60 km north of their common border to divert river waters for irrigation in northern part of West Bengal. In 1998, Bangladesh built the Teesta barrage some 20 km south of their common border. Since then, there existed a dispute on water sharing between both states.
In 2002, India announced a river water linking project that caused another dispute between both states. The proposal was aimed to connect Brahmaputra and Teesta rivers and carry their waters to the Farakka barrage. The proposed project envisaged a “massive undertaking in water transfer” from northern and eastern parts of India to its southern and western parts. It would involve construction of 33 dams and linking about 10,000 kilometers long 30 canals. Dhaka opposed the project fearing that it would intensify its water shortage during the dry season. It believed that the project violated the UN Convention on the Law of International Watercourses of 1997. Despite assurances given by India to not divert waters from the Ganges and Brahmaputra, Dhaka believed that the project was aimed to “connect multiple Indian rivers and divert water that would otherwise reach Bangladesh.” Farakka barrage had caused several and some irreversible environmental effects in about one third of Bangladesh. Due to lack of freshwater for irrigation and land salinity, farmers had to abandon agriculture while salinity in rivers and groundwater caused closure of thousands of industries. Southern part of countries did not have clean drinking water and people had to move to north for employment and better living environment. Dhaka feared that India’s river linking project would have far more adverse effects in Bangladesh. It will increase salinity intrusion, prolong the dry season, cause silting in river distributaries and disrupt supply of freshwater to various parts of the country, and lower underground water level. In sum, it would trigger “one of the major socio-economic and environmental” disasters in Bangladesh.

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70 Condon, et al. Resource Disputes in South Asia, 11. The project would divert waters “from the northern section of the Ganges and Brahmaputra rivers in the east to the Kaberi and Mahanada rivers in the south, ultimately joining their flow to the Beas River in western India.”
The decrease in Ganges water flow in Bangladesh had forced its citizens to migrate to India’s northeastern region which intensified ethnic conflicts in the area and caused killing of thousands of Bangladeshis crossing into India over the years. The trend of migration may increase, and so the tension on illegal entry of Bangladeshis into India, after further reduction in river flows through Bangladesh.\textsuperscript{73} India being upper-riparian and more powerful state has “clear advantages in negotiations with Bangladesh.” Generally New Delhi strived to force its “desired policies” and unequal treaties on its smaller neighbours and then “offer concessions.” Thus, Bangladesh has not been completely satisfied with the outcomes of its previous agreements with India.\textsuperscript{74} For instance, it complained that IB-JRC seldom met as provided in the agreement. Even if it ever met, it did not make significant progress on contentious matters, as India continued to reaffirm its previous position.\textsuperscript{75} The second Farakka agreement had charged, under its article IX, the Joint Committee of Experts to negotiate agreements on their common rivers but it could not make any real progress to that end. The glacial melting and Chinese plans to divert the waters of Brahmaputra in its territory would further decrease river waters flow to India and Bangladesh. In the absence of any water sharing agreement between three states it can intensify tensions between India and Bangladesh.\textsuperscript{76}

India does not hesitate from arm-twisting of smaller states and interpret or violate its bilateral treaties with them at its will. Iyer noted that India instead of viewing it as an international water resource “tends unconsciously to regard the Ganga as a national river.” The river is short of water but India supposes that it along with other available

\textsuperscript{73} Condon, et al. Resource Disputes in South Asia, 40.
\textsuperscript{74} Ibid, 40–2.
\textsuperscript{75} Banerji, “Rivers of Joy,” 42–3.
\textsuperscript{76} Condon, et al. Resource Disputes in South Asia, 10–1 and 40.
water resources can, be used to meet the water needs of “the arid areas in the western part of the basin and beyond, and perhaps even in the southern part of the country.” Under these conditions, there are little prospects that India can give some serious consideration to the needs and concerns of Bangladesh. In fact, the Indian rulers and officials had totally different perceptions. They believed that the position of Bangladesh on this issue was “extremely rigid and unreasonable” because it had “overpitched its water needs and in fact never used more than a small fraction of the waters that have been flowing through.” Indians also believed that Bangladesh was exaggerating “the adverse effects of reduced flows” it kept on insisting on “historic flows” and was trying to “impose a veto on upstream uses.” It was also argued that ruling elites in Dhaka had “blown the dispute up into a big political issue in domestic politics, making inter-governmental negotiations difficult.” Internally, Indian leaders for electoral purposes, were providing water “at little to no cost” to farmers and common people. Iyer observed that India had a federal structure under which provincial governments felt that during its negotiations with Bangladesh, Indian government did not pay appropriate attention to their interests and it had been generous to Bangladesh at their cost. These issues become important in provincial politics in India. This situation made India’s negotiations with its neighbours further complicated. India faced difficulties in making and meeting its commitments regarding minimum flow of water to Bangladesh because it has a federal structure under which different states having their own elected governments. Since water flow through various Indian provinces which have their own interests and priorities. Moreover, the

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78 Ibid, 131.
flow of river waters is also affected by the use of the ground and surface water. As such, the upstream obstructions created by thousands of farmers in UP, Bihar and West Bengal diminish the water flow in Ganga which is the main cause of concern both for India and Bangladesh. However, the federal structure or other domestic compulsions must not be allowed to make captive the conduct of Indian external relations. It is the responsibility of Indian government to evolve consensus at the domestic level and take its responsibility as upper riparian according to international norms and UN convention on sharing of waters. The conflicts can be resolved through any of the four means: direct talks; assisted negotiations such as mediation by the third party, good offices of eminent personalities etc; arbitration; and adjudication. Since there is no legal body to adjudicate water disputes therefore, it is not workable and the disputant states are less likely to choose the path of arbitration. Direct talks have also not been fruitful. Therefore, assisted talks involving some honest broker, mediation, the use of good offices, or intercession etc can play a “constructive role” in resolving regional conflicts.80

8.1.2.3 Water Sharing between India and Pakistan

UN Secretary General has warned that competition over access to water resources would be the “potent fuel” for wars among nations particularly in Asia in the future.81 Political analysts have argued that states would fight each other “over water, not oil.” The threats of “hydrological warfare” have become more imminent in South Asia due to Indian designs. The water has become the single most important issue that affects interstate relations in South Asia. In the context of growing water shortages, and

destructions caused either by drought or floods, the disputes over sharing, distribution, development and management of international rivers between upper and lower riparian states are becoming more dangerous.\footnote{Malik, “Future Laden with Hydrological Warfare.” Malik observed that they would use client states and proxy wars to get control over lakes, rivers, and aquifers which would become their “national security assets to be fought over.”}

Hasnie argued that the idea of water security is related to potential “water wars” which is a likely situation between India and Pakistan due to their existing and future water disputes. The significance of international rivers for a country can be measured through assessing its “dependence ratio.” Hasnie defined it as “a measure of water resources originating outside the country.” It is 77 percent in case of Pakistan, which is highest in Asia.\footnote{Kashif Hasnie, “Natural Security and Water,” \textit{Daily Dawn}, April 13, 2010, available at \url{http://www.dawn.com/wps/wcm/connect/dawn-content-library/dawn/thenewspaper/editorial/natural-security-and-water-340} accessed on 30.10.2010.} Pakistan meets about two-thirds of its domestic and irrigation related water requirements from River Indus and its tributaries due to which this river is largely regarded as the “lifeline” of Pakistan.\footnote{I. A. Pansohta, “Threat of Water Wars,” \textit{Daily the Nation}, April 6, 2010, available at \url{http://www.nation.com.pk/pakistan-news-newspaper-daily-englishonline/Opinions/Columns/06-Apr-2010/Threat-of-Water-Wars} accessed on 30.10.2010.} Reportedly, Pakistan is rapidly reaching to an acute water crisis due to declining water availability. Water availability in Pakistan has reduced from 5000 Cubic Meters Per Capita (CMPC) in early 1950s to 1200 CMPC in 2009, and would further fall to around 800 CMPC by 2020.\footnote{Tufail Ahmad, “Water Disputes Between India and Pakistan: A Potential Casus Belli,” July 31, 2009, available at \url{http://www.henryjacksonsociety.org/stories.asp?id=1230} accessed on 30.10.2010.} The decline in surface water availability would lower underground water level and intensify the problem. In this context, Pakistan can be declared as water disaster-affected state by 2013. The severe
water shortages would impede its economic growth and seriously affect human health. Allegedly, India has strived cleverly to exploit this situation.\textsuperscript{86}

Water scarcity, power shortfall and inability or unwillingness to develop hydropower resources through cooperation with its neighboring countries, had led India to pursue its own ambitious plan to generate hydropower. For instance, in 2003, Prime Minister Vajpayee launched “50,000 MW initiative” that envisioned construction of 162 new hydropower scheme with total capacity of 50,000 MW to be completed by 2017. India also plans to generate further 67,000 MW of electricity by 2027. Omer Abdullah, Chief Minister of IHK had claimed that IHK had a hydropower generation potential of 20,000 out of which only 10 percent was yet harnessed. India has a plan to develop 8000 MW hydropower in IHK.\textsuperscript{87}

Presently, major concern for Islamabad and one of the causes of its conflicts with New Delhi is the latter’s plan of construction of scores of water storages on the rivers flowing through IHK into Pakistan. According to Singh, India has a plan of building sixty-seven water projects – large and small – on rivers Chenab, Jhelum and Indus.\textsuperscript{88} However, Akhtar claimed that India was going to construct 135 big and small dams, i.e. 77 on Jhelum, 34 on Chenab and 24 on Indus. These projects would have a massive storage capacity and, even if all of them are built in strict compliance with IWT provisions, their completion would give India a measure of control to inflict heavy


\textsuperscript{87} Akhtar, “Emerging Challenges to Indus Water Treaty,” 26.

\textsuperscript{88} Indian Prime Minister Manmohan Singh while inaugurating the Baglihar dam on October 10, 2008 had stated: “It is a matter of satisfaction that the reconstruction program... [entailing] 67 projects is well under way with 19 projects completed, one of which is the Baglihar project that I inaugurated today.” Cited by Ahmad, “Water Disputes Between India and Pakistan.”
damage to Pakistan.\textsuperscript{89} Reportedly, India had completed three big and eight small dams on River Chenab, and thirteen on Jhelum River. The projects in the pipeline or under construction included twenty four on River Chenab, seventy-four including three big and twelve medium to small projects on River Jhelum and yet nine including two major projects on River Indus. Pakistan’s former Indus Water Commissioner, Shah had claimed that the completion of dams on River Indus would stop 43 Million Cubic Meters (MCM) of water flow into Pakistan.\textsuperscript{90} The major Indian projects which became highly controversial and created fears in Pakistan included Salal, Wullar, Baglihar, Kishanganga, Nimoo Bazgo, Uri II and Dul Hasti. Both states had successfully settled issue on Salal dam, while their difference on Baglihar dam was referred to a neutral expert. Kishanganga hydro power project had become a dispute and both parties had sent to the court of arbitration.\textsuperscript{91} Meanwhile, India has started working on the second phase of Baglihar Dam which would be completed by 2015. Akhtar argued that India was constructing dams on Indus River in the Ladakh region on demand of the Indian troops deployed in Siachen glacier.\textsuperscript{92} It has already constructed thirty-two small dams and twelve others would be completed by 2014.\textsuperscript{93}

\textsuperscript{89} Akhtar, “Emerging Challenges to Indus Water Treaty,” 54–60.
\textsuperscript{90} Ibid, 28–30.
\textsuperscript{91} Ibid, 30 and 26–7. Differences over interpretation of the IWT provisions falls into three categories: questions; differences; and disputes. The Permanent Indus Commission (PIC) examines questions, neutral expert (NE) differences, and a court of arbitration considers disputes. If PIC cannot resolve a question, it becomes a difference and could be ‘referred to a neutral expert, whose decision on all matters within their competence is ‘final and binding’. If the ‘difference’ does not fall within the mandate of the NE, or if the NE rules that the ‘difference’ should be treated as a ‘dispute’, then” it could be sent to a Court of Arbitration. The World Bank’s role remains procedural as it appoints an NE and establishes a Court of Arbitration.
\textsuperscript{92} Ibid, 44 and 54.
\textsuperscript{93} Hafiz Zahoor-ul-Hassan Dahr, Chairman of the Indus Water Treaty Council claimed that India was constructing 17 mega water projects financed by “a consortium of nine non-Muslim countries, four multinational companies, an international donor agency and three intelligence agencies.” \textit{Daily the Nation}, March 30, 2010, available at \url{http://www.nation.com.pk/pakistan-news-newspaper-daily-}. 415
India is mainly building dams on Jhelum and Chenab rivers for power generation. However, a number of experts have questioned its rationality. For instance, the South Asian Network on Dams, Rivers and People (SANDRP) have raised questions on the constructions of hydropower projects such as Uri I on Jhelum river and Salal, Baglihar and Uri II on River Chenab. It observed that existing power projects generated much less power in the winter season when power demand was maximum in IHK. Akhtar claimed that issue of silting has also made viability of water projects questionable. The Chenab basin is “highly silt laden” and construction of too many dams increases silt load on the river which decreases functional life of the projects. It could also adversely affect the environment in the area as well as down stream water flow in the rivers.\textsuperscript{94} India’s water projects can have serious economic, political, security and environmental repercussions for Pakistan which increase the risks of inter-state conflict between two nuclear states.

Pakistan’s concerns revolved around the fears that India would stop water during the dry season and release it during monsoon period causing massive flooding in downstream Pakistan. Another concern is about the location of water projects as India is constructing some of them in high seismic areas. In case such dams collapse or malfunction, they could create havoc in Northern Areas of Pakistan. Due to India’s history of poor engineering of large water dams, such fears are reinforced. Moreover, some of Indian hydroprojects could put adverse ecological effects on both sides of LoC, including Neelum Valley in Azad Kashmir.\textsuperscript{95}

\textsuperscript{94} Akhtar, “Emerging Challenges to Indus Water Treaty,” 60–1.
\textsuperscript{95} Ibid, 47–8 and 59–61.
Reportedly, no single Indian project can severely limit the river flow to the extent of threatening Pakistan’s water security. But the completion of all water projects would give India a massive “cumulative storage capacity” through which it can substantially stop or reduce the water flow into Pakistan. Briscoe observed that the India’s “cumulative live storage” capacity would be huge that would give it an “unquestioned capacity to have major impact on the timing of flows into Pakistan.” India on completion of all proposed water projects will achieve the capability “to effect major damage on Pakistan.” There are two aspects of such threat, short-term and long-term. In the short term, if India decides to fill up new dams during “the critical low-flow period, there would be a large one–time effect.” In the long term, there would be a permanent threat of water manipulation by India. For instance, construction of dams on River Chenab would give India a accumulate storage capacity of storing almost “one month’s worth of low-session flow” in the river. Briscoe noted that in case India decides, it could use this storage capacity to substantially reduce water flow into Pakistan during the sowing season. In fact, regional history suggests that such threats cannot be ruled out.

Earlier, in 1948, following a dispute between the two states, India had suspended the water flow of Sutlej River into Pakistan that had severely damaged latter’s agriculture. Subsequently, both countries contended over gaining control on their common resources in the next decade. Even quite recently, i.e. after Bombay incident in 2008, FICCI had proposed Indian government to take punitive measures including use of

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water as weapon against Pakistan. Earlier, Indian authorities had also threatened to use water as a weapon to coerce Pakistan. In a formal Indus Water Commission’s Conference on June 14, 2002 at Delhi, Indian Minister for Water and Power, Chakarwarty had stated: “If we scrap IWT, Pakistan will cry for drops of water.”

Much earlier, due to good offices of the World Bank, Pakistan and India had concluded IWT in 1960. It gave three eastern rivers – Ravi, Beas and Sutlej – to India and accepted Pakistan’s exclusive right on three western rivers – Indus, Jhelum and Chenab. The later three rivers accounted for 75 percent of the water flow in the Indus basin. In a sense IWT has been successful as it survived despite bilateral conflicts and even wars between its signatories. But it could not “play any role in forestalling war” or even to lessen the enmity between them. Malik claimed that Pakistan had accepted IWT at the risk of its “very survival” and on India’s assurance that it would not interfere with waters of western rivers. Under IWT, India cannot build storage dams on these rivers though it could make restricted use of their waters, including building “run-of-the-river hydroelectric power projects.” In that case, it is required to provide Pakistan, in advance, “with the technical details” of the project. India cannot store or divert waters of the western rivers under IWT but several of India’s water projects do both. India was doing so by taking advantage of the some technical loopholes in the IWT.

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100 Pansohta, “Threat of Water Wars.”
101 Hasnie, “Natural Security and Water.”
102 Malik, “Is Pakistan Ready for Water War?”
103 In 2008, Pakistan Indus Water Commissioner, Jamaat Ali Shah had claimed that India was only allowed to generate electricity, but not to stop waters, from rivers flowing into Pakistan. Ahmad, “Water Disputes Between India and Pakistan.” Condon et al, *Resource Disputes in South Asia*, 5.
Robert Wirsing, a prominent American scholar, had noted that IWT provisions related to restrict Indian ability to control water flow in these rivers are ambiguous.\textsuperscript{104} IWT deals only with the technical specifications and not with the number of dams that India can build on the rivers. New Delhi took advantage of this loophole in the treaty. Whenever, Pakistan raised objections over the construction of a dam by India, it found that neutral experts had no legal authority to either “stop construction or direct the dismantling of the constructed work.”\textsuperscript{105} Salman noted that Pakistan mainly considered differences over constructions of dams “as largely a legal one, involving the interpretation of the Treaty, while India seemed to have viewed it mainly as an engineering one, regarding hydropower plants.”\textsuperscript{106} An editorial of a leading Pakistani newspaper, which is also a partner in promoting Amman ki Asha, has noted that India on several occasions had “attempted to violate its spirit if not its letter, by seeking loopholes and technical flaws that can be used to its advantage.”\textsuperscript{107} Soofi, a prominent Pakistani international law expert, has argued that India had misused the regulatory framework of IWT through constructing too many dams and reservoirs.\textsuperscript{108} Briscoe noted that Pakistan’s concerns over “India’s capacity to manipulate” water flows were addressed through limiting the amount of “live storage” of any Indian dam. But ruling of neutral expert on Baglihar has “left Pakistan without the mechanism – limited live storage – which was its  

\begin{itemize}
  \item[104] Cited by Condon \textit{et al.} Resource Disputes in South Asia, 6.
  \item[105] Ahmer Bilal Soofi, “Indus Treaty: Pakistan’s Options,” \textit{Daily the Dawn}, April 18, 2010, http://www.dawn.com/wps/wcm/connect/dawn-content-library/dawn/theneNewspaper/editorial/indus-treaty-pakistans-options-840 The treaty has 12 articles and 8 annexes. It has no provision that can explicitly permit India to build certain number of dams or prohibit it building dams beyond any specific number. India can build as many dams as it wishes on these rivers, and can decide unilaterally – without consulting Pakistan – keeping in view its own strategic, political and economic considerations. As such, “the number of dams that India wishes to construct on the western rivers is an issue outside the scope of the treaty.”
  \item[106] Cited by Condon \textit{et al.} Resource Disputes in South Asia, 6.
  \item[107] “Editorial,” \textit{Daily the News}, cited by Ahmad, “Water Disputes Between India and Pakistan.”
  \item[108] Soofi, “Indus Treaty: Pakistan’s Options.”
\end{itemize}
only (albeit weak) protection against upstream manipulation of flows in India.”

India exploited Pakistan’s vulnerability soon after the verdict and decided to “fill Baglihar exactly at the time when it would impose maximum harm on farmers in downstream Pakistan.” Reportedly, India stopped water flow into Pakistan for several weeks in 2008 and Islamabad had demanded New Delhi to compensate for the loss of water. Indian water projects have caused lot of distrust in Pakistan.

It is widely believed in Pakistan that India was consciously pursuing a strategy to get control on Pakistan’s water resources to render its link-canal system “redundant” and destroy its agriculture. Reportedly, Baglihar dam causes an annual loss of Rs.140 billion to Pakistan. Due to India’s water storages on Jhelum and Chenab rivers, about a million acres of irrigated land has nearly turned into desert. Once all of its projects are completed, it would turn 24 districts (18 in Punjab and 6 in Sindh) of Pakistan into desert. Meanwhile, India has also “persuaded” Afghanistan to build dams to deprive Pakistan of water. For instance, it was building a dam at Kama on river Kabul which would reduce 0.5 MAF water in the river flowing into Pakistan. A recent study has indicated that India was giving assistance to Afghanistan to build 13 dams with a total

109 Briscoe, “War or Peace on the Indus?” The neutral expert, Raymond Lafitte had reinterpreted the treaty “saying that the physical limitations no longer made sense.”

110 Ibid.; Ahmad, “Water Disputes Between India and Pakistan.” Ahmad noted that India completely closed water flow in Chenab from January 1st to 26, 2008, and again from August 19 to September 5, 2008 to fill up newly constructed Baglihar dam. Pakistan believed the India deprived it of more than 1.2 million cusecs of water “during 36 day hiatus from September-October 2008.” Consequently, Pakistan had demanded India to compensate for the loss of water. But India refuted Pakistani statistics on water shortfall as well as resultant losses and rejected the demand for compensation. Ahmad, “Water Disputes Between India and Pakistan.”

111 Malik, “Future Laden with Hydrological Warfare.”


113 Malik, “Future Laden with Hydrological Warfare.”
water storage capacity of 4.7 MAF on River Kabul. Pakistan receives about 17% of water flow from the river during the winter season. River Kabul has a water flow of 16.5 MAF to which Chitral river contributes 8.5 MAF. The latter originates in Pakistan and join river Kunar and then Kabul River near Jalalabad before it enters into Pakistan.\textsuperscript{114} In 2008, Pakistan Indus Water Commissioner, Jamaat Ali Shah claimed that India had planned “to make Pakistan barren by 2014 by stopping its water.”\textsuperscript{115} The water shortage has already caused severe ecological problems in Pakistan particularly in coastal areas and intensified inter-provincial conflicts on water distribution. Indian projects also have serious defense and security implications for Pakistan. Hamid Gul claimed that Chenab canal network was the first line of country’s defence, without which Pakistan’s defense was not possible.\textsuperscript{116} General Abbas, DG, ISPR, stated that water canals and artificial water distributaries play important role during war and described construction of Baglihar Dam as a “defense security concern.” In 2009, Pakistani military leadership also expressed its concerns over Indian water projects in IHK on strategic ground.\textsuperscript{117} General Zulfiqar Ali claimed that India had achieved political, economic and military superiority over Pakistan through construction of dams on rivers in Kashmir.\textsuperscript{118} Akhtar observed that the number

\textsuperscript{114} “Pakistan to convey US concerns over Kabul River projects” \textit{Daily The News}, May 16, 2011, available at \url{http://www.thenews.com.pk/TodaysPrintDetail.aspx?ID=6028&Cat=13} accessed on 30.11.2011. Report says that these four projects would be constructed on Punjab sub-basin: Totundara project, Barak project, Punjshir project, Baghdera project; these four projects in Upper Kabul sub-basin: Haijana project, Kajab project, Tangi Wadag, Gat project; yet four more project will be constructed in the Low Kabul sub-basin: Sarobi project, Laghman project, Koran (A), and Kama project.
\textsuperscript{115} Ahmad, “Water Disputes Between India and Pakistan.”
\textsuperscript{117} Ahmad, “Water Disputes Between India and Pakistan.” Reportedly, Pakistani military leadership had attended a special meeting on the subject organized by the government in February 2009. The meeting discussed the effects of the proposed dams on “Pakistan’s water and defense interests.” The army leadership was alarmed to know that these “projects could wreak havoc” if they “collapse or malfunction.”
\textsuperscript{118} Ahmad, “Water Disputes Between India and Pakistan.”
and structures of these dams would give India a control over water flow to manipulate it at its will. It will decrease Pakistan’s hydropower generation capacity, as manifested in Neelum-Jhelum project. It could cause industrial, agricultural, environmental, economic, political and security implications for Pakistan due to which, Akhtar maintained, water issue was increasingly becoming a core issue between two states.¹¹⁹

India has both the ability and will to seize a large share of water from the Indus rivers system, through construction of big dams with large cumulative capacity to stop the flow of river water destined to Pakistan. The verdict of the World Bank’s neutral expert had provided India “a crack” in IWT which it can exploit in future. India would continue to rely more on increasing water supply through storages and diversions, instead of its better and more efficient management. India’s efforts to build big dams would “further strain the institutions of the treaty by bending the rules of the agreement and violating its spirit of fairness and equality.”¹²⁰

Meanwhile, public sentiments are arousing against IWT in Pakistan. The critics alleged that it had just served to “the sole advantage of India.” Some have even argued that the treaty was “a conspiracy to deprive Pakistan of its due share of water.”¹²¹ More than 130 rounds of talks under IWT could not help resolve water issues between Pakistan and India.¹²² Even if rivers water level has been reduced due to environmental changes on

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¹¹⁹ Akhtar, “Emerging Challenges to Indus Water Treaty,” 1 and 69–70.
¹²⁰ Condon, et al. Resource Disputes in South Asia, 5–6 and 37–8. After the verdict, Pakistan had two options: either to seek continued access to the project site to assess compliance of the verdict and monitor progress on it; or take the issue of the gated spillways to the court of arbitration of the World Bank. Till May 2009, none of these two options were exercised.
¹²¹ Ayub Mayo, President, Muttahida Kisan Mahaz, Pakistan, cited by Ahmad, “Water Disputes Between India and Pakistan.”
Indian side, New Delhi cannot deny its responsibility for that. Islamabad had demanded India to take remedial steps in case environmental degradation and deforestation on its side had caused reduced water flow in the rivers flowing into Pakistan.  

Political and religious leaders as well as members of civil society in Pakistan observed that India was pursuing “the policy of desertification” of Pakistan and was involved in an “invisible aggression” against it. They alleged that New Delhi had launched “hostile and destructive attack” on Pakistan’s sovereign rights over its water resources. Some claimed that India was involved in “water terrorism” against Pakistan and it was using water bomb against Pakistan which was “more dangerous and destructive than an atomic bomb.” They believed that India, as part of its hegemonic ambitions, was threatening Pakistan’s “very existence.” Thus, they demanded the government to take a hard line against India. Shahbaz Sharif stressed to deal India “eyeball to eyeball.” Justice retired Javed Iqbal demanded to issue India a war ultimatum in case it does not resolve the issue in a peaceful manner. Ahmad claimed that Indian efforts to deprive Pakistan of its share of water could incite the latter to use military means including non-conventional weapons against India. A number of political analysts and leaders as well as neutral experts have warned that water issues could trigger a nuclear war between India and Pakistan.

124 Malik, “Is Pakistan Ready for Water War?”
125 Ahmad, “Water Disputes Between India and Pakistan.”
128 For details see Ahmad, “Water Disputes Between India and Pakistan,” also see Condon et al. Resource Disputes in South Asia, 39.
In 2005, Javed Ashraf Qazi, Education Minister and former ISI chief had stated in the Senate that Pakistan could go to war with India on building dams in IHK. In April 2007, Foreign Minister Kasuri had stated that Pak-India water dispute could cause another war between the two states. Later in March 2010, he stated in a press conference that water was a sensitive matter for Pakistan and India should give due attention to address this problem on immediate basis. He warned that if water disputes were not resolved, they could trigger another war between India and Pakistan. In November 2008, Chaudhry Shujaat Hussain, PML-Q chief and a former Prime Minister, had said that water dispute was a more serious issue than terrorism and could lead to a war between both states. On January 3, 2010, Sardar Aseff Ahmad Ali, Prime Minister’s Advisor on Education had also said that water scarcity was a sensitive matter for Pakistan and if India continue to deny it of its due share, it can lead to a war between the two states. Ali had warned that if India did not stop stealing Pakistan’s water, Islamabad might wage a war against New Delhi. Majid Nizami, Editor-in-Chief of daily The Nation said that India’s water projects in Kashmir could convert Pakistan into a desert in next 10 to 15 years. He warned that if India did not change its policy, water dispute can lead to a nuclear war between two states. The Mumbai based Strategic Foresight Group

of the International Centre for Peace Initiatives in its publication *The Final Settlement*, had also warned that water conflicts could cause a war between India and Pakistan.\(^\text{135}\) In March 2009, a group of over 20 UN bodies, had cautioned in a report that water issue had become a cause of tension between India and Pakistan and might lead to a war between the two states. The report had said that water availability was directly related with environmental changes, supplies and prices of food and energy and stability of financial markets. Unless water crises are resolved and disputes addressed, these can escalate into international wars.\(^\text{136}\) Akhtar claimed that following a terrorist attack on Indian Parliament, New Delhi had “vocally considered pulling out” of IWT as an instrument of reprisal against Pakistan’s alleged support to terrorism in India. In turn, Akhtar maintained, Pakistan had warned that it could use nuclear bomb in water crises with India.\(^\text{137}\) President Zardari had reacted strongly over India’s stopping water during filling of Baglihar dam in 2008 and had said that “Pakistan would be paying a very high price for India’s move to block Pakistan’s water supply from Chenab River.”\(^\text{138}\) President Zardari had warned in an article written in Washington Post on January 28, 2009 that Pakistan’s water crisis was “directly linked to [its] relations with India. Its resolution could prevent an environmental catastrophe in South Asia, but failure to do so could fuel the fires of discontent that may lead to extremism and terrorism.”\(^\text{139}\) Malik claimed that India was diverting water of the western rivers from the dams to Indian rivers through tunnels that would deprive Pakistan of its share of water. It is due to Pakistan’s reliance

\(^{135}\) Akhtar, “Emerging Challenges to Indus Water Treaty,” 15.

\(^{136}\) Bokhari, “Water dispute and war risk.”

\(^{137}\) Akhtar, “Emerging Challenges to Indus Water Treaty,” 16

\(^{138}\) Ibid, 11.

\(^{139}\) Cited by Bokhari, “Water dispute and war risk.”
for its survival on rivers originating in Kashmir that it was referred to as “jugular vein” of Pakistan. Malik claimed that under “the given and future scenario, water is as much a nuclear flashpoint as is Kashmir.” The water dispute compounded with the Kashmir issue can further intensify bilateral tensions and “provoke a war” between two nuclear states. In order to build lasting peace in South Asia, “water and Kashmir have to be taken as inextricably interlinked issues and resolved as such.” In October 2008, President Zardari had warned that if Pakistani concerns were not addressed, water issue could cause “damage to bilateral relations.” Just a few days before this statement, Indian Prime Minister while inaugurating the Baglihar dam had claimed that “Pakistan’s concerns about the project had been addressed.”

Pakistan has raised its water concerns with India at the highest level. For instance, President Zardari had raised the issue with Premier Manmohan Sing during their meeting at the sidelines of the UN General Assembly’s annual session in New York in September 2008. Security Advisors of the both states had also discussed the problem in their meeting in New Delhi in October, 2008. In November 2008, Gilani met Sing in Beijing on the sidelines of the Asia-Europe meeting and discussed Pakistan’s water concerns. Akhtar observed that Pakistan had “legitimate concerns” related to four areas: first was related to transparency and timely provision of data related to water flow in upper reaches of the rivers being controlled by India; second was related to delayed and incomplete provisions of details of the water projects as well as objectionable engineering designs

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140 Malik, “Is Pakistan Ready for Water War?”
141 Ibid. and also Condon et al, Resource Disputes in South Asia, 38–9.
142 Cited by Ahmad, “Water Disputes Between India and Pakistan.”
143 Bokhari, “Water dispute and war risk.”
144 Akhtar, “Emerging Challenges to Indus Water Treaty,” 43.
and violation of IWT restrictions regarding water storage by India; third was related to increasing water shortfall arising out of environmental changes in the region and; fourth was related to Pakistan India Water Commission which was created to settle disputes over sharing of water between two states but it was losing utility due to its limited scope mainly because of non-cooperative and non-accommodative Indian behaviour towards Pakistan’s genuine concerns. New Delhi did not provide the required data about water flow in the rivers. Shah claimed that India never adhered to the IWT provision requiring India to provide six-months advance notice regarding any possible change in water outflow. For instance, India had started construction of Chutak and Nimoo in 2005 but did not provide its details to Pakistan as required under IWT.\textsuperscript{145} Akhtar argued that provision of much “delayed and incomplete information and engineering details” prevented Pakistan from reviewing Indian water projects and making timely decisions whether their designs and specifications met IWT provisions or otherwise. Indian practice of providing inadequate and delayed information on construction of various projects had heightened Pakistani fears. Islamabad believed that India never fulfilled its obligation under IWT to provide details of the new water projects six months before its inauguration. Pakistan also has concerns over Indian practice of not stopping construction work on the projects even after objections being raised by it. India generally strives to use “dragging tactics” in discussions and complete the projects during the process. Thus, Pakistani objections became meaningless as the water projects appeared as \textit{fait accompli}. New Delhi violated the IWT provisions which demanded India to not interfere with flow of water to Pakistan and any objections must be resolved in a time bound period. Shah

\textsuperscript{145} Ibid. 54and 62–3.
claimed that Pakistan goes on objecting and “India goes on constructing” and as such it negates “both the letter and spirit of the treaty.”  

Pakistan claims that Indian officials do not provide accurate data regarding water flow and design specifications of dams. Generally, Indian officials hold “stream-flow data as a state secret.” Sometimes, India provided “upstream low-flow data,” and its given numbers were “much higher than what Pakistan had historically experienced downstream.” There are very little prospects of independent verification of data whose accessibility, quality and reliability form “the heart of the brewing conflict between the two countries.” In July 2010, both states have agreed “to install a telemetry system on the Indus River system.”

Due to environmental changes and growing water shortages in India and Pakistan, IWT was increasingly coming under stress as extremists elements in both countries were talking about abrogation of the treaty and possibilities of water wars between the two nuclear states. The water crises have coincided with India’s “ambitious plan” to build scores of dams on western rivers which had created alarm in Pakistan.

Instead of giving any regard to its concerns, India had always accused Pakistan of “hysteria.” New Delhi asserted that there was no such real issue because India had always complied with the provisions of IWT. It argued that Pakistan might face water shortages but so does India. New Delhi claimed that there were even conflicts on water sharing between various Indian states wherein leaders and farmers alleged that they were “being

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146 Ibid. 65.
147 Mustafa, “Hydropolitics in Pakistan’s Indus Basin,” 7.
robbed of water.” However, Pansohta argued, when one compares a country’s water demands against its available water resources, India is in far better position than Pakistan due to its proximity to Himalayas, Kashmir, Tibet and Bay of Bengal etc. India has more than 220 rivers, including 26 major rivers. However, Wasi claimed, the “hostile anti-Pakistan segments” in India believed that in order to “purchase peace” Nehru had given “undue” concessions to Pakistan under IWT. Now, they wanted to re-examine these concessions on the plea that the treaty had not brought peace either in Kashmir or in the region. Akhtar claimed that following a terrorist attack on Indian Parliament, New Delhi had “vocally considered pulling out” of IWT as an instrument of reprisal against Pakistan’s alleged support to terrorism in India. In turn, Pakistan had warned that it could use nuclear bomb in water crises with India. Reportedly, New Delhi had considered the option of abrogating IWT and stopping Pakistan’s water but its Legal Entity Division had opposed the idea saying that IWT could not be abrogated unilaterally because it was guaranteed by the World Bank and other world powers. Noorani claimed that water could not be used as a weapon under international law. Akhtar observed that after Mumbai incidents several elements in India, such as Menon, Ranjit Sing, and Uttam Kumar Sinha had advocated unilateral abrogation of IWT by India and then stopping and diverting waters of western rivers to eastern rivers to meet its domestic needs. Sinha had even

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150 Aiyar, “Waters Dispute.” There exist several disputes between Punjab and Haryana, between Karnataka and Tamil Nadu and between Maharashtra and Andhra Pradesh in India.
151 Pansohta, “Threat of Water Wars.” India’s major rivers include Brahmaputra, Dahisar, Damodar, Ganga (with its tributaries), Ghaggar, Godavari, Gomti, Indus Basin (which includes Sutlej, Jhelum, Beas, Ravi and Chenab), Kaveri (with its main tributaries), Koyna, Krishna, Mandovi, Mhanadi, Mithi, Narmada, Oswiwara, Sabarmati, Tapti (with its main tributaries), Ulhas, Vashishti, Yamuna, and Zuari.
152 Wasi, “Harnessing the Indus Waters,” 3.
154 Cited by Ibid, 16.
argued to use water to put pressure on Pakistan to take actions against the militants and accept the LoC as a permanent border.\textsuperscript{155}

India attributed Pakistan’s water crises a result of mismanagement of latter’s water resources. New Delhi dismissed Pakistan’s concerns over water projects in IHK and claimed that Islamabad was trying to divert attention from its inter-provincial water disputes. Indian officials claimed that New Delhi was committed to IWT and denied reports of building storage dams on three western rivers. They maintained that some surveys were conducted to examine construction of smaller storage water projects on Chenab. Indian officials also claimed that under IWT, New Delhi could utilize 3.6 MAF of water from these rivers. It could use 1.3 MAF water for irrigation but actually had used 0.8 MAF. The officials also claimed that India had given Pakistan £ 62 million under IWT to construct canals and compensate for the eastern rivers. They maintained, New Delhi had so far not been able to fully harness the potential of these rivers leaving three MAF water to flow into Pakistan.\textsuperscript{156} In April 2010, Indian High Commissioner to Pakistan, Sharat Sabharwat, had also expressed the similar views. He further claimed that India had respected IWT even during its wars with Pakistan. India had not used the rivers of the Western rivers as per its entitlement under the treaty. There was a hydropower potential of 18,653 MW in IHK but projects with a capacity of 2,324 MW had been commissioned so far and others with capacity of 659 MW were being constructed. However, no Indian project was stopping Pakistan’s share of water. Sabharwat further claimed that Pakistan’s water infrastructure was in poor condition causing 30 percent

\textsuperscript{155} Ibid, 16–17.
water losses between canal heads and farms. The problem could be addressed through better management and decreasing water losses.\(^{157}\) In March 2010, Indian Minster of External Affairs, S. M. Krishna, in his statement in Rajya Sabha also rejected Pakistani allegations and termed them as “completely baseless.” He claimed that India was fully complying with IWT.\(^{158}\) India denied Pakistani charges that it was violating IWT or Pakistan’s water crises was the result of any of India’s actions on the western rivers. It claimed that water flow depended on quantity of rainfall and snow melting. Any decrease in water flow could be the result of ecological changes and receding of glaciers. New Delhi also believed that Pakistan’s water problems were the result of “mismanagement” of its water resources, lack of sufficient storage facilities within its territories and wasteful fall of about 38 MAF of water into Arabian Sea. New Delhi also alleged that Pakistan had raised water issue in order to “divert attention from growing discontent in Sindh and Baluchistan over denial of their share of Indus waters.”\(^{159}\)

Akhtar observed that Indian analysts and media also echoed the official voice of India. They alleged that Pakistan was using water issue to divert attention from other issues such as terrorism or its domestic water conflicts. They also argued that Pakistan was trying to delay and prevent progress on constructions of India’s power projects as it had objected over 27 of such projects in IHK. The recourse to a neutral expert on each and every project cost India in terms of “time, money and efforts” which also increased the overall cost of the projects.\(^{160}\) India has also been able to garner support from pro-India elements in IHK where voices have been raised in favour of construction of these

\(^{158}\) Ibid, 15.
\(^{159}\) Ibid, 14.
\(^{160}\) Ibid, 15.
dams. Some Kashmiris alleged that India had “surrendered” water rights of IHK to Pakistan under IWT. The IHK assembly passed a resolution in March 2003 which demanded India to reconsider the IWT and to protect state’s water interests.\footnote{Ibid, 16.} Akhtar observed that Indian security establishment and foreign office largely controlled public opinion in the country which directed Indian media on to what they can or cannot say on Kashmir and the water issue. This is the reason due to which ordinary Indians do not have enough information about Pakistan’s dependence and vulnerability on the matter.\footnote{Ibid, 13–5.}

In fact, Indian people are deliberately kept uninformed or ill-informed about the problems and concerns of the smaller states by the ruling junta in New Delhi in the name of national interest. In spite of a working democratic system in India, the central government imposes a kind of censure on its media, preventing it from objectively reporting the different regional or India’s bilateral issues with neighbours. As such, Indian media has not been able to play any positive role in educating Indian people towards these issues. The following extract from an article of Briscoe is worth reading:

Living in Delhi and working in both India and Pakistan, I was struck by a paradox. One country was a vigorous democracy, the other a military regime. But whereas an important part of the Pakistani press regularly reported India’s views on the water issue in an objective way, the Indian press never did the same. I never saw a report which gave Indian readers a factual description of the enormous vulnerability of Pakistan, of the way in which India had socked it to Pakistan when filling Baglihar. How could this be, I asked? Because, a journalist colleague in Delhi told me, ‘when it comes to Kashmir – and the Indus Treaty is considered an integral part of Kashmir – the ministry of external affairs instructs newspapers on what they can and cannot say, and often tells them explicitly what it is they are to say.’ This apparently remains the case. In the context of the recent talks between India and Pakistan I read, in Boston, the electronic reports on the disagreement about ‘the water issue’ in The Times of India, The Hindustan Times, The Hindu, The Indian Express and The Economic
Times. Taken together, these reports make astounding reading. Not only was the message the same in each case (‘no real issue, just Pakistani shenanigans’), but the arguments were the same, the numbers were the same and the phrases were the same. And in all cases the source was ‘analysts’ and ‘experts’ – in not one case was the reader informed that this was reporting an official position of the Government of India.\textsuperscript{163}

Briscoe observed that he had repeatedly “depressing” experiences of meeting “even the most liberal and enlighten of Indian analysts seem constitutionally incapable of seeing the great vulnerability and legitimate concern of Pakistan.” He described Pakistan–India situation as “a very uneven playing field. The regional hegemon is the upper riparian and has all the cards in its hands.” Due to this uneven situation, “it is India that is driving the train, and that change must start in India.” Briscoe argued that India must show responsibility and suggested “four things need to be done” by New Delhi. First, some open-minded and courageous Indians, within the government or otherwise, should come up to explain their people that why water was “not just an issue for Pakistan, but why it is an existential issue for Pakistan.” Second, India must learn from Brazil, its BRIC fellow, “the regional hegemon in Latin America.” Briscoe observed, “Here I am struck by the stark difference between the behaviour” of Brazil and India. Brazilian President, Luis Inacio Lula da Silva, despite anti-Brazil campaign during presidential election campaign in Paraguay and Bolivia, showed great understanding of their problems and generosity, and announced unilaterally to increase their payments on account of electricity and gas by two times and three times, respectively. Briscoe argued that India “could and should, ... similarly make the effort to see it from its neighbour’s point of view, and should show the generosity of spirit which is an integral part of being a

\textsuperscript{163} Briscoe, “War or Peace on the Indus?”
truly great power and good neighbour.” India should invite Pakistan to discuss as to how both states could respect the principles of IWT, and should assure uninterrupted rivers water flow to Pakistan. Through mutual trust and goodwill both countries could maintain and reinterpret the treaty “so that both countries could win.” Fourth, Discussions on IWT and water issues should be separated from Kashmir issue and other bilateral problems. For India, Briscoe maintained, it would be a “sign of statesmanship, not weakness, to acknowledge the past and then move beyond it.” Briscoe pessimistically raised the question and left it unanswered: “Who will be the Indian Mandela who will do this – for the benefit of Pakistanis and Indians – on the Indus?”

8.2 REGIONAL COOPERATION IN THE FIELD OF ENERGY

There was an enormous scope of regional cooperation among SAARC members in energy sector particularly its subfields – electricity and natural gas. Naik claimed that a proposal to set up an Asian Energy Grid was under consideration. The grid could also provide a basis for absorption of hydroelectricity as well as surplus oil and gas resources from Central and West Asian regions. The regional states fell among the countries with lowest average per capita energy consumption in the world which is an indicator of low level of development. Meanwhile, the regional energy demand was rapidly growing in the wake of population growth, urbanization, industrialization and economic development among SAARC members. The region witnessed a growth rate of about 59 percent in the use of commercial energy between 1991 and 2001. But still a majority of the people living in South Asia had no access to commercial energy. Dhungel

164 Ibid.
observed that “more than half of the total population” lived without using commercial energy in South Asia.\textsuperscript{167} Moreover, there also existed vast inequalities among the regional countries.\textsuperscript{168} In 2004, both in India and Pakistan 56 percent of population had access to electricity while 64 percent people had electricity access in Sri Lanka. The percentage of people having electricity access was lowest in Bhutan (30 %), followed by Bangladesh (33 %) and Nepal (40 %). In the wake of growing development needs, South Asian states were increasingly becoming energy starved and they required more of it sustain their current pace of development. They could, however, meet their energy needs from endogenous energy resources through regional cooperation and joint development of water and power resources and initiating energy trade in South Asia. Some of the regional states were energy starved but others were potential producers and suppliers of some forms of energy that can meet the demand of their neighbours. Most of the regional states were rich with one or another energy resource, i.e. India and Pakistan had large coal reserves, Pakistan, Nepal and Bhutan had large potential of hydropower, Bangladesh, Pakistan, and India potentially possessed oil and gas reserves.\textsuperscript{169} In case their potential was fully developed, Pakistan, Bhutan and Nepal could export hydroelectricity to India and Bangladesh while Maldives could provide wind power to Sri Lanka. Bangladesh could supply its natural gas to India, Bhutan and Nepal.\textsuperscript{170} But the development of hydroelectricity resources, construction of transnational transmission lines and gas pipelines would require strong will, political commitment, mutual trust and explicit desire for cooperation among the SAARC members.

\textsuperscript{167} Dhungel, “Regional Energy Trade in South Asia,” 174.
\textsuperscript{168} Thakur and Kaushik, “Regional Power Market for Energy Development,” 302.
\textsuperscript{169} Dhungel, “Regional Energy Trade in South Asia,” 172–81.
\textsuperscript{170} Thakur and Kaushik, “Regional Power Market for Energy Development,” 309.
There were several advantages of cooperation in exploiting regional energy resources in South Asia. The SAARC members mostly used traditional sources of energy and their low rate of per capita commercial energy use reflected their low economic performance. Poverty reduction is related to economic growth which in itself is directly related to commercial energy consumption. In order to maintain high growth rate, the regional states needed higher rate of commercial energy consumption that could help reduce poverty.\textsuperscript{171} Regional states generally met their energy needs through oil imported from Gulf countries but its supplies remained under fluctuations due to political instability in the Gulf. They also had to use valuable foreign exchange reserves on imports of oil. South Asian countries, however, could meet most of their energy needs and save valuable foreign exchange reserves, through utilization of energy resources present in the region. The regional trade in energy could help improve economic resource management, attract private investment from within and outside the region, technology transfers, promote broader regional economic cooperation, secure and promote energy security, improve its quality and ensure reliability in the entire region. It could also pace up economic development and consequently improve the quality of live of the people of South Asia. The financial gains from trade in energy could be utilized for investment in various important sectors such as improvement of infrastructure that would increase regional trade and strengthen cooperation in other areas. It would also help improve resource management, such as that of water, forests and environment.\textsuperscript{172}

\textsuperscript{171} Dhungel, “Regional Energy Trade in South Asia,” 174. Dhungel observed that studies have suggested a “strong positive relationship between commercial energy consumption and economic development.”

\textsuperscript{172} Ibid, 174, 176–9.
8.2.1 Development and Trade of Hydropower

Thakur and Kaushik observed that South Asia, as a whole, was faced with “chronic” electricity shortfalls as its demand had far surpassed supply in spite of large-scale power development projects. The annual electricity demand growth rate has been estimated as 8 percent in Sri Lanka and 14–15 percent in Nepal. Indian power sector recorded the annual growth rate of about 8 percent during 1990s. Still it faced electricity shortage and its Ministry of Power had estimated that India needed to increase its electricity capacity by 10,000 MW every year to meet its growing requirements.\(^\text{173}\) However, it could meet its power needs by cooperating with its smaller neighbours.

Recognizing the importance of cooperation in energy sector, India took some initiatives with Bhutan and Nepal. India had collaborated with Bhutan in hydroelectricity generation schemes under a buyback arrangement due to which Bhutan generated 45 percent of government revenues and 30 percent of GDP through power export to India in 2003.\(^\text{174}\) The existing level of cross-border power trade in South Asia was insignificant rather nominal as compared to its real potential. Under the existing agreements, India bought a maximum 400 MW power from Bhutan which was even less than 0.5 percent of Indian maximum energy demand, i.e. 85,000 MW in 2003–04. India had an agreement to purchase 50 MW of energy from Nepal which was later on increased to 150 MW.\(^\text{175}\)

Nepal and Bhutan have the estimated power potential of about 83,000 MW and 20,000 MW. Out of it, both have an identified practically exploitable hydropower

\(^\text{174}\) Ibid, 308; Jain, “Regional Cooperation in South Asia,” 305.
\(^\text{175}\) Dhungel, “Regional Energy Trade in South Asia,” 175–6.
potential of 42,000 MW and 11,000 MW, respectively. Dhungel claimed that both Nepal and Bhutan can annually produce potential surplus of around 158 TWh and 70 TWh of hydropower, respectively, which they can export to other regional states. They can supply surplus electricity to power starved northern region of India which is expected to face a power shortage of over 10,000 MW in the coming few years. They can also meet the electricity needs of Bangladesh and Pakistan. Reportedly, it was projected that India’s overall power shortfall would reach 20,000 MW by 2010.

The SAARC members could meet their energy needs through regional cooperation and creating a common market in energy sector that could significantly improve the supply and distribution of energy in South Asia. It could provide for free movement of energy between member states that needed an integrated Regional Energy Grid (REG) across the South Asia. The REG could enable member states (and provinces within the states) to utilize common regional energy resources instead of developing their own and help improve their economies. It could also provide the firms and states more options to utilize energy. However, it required lot of policy matters and related issues and modalities to be worked out. It required regional states to conclude an “umbrella agreement” to lay down the legal and procedural details of mutual cooperation and to harmonize their macro-policies in the energy sector. The SAARC members, particularly the smaller states neither had enough capital and investment capabilities nor required expertise and technology to exploit their energy resources. They could create a

177 Dhungel, “Regional Energy Trade in South Asia,” 180.
South Asian energy development fund in which each member could contribute according
to its share based on respective capabilities.\textsuperscript{180} Moreover, the members could mobilize
financial resources from private sector within and outside the region as well as generate
funds from international donors. In order to expand and convert the existing bilateral
arrangements into regional arrangements, it was needed to evolve some sort of regional
strategies. Dhungel claimed that political commitment of governments of the members
and creation of region energy trade institution was vital for conducting, coordinating and
promoting energy trade in South Asia. He observed that India was required to play “a
greater role” in promoting regional cooperation and trade in energy because it had a huge
energy market and occupied central position in South Asia. The prospects of exploiting
Himalayan water resources rested heavily on India’s initiatives in the field.\textsuperscript{181} The
fifteenth SAARC summit had observed that SAARC states could jointly develop
“regional and sub-regional energy resources in an integrated manner.” It also observed
that regional states were striving to promote regional cooperation in capacity building,
transfer of technology and regional energy trade. Meanwhile, India had proposed to
prepare a roadmap for creating a SAARC electricity market to enable energy trade in
South Asia.\textsuperscript{182} In recent past, India also took several bilateral initiatives with Nepal to
develop its hydropower potential for mutual benefits.

In terms of hydropower generation capacity, Nepal is the second largest country
of the world, Brazil being the first one. Nepal has a total hydropower generation potential
of about 83,000 MW, out of which about 42,000 MW is technically and financially

\textsuperscript{180} Dhungel, “Regional Energy Trade in South Asia,” 185–93.
\textsuperscript{181} Ibid, 186–91.
\textsuperscript{182} Fifteenth SAARC Summit, “Colombo Declaration;” Sixteenth SAARC Summit, “Thimphu
Declaration.”
viable. In recent past, its existing generation capacity was about 250 MW, i.e. 0.3 percent of its total potential, and its domestic electricity demand was around 350 MW. In January 2009, its government announced an “emergency plan” in the wake of energy crises and decided to install generators with a cumulative production capacity of 200 MW. Within and outside Nepal, the production and export of hydropower has been considered a “key” to its development. Nepal could export hydropower on a large-scale that could help accelerate its economic growth and eradicate poverty within a decade. But the Nepalese government did not have the needed financial resources, expertise, and technology to unilaterally plan and execute any big hydropower development project. Nepal being one of the world’s poorest states with per capita income below $300 and estimated GDP of about $3 billion could not afford to unilaterally exploit its water resources for hydropower generation. For instance, it would cost it $80 billion to exploit its full feasible hydropower potential of 42,000 MW and about $50 billion for 25,000 MW. Its annual budget for FY 2004–05 was just around $1.6 billion. It was impossible for Nepal to unilaterally exploit its hydropower resources. Moreover, any possible unilateral effort by Nepal to develop its hydropower resources, with some foreign assistance, “could have serious implications” for its bilateral relations with India. It left Nepal with only option to seek foreign assistance to develop its hydropower potential. However, there could be various forms of foreign assistance, i.e. bilateral, trilateral or regional. India possessed the expertise, technology and financial resources that could help develop Nepalese water resources for multiple purposes. On bilateral basis its

cooperation with India was vital. India’s potential material, financial and technological assistance for hydropower development could get popular support in Nepal.  

India and Nepal had signed several agreements for construction of multiple projects including hydropower generation. The Mahakali treaty was the most important among them. The treaty provided that India would give millions of units of power free of cost to Nepal from the Tanakpur project. Both countries also considered proposals to build four power projects with total generation capacity of 18,000 MW. They also had agreed on construction of Karnali (Chisapani) multipurpose dam that would produce 10,800 MW power exportable to India. However, Nepalese people were highly concerned over the project and felt that project was aimed to serve mainly Indian interests. During Prime Minister Deuba’s visit to New Delhi in March 1996, both countries had also signed an Agreement on Power Trade (APT). It was a huge incentive for investors from all over the world as it had allowed, in principle, private investment in hydropower generation projects in Nepal as well as power export to private consumers in India. Both states had finalized West Seti hydropower project – the first private sector project – that would generate electricity for export to India. However, most of these projects have produced discontent in Nepal mainly due to unequal distribution of benefits of such projects.

In the context of massive domestic displeasure over India’s involvement in development of water resources in Nepal, it was desirable to evolve a regional or at least trilateral framework to exploit Katmandu’s hydropower potential. For such an arrangement financial assistance from any of the international donor agency such as the

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World Bank could be highly helpful. Bangladesh being a lower riparian state of Ganges waters was enthusiastic towards joint development and management of common water resources for mutual benefits of all members. Nepal had also expressed its willingness to participate in any multilateral or trilateral cooperative initiative for multipurpose development of its water resources. Katmandu was also interested to develop power projects that could ensure it economic benefits and address its ecological concerns. Indian willingness was rather more important for such a multilateral cooperative initiative. But India was not willing to develop Nepalese hydropower resources on trilateral basis as was proposed by Bangladesh. Nonetheless, the vision of creating a SAARC common energy market has been constrained by various factors.

There were several constraints which inhibited the development of regional hydropower resources and creation of common power market in South Asia. The most important impediments included the existence of mutual distrust, security concerns, disagreement on pricing formula and bilateral disputes among SAARC members. For instance, earlier in 1970s, Nepal was willing for construction of Chisapani power project with an estimated generation capacity of 3600–4500 MW that could potentially augment the power grid of northern India by early eighties. But New Delhi did not go ahead because it feared that India would become too dependent on Nepalese power.

Ineffective and different pricing and regulatory policies in member states also prohibited energy trade among them. In some of SAARC countries, electricity and other

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191 Condon et al., Resource Disputes in South Asia, 42.
192 SAARC Secretariat, SAARC Summits, 183.
195 Dhungel, “Regional Energy Trade in South Asia,” 180.
forms of energy are highly subsidized due to which energy prices vary from country to country. India provides electricity for water pumping to its agricultural sector on subsidized rates. These subsidies prevent their governments from undertaking commercial trade of energy as they ultimate bear heavily on the financial resources of the purchasing party. In India as in other regional states, electric companies are mostly public owned which are supposed to promote certain social objectives. They purchase electricity from IPPs on higher prices and provide it to the consumers on substantially lower rates. Particularly, agriculture and domestic sectors take the advantages of power sector subsidies. Thus, Indian government did not want to purchase power which it believed was costlier. In late 1990s, Pakistan had surplus electricity, which it could export to Indian states of Punjab, Rajasthan and Gujrat. Both countries had discussed the matter but could not agree on tariffs. Pakistan was quoting 7 cents (Rs.3) per unit which India considered as costlier and it offered 3 cents (Rs.1.26) per unit. India was purchasing power from Bhutan at the rate of Re.1 per unit which was even “much lower than the cost of production of some of the most efficient national [Indian] units.” However, Bhutan was producing this power mainly due to India’s public sector investment, generally grants or soft loans. Interestingly, India’s National Thermal Power Corporation had quoted a weighted average power tariff of Rs.1.30–1.50 per units. Thus wide differences in power tariffs among regional states posed one of the major impediments to energy trade in South Asia. In the wake of growing private sector participation in power

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196 Ibid. 187.
generation, the tariff asymmetries were likely to further grow. This issue needed to be addressed in a “larger regional framework.” In order to ensure regional cooperation in energy sector, the SAARC members needed to settle the issues such as power tariffs, mechanism and cost of power transmission, its sharing, mode of payment, currency to be used and sustainability of power supply etc. There was no legal and institutional framework to facilitate power trade in South Asia. Some bilateral or donors sponsored multilateral initiatives were made. But no significant breakthrough could be made by SAARC towards creating a REG or regional power trade etc.

There also existed some technical barriers to power trade. For instance, there was no infrastructure to realize the power trade in South Asia. The most of the regional states do not have the capacity to plan and execute the projects for generation and transmission of power. Smaller states also lacked necessary financial resources to make investment and finance the projects to exploit their vast power potential. However, India being the most developed state in the region was in a position to provide technical and financial help to smaller states. India’s bilateral initiatives with Nepal has created discontent and mistrust between both states.

But the most important and serious impediments to trade in energy were the political barriers. The political barriers include the lack of commitment and political will to share valuable resources, mutual distrust, political uncertainty and instability, unwillingness on the part of member states to sincerely implement the agreements, and

200 Dhungel, “Regional Energy Trade in South Asia,” 187. These multilateral initiatives included USAID’s South Asia Regional Initiative for Energy Cooperation (SARI/Energy) Programme and ADB’s South Asian Sub–regional Cooperation Programme (SASCP).
201 Ibid, 188–9.
bilateral disputes of the regional states. The differences over distribution or sharing of water resources not only occasionally and repeatedly strained bilateral relations among SAARC members but also hindered regional cooperation in various fields particularly joint development and management of water resources, generation of power and energy trade etc. Gill observed that these disputes are, in fact, India’s bilateral issues with its smaller neighbours. India is involved, on one side, in all of these “serious problems” over distribution or sharing of water resources, such as Wullar barrage and Baglihar Dam, Farrakka barrage and Mahakali River dispute with Pakistan, Bangladesh and Nepal, respectively.

8.3 REGIONAL GAS PIPELINES PROJECTS

Natural gas is considered as one of the most environment-friendly energy sources on the planet. Therefore, unlike large hydropower generation dams, it does not instigate widespread public opposition. Pachauri claimed that natural gas is a clean, ecologically benign and easily handled energy resource and these attributes can be translated into “tangible and intangible benefits” to the consumers. In the context of growing energy shortfall in South Asia, regional cooperation in joint exploration, extraction and development as well as trade and transit trade in natural gas has vast potential.

South Asian proven natural gas reserves, as of January 2004, were estimated at 67.5 Trillion Cubic Feet (TCF) which constituted about 1 percent of the world’s total

\[\text{Ibid, 186–7.}\]
\[\text{Gill, “Water Politics in South Asia,” 12–26.}\]
\[\text{Pachauri, “Energy and Environment,” 306. Natural gas discharges low emissions into air and water and generate negligible solid wastes as compared to oil and coal and unlike large hydropower generation dams, does not involve public opposition or cause displacement of population or ecological degradation.}\]
\[\text{Ibid, 306. The tangible benefits include reduced capital costs for equipment, storage and fuel handling, high thermal efficiency, combustion and pollution control. The intangible benefits are related to negligible emissions, low environmental and visual impact and least space requirements.}\]
deposits. Pakistan, India and Bangladesh had proven gas reserves of 26,365 Billion Cubic Feet (BCF), 26,943 BCF and 10,615 BCF, respectively. Dhungel claimed that these states had much larger gas deposits but were yet unproven. South Asian states use natural gas in several sectors, i.e. domestic, commercial, power generation etc. due to which its consumption has increased rapidly in the past, i.e. about 59 percent from 1992 to 2002. The use of natural gas rose faster than any other fuel in India in recent years.\footnote{Dhungel, “Regional Energy Trade in South Asia,” 175 and 180.} In the light of existing proven gas reserves, it was estimated that India and Pakistan would everyday face a gas shortfall of 9 BCF and 7 BCF, respectively, by 2010.\footnote{Lama, “Economic Reforms and the Energy Sector,” 17; Pachauri, “Energy and Environment,” 303.} In 2005, Pakistan had a projected annual gas demand of 30 BCMs that equaled to its domestic gas reserves. Since then, it was expected to face gas shortfall. By 2030, the gap between domestic supply and demand could reach to 70 BCM per year.\footnote{Narsi Ghorban, “Gas Export by Pipeline from Iran to the Indian Subcontinent,” South Asian Survey, 13 : 2 (2006), 279.} India’s gas demand could rise to 141 BCM by 2025, though the demand can be influenced by the price of imported gas.\footnote{Ghorban, “Gas Export by Pipeline,” 278.} Due to anticipated gas shortfall, both India and Pakistan underscored the urgency of its imports from the nearby regions.\footnote{Pachauri, “Energy and Environment,” 304.}

The SAARC members basically relied on petroleum imports from the Gulf region and also could import gas from the region. They could also meet their energy needs from imports of gas from nearby regions through pipelines which were believed to be “cost effective” and “most preferred means” of energy trade.\footnote{Ibid, 298.} They explored the options of importing natural gas from nearby countries, such as Oman, Qatar, Iran, Turkmenistan,
and Myanmar as well as Bangladesh. They considered various proposals regarding gas pipeline projects involving two or more than two regional states, such as: Bangladesh-India; Myanmar-Bangladesh-India (MBI); Oman-India; Iran-India; Qatar-Oman-India; Qatar-Pakistan; Iran-Pakistan; Iran-Pakistan-India (IPI); Turkmenistan-Afghanistan-Pakistan; and Turkmenistan-Afghanistan-Pakistan-India (TAPI).\textsuperscript{212} Both India and Pakistan also considered various proposals involving onshore and offshore gas pipelines projects, as both of them had different pros and cons. Generally, onshore pipelines are preferred over offshore pipelines as the former are, cheaper to construct, more secure and “easier to operate and maintain.”\textsuperscript{213} Thus, besides Bangladesh–India gas pipeline project, following three trilateral onshore gas line projects were deemed more promising; MBI, IPI and TAPI. The last one was immediately not practicable due to civil war in Afghanistan, a key transit state in the proposed project. Meanwhile, Dhaka was not ready to export its gas due to different reasons.

Dhungel claimed Bangladesh had proven gas reserves of 10,615 BCF. Reportedly, it had much larger gas reserves but were yet unproven. Particularly, foreign companies like Unocal and Shell believed that Bangladesh had higher gas reserves than estimated ones.\textsuperscript{214} Previously it was estimated that Bangladesh had recoverable gas reserves of 13.728 TCF but later surveys estimated these deposits at 22.9 TCF. Even, some survey reports estimated these reserves at 80 TCF and yet others suggested that

\textsuperscript{212}Lama, “Economic Reforms and the Energy Sector,” 17.
\textsuperscript{213}Pachauri, “Energy and Environment,” 304; Ghorban, “Gas Export by Pipeline,” 280. It has been observed that the offshore pipeline passes through deep into the sea. Its construction is possible technologically but it is quite expensive. It does not involve the risk of passing through the territory of any potential or real enemy state. But still its security cannot be guaranteed because it passes through international waters. The partly offshore pipelines also face the similar technological, financial and security problems.
\textsuperscript{214}Dhungel, “Regional Energy Trade in South Asia,” 181.
these deposits can be of 125 TCF. These deposits are located in northeastern part of Bangladesh.\textsuperscript{215} Dhaka could export its gas to neighboring countries like Bhutan, Nepal and India. Its income from gas exports could have a “multiplier” effect in its development and transform Bangladesh into a middle income state. However, there was strong domestic opposition to any proposal of exporting gas, particularly to India, due to which no progress could be made.\textsuperscript{216} Under these conditions, it was claimed that IPI and MBI gas lines projects would significantly contribute to economic integration. Particularly, the IPI gas pipeline was considered as “the best, cheapest and most reliable” option. It only required Pakistan to grant “guarantee for the security of any pipeline laid on its land.”\textsuperscript{217}

8.3.1 **Myanmar-Bangladesh-India Gas Line Project**

Gas Authority of India Ltd. (GAIL) had started discussions with two international companies, Cairn Energy of UK and Unocal of USA, and two Bangladeshi companies, Banmco Energy and Mohona Holdings, for construction of gas pipelines from Myanmar through Bangladesh to “the energy-starved” eastern states of India. Particularly, Unocal was interested to take contract of the US$ 2 billion pipeline project.\textsuperscript{218} Both India and Myanmar had also discussed bypassing of Bangladesh’s territory and adopting an alternative route for the gas pipeline. However, later they decided to retain Bangladesh in the project.\textsuperscript{219} The project was conceived in late 1990s but was not implemented. In fact, Bangladesh had set three conditions before giving its consent to construct gas pipeline through its territory, which included: India should give transit facility for transmission of

\textsuperscript{216} Ibid., 20; Dhungel, “Regional Energy Trade in South Asia,” 180–1.
\textsuperscript{217} Dhungel, “Regional Energy Trade in South Asia,” 188; Ghorban, “Gas Export by Pipeline,” 280.
\textsuperscript{219} Pattanaik, “Making Sense of Regional Cooperation,” 151.
electricity from Bhutan and Nepal to Bangladesh; India should provide it an unrestricted trade corridors with Bhutan and Nepal, and; India should take significant steps to decrease its trade imbalance with Bangladesh. Reportedly, India had to agree on all of these conditions and both countries in recent past had also signed a draft MOU in this respect. During SAARC summit held in New Delhi in 2007, Dhaka had expressed its willingness to consider the construction of proposed MBI gas pipeline project.\textsuperscript{220}

\subsection*{8.3.2 Iran-Pakistan-India Gas Pipeline Project}

Iran has the second largest natural gas reserves on the planet whereas India is among the leading gas importers of the world. Reportedly, Iran has gas deposits of about 27 TCMs near Kangan which constitute around 12 percent of the world’s gas deposits. Ghorban observed that idea of importing gas from Iran to India was originally discussed as early as in 1989.\textsuperscript{221} In the context of their growing economic, military and defense relations since 1983, both states considered various proposals of gas supplies to India. India discussed various proposals including, shipment of LNG from the Gulf, or importing gas through offshore or onshore gas pipelines from Iran. The construction of IPI gas pipeline was, however, most cost effective.\textsuperscript{222} Nuri observed that Pakistan and Iran had signed a preliminary agreement to construct a gas pipeline in 1995. Initially it was agreed to bring gas from Iranian South Pars gas fields to Karachi. Later on, Iran proposed to include India also in the project. By the year 2000, all three states had

\textsuperscript{220} Dhungel, “Regional Energy Trade in South Asia,” 181.
become very active to pursue the project and to finalize the contract. Both India and Pakistan had considered proposals of constructing two separate pipelines from Iran but there was a consensus that the cost of a single joint gas pipeline would be significantly lower than that of two separate pipelines for both states. Reportedly, 2,775 km long IPI gas pipeline was estimated to cost US$ 7.5 billion and would daily transport 90 MCMs of gas to India and 60 MCMs to Pakistan from 2009–10. The US and other western countries in their bid to isolate Iran, both politically and economically, were opposed to IPI gas pipeline project. For instance, US Secretary of State, Condoleezza Rice had stated: “We not only expressed our concerns to India but also told Japan to stop gas project with Iran.” However, the project was practicable in spite of American opposition and could avoid its potential sanctions.

In spite of American Iran-Libya Sanction Act (ILSA) of 1996, a consortium of NIGC (Malaysia), BHP (Australia), Shell (Netherlands), BP (UK), Total (France) and national gas companies of Iran, Pakistan and India was agreed upon. Reportedly, Norwegian government and Russian company Gazprom were ready to invest in the project while Vice President of the World Bank had confirmed that the Bank was ready to provide funds for the project. Most importantly, three countries had agreed on

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224 Lama, “Economic Reforms and the Energy Sector,” 20; and Pachauri, “Energy and Environment,” 303. It has been observed that around 75 percent of the gas trade takes place through joint pipelines involving more than two states (including transit state). Joint pipelines help optimize the economies of scale. For instance, it was estimated that a joint Qatar-Pakistan-India pipeline would cost about US $ 4–5 billion while two separate pipelines would cost about US $ 6–8 billion.
226 Nuri, “Economic Potential of IPI Gas Pipeline.”
227 Ibid. ILSA limits foreign countries and companies to “invest not more than $20 million in any one year in Iran.”
“segmented construction” of the IPI project, due to which they could avoid American sanctions. It meant that each state would be responsible for construction of pipeline within its own territory. Accordingly, Iran had agreed to construct 1,115 km pipeline in its territory to Pakistani border. Pakistan was to construct 898 km pipeline in its territory from Iranian border to Indian border. India agreed to construct 740 km pipeline in its territory. Reportedly, Iran has completed a major part of its task. Due to segmented construction of IPI pipeline, three states could use their national currencies to execute the project in their own territories, which could help reduce the cost of the project. The participants can even use the most modern surveillance and protection methods to avert any interruption in the gas supply. Due to these alternative arrangements, no participant state could be subject to possible sanctions by the US.

Apparently, three countries were willing to go ahead on the project. It was expected that its construction work would start in 2007 and be completed by 2010. Since the project involved construction of gas pipelines in a third state, i.e. transit state, therefore, it was argued that it would not only meet energy and development needs of the regional states but also promote mutual interdependence, trust and understanding and help advance economic integration in South Asia. Some even had termed the project as “peace project.” However, the trilateral “dream Lines” or “pipedreams,” as some critics now call it has not been yet realized. Reportedly, India has backed off from the IPI

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228 Ibid.
project due to American pressure. Ultimately, Pakistan had to finalize a bilateral agreement with Iran to complete the project, now without Indian participation.\(^{232}\)

The project could not take off early due to various constraints such as regional geopolitics, issues related to confirmation of gas reserves in the potential exporting state, financial implications, gas price agreements, and concerns over transit from third state and environmental effects etc.\(^{233}\) In spite of the fact that there was a worldwide accepted formula of linking price of piped gas to the crude oil prices, India wanted that price of natural gas should not be based on oil prices. Since India meet most of its energy needs from coal, therefore, it voiced that gas prices must “be correlated to” the coal prices.\(^{234}\) India also argued that Iran should not take into account merely the “market values” of natural gas. Rather it must also consider other factors such as political benefits as well as employment opportunities which the project would create. New Delhi believed that the option of nuclear energy, as a substitute for gas, to run power plants was also available to India.\(^{235}\) Dhungel observed that political conflicts and bilateral disputes among the regional states, particularly, India–Pakistan tense relations impeded progress on the project.\(^{236}\) Particularly, India’s political and security concerns over construction of pipeline via Pakistan had delayed the project.\(^{237}\) Due to security concerns and trust deficit with Pakistan, India was hesitant to construct pipeline through Pakistan. Several Indian officials did not want to pay transit fee to Pakistan. Due to these reasons India also

\(^{232}\) Nuri, “Economic Potential of IPI Gas Pipeline.”


\(^{234}\) Ghorban, “Gas Export by Pipeline,” 278. Several people in Iran were of the view that gas price must be higher, not lower, than oil prices, because it was a “cleaner fuel.”

\(^{235}\) Ibid, 278–9 and 282.

\(^{236}\) Dhungel, “Regional Energy Trade in South Asia,” 181.

\(^{237}\) Ghorban, “Gas Export by Pipeline,” 280.
considered a proposal of offshore pipeline project. However, it was also expected that IPI gas pipeline project would help improve Pakistan–India relations and promote economic integration in South Asia.\textsuperscript{238} Dhungel argued that regional cooperation in energy development project was neither guided only by “the economic factors” nor could they alone help strengthen such cooperative efforts. In fact, these were the political factors that mainly or at least partly influenced energy trade.\textsuperscript{239} But Ghorban claimed that one of the causes of delay of the project was “heavy political involvement by the concerned governments” which instigated strong reaction and opposition by America.\textsuperscript{240}

The project confronted strong opposition by the US which wanted to isolate and paralyze Iran. Dhungel noted that IPI pipeline “project has fallen into jeopardy” because of strong opposition by Washington.\textsuperscript{241} The US Secretary of State, Rice had expressed concerns over the trilateral deal during her visit to the region in 2005. Reportedly, several congressmen had also expressed their serious concerns over IPI project while the US officials had termed it as “unacceptable.”\textsuperscript{242} On the other hand, Indian officials had claimed that the project was in their “national interest.” Since, India had enjoyed friendly relations with Iran, it was not expected that New Delhi would abandon its links with Tehran or accept the US dictation on the deal.\textsuperscript{243} However, Washington continued to pressurize India. During 2003–05, it had sanctioned several Indian companies and

\textsuperscript{238} Nuri, “Economic Potential of IPI Gas Pipeline.”
\textsuperscript{239} Dhungel, “Regional Energy Trade in South Asia,” 190.
\textsuperscript{240} Ghorban, “Gas Export by Pipeline,” 280–1.
\textsuperscript{241} Dhungel, “Regional Energy Trade in South Asia,” 181.
\textsuperscript{242} Kronstadt and Katzman, “India-Iran Relations and U.S. Interests,” 2. In April 2006, during a US Senate Foreign Relations Committee’s hearing on proposed US–India civil nuclear deal, Secretary of State Rice had stated: “The United States has made very clear to India that we have concerns about their relationship with Iran.”
\textsuperscript{243} Ibid, 2–6.
nuclear scientists on the ground that they were involved in passing technology or having “scientific contacts” with Tehran that could help in Iranian nuclear program. In July 2006, the US Congress had passed the bill that had enabled the Bush Administration to sign nuclear deal with India but also included the language asking the US government to secure India’s cooperation on its policy towards Iran. Contrary to the general expectations, New Delhi voted twice, i.e. first on September 24, 2005 and then on February 4, 2006, in favour of referring Iranian nuclear program to UNSC, on American demand. Experts claimed that this decision was a manifestation of India’s “strategic choice to strengthen a partnership with Washington even at the cost of its friendship with Tehran.”

India’s leftists and other opposition parties had expressed their concerns over Congress-led coalition government’s policies of building relations with Washington at the cost of its ties with Tehran and making India a “junior partner” of the US. However, the government had the support of the BJP, the main opposition party, for its policy on Iranian atomic program. India feared that its vote against Iran at IAEA Board could instigate Iran to retaliate against New Delhi “by excluding it from the pipeline deal.” But Iran still wanted to “proceed on the project.” In fact, Iran wanted to pursue gas project not only for the economic benefits but also because it would enhance Tehran’s “strategic and political position in the region.”

Reportedly, after launching of a US-India “global partnership” in July 2005, and negotiations for a possible civil nuclear deal between two countries, India had gradually started to bring “its Iran policy into closer alignment with

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244 Ibid, 4. H.R. 5682 sought that the US policy should be that it can “Secure India's full and active participation in United States efforts to dissuade, isolate, and, if necessary, sanction and contain Iran for its efforts to acquire weapons of mass destruction.”
246 Ibid, 3 and 6.
that of the United States.” The critics observed that India was prioritizing its relations with the US over those with Tehran. Consequently, it withdrew from the IPI project. Now it has shown interest, with American approval, to pursue TAPI gas pipeline project. Pachauri claimed that due to its growing energy demand, India needed to pursue both the projects. Ghorban observed that India could pursue both pipelines projects, i.e. IPI and TAPI, because no single project could meet its energy needs. However, India prioritized its relations with the US in its bid to court Washington in order to realize its ambitions of becoming a major player in the world politics. Thus, due to India’s withdrawal from the IPI project, the efforts of creating regional interdependencies have been badly affected.

8.4 INDIA’S CONDUCT AND ITS EFFECT ON REGIONAL COOPERATION

Regional conflicts and prevailing distrust between states have impeded growth of regional cooperation in joint development of energy resources and energy trade in South Asia. India took several bilateral cooperation initiatives with Bangladesh, Bhutan and Nepal to meet its irrigation and energy requirements. The construction of several projects such as Farakka barrage on its border with Bangladesh, Chukha hydropower project in Bhutan and similar projects at Gandak, Koshi, Sarada, and Tanakpur in Nepal were

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249 Dhungel, “Regional Energy Trade in South Asia,” 181.
251 Ghorban, “Gas Export by Pipeline,” 283. Reportedly, it had a gas demand of around 150 BCMs but IPI gas pipeline could transport maximum of 30 BCMs gas. Even it was argued that there were possibilities that both Qatar and Turkmenistan or either of them could inject gas into the IPI pipeline instead of constructing a separate pipeline. Otherwise, “Turkmenistan could give gas to the northern parts of Iran” and Tehran could supply additional gas to India and Pakistan.
aimed to serve the purpose. But “these projects themselves are not free from disputes” and have impeded intensification of cooperation between these states.\textsuperscript{252}

The prospects of exploiting Himalayan water resources and exploration, extraction and transportation of Bangladesh’s LNG rested heavily on Indian initiatives in these fields. “The self-interest approach” to develop these resources intensified distrust and misunderstanding among regional states. The development of hydropower mainly involves huge financial investment and “the long gestation period.” Regional cooperation in such projects flourishes in “a stable political framework based on mutual benefits and positive interdependence.” Therefore, regional states needed to pursue such projects in an open and transparent atmosphere with the spirit to ensure just distribution of cooperative endeavors. Dhungel claimed that “only durable agreements” could give justice and equitable benefits to all. Mutual trust, understanding, accommodation and respect for each others sensitivities were vital for bilateral, trilateral or regional cooperation in power and energy sector. The principles of transparency and justice could increase mutual understanding and trust that in turn would help build consensus among government leaders, political parties as well as general public of regional states. “The most important issue of development of unused resources of energy” was the lack of consensus among SAARC members.\textsuperscript{253} A holistic approach with mutually agreed principles was required to exploit, develop and manage regional energy resources. Since countries like Nepal, Bhutan and Bangladesh do not have enough financial, technological resources and required expertise to develop their water or gas resources. These states also cannot attract foreign investment because they have limited market of their own. Therefore, these

\textsuperscript{252} Dhungel, “Regional Energy Trade in South Asia,” 189.

\textsuperscript{253} Ibid, 190.
energy resources can only be developed through regional cooperation that can provide financial and technological resources, and expertise as well as large market for their utilization. Under prevailing political perceptions, it was not possible to harness these resources or to implement gas pipelines projects. Since India being “the more powerful protagonist dictates the terms” in South Asia, therefore, it had to take the credit either for the success or failure of regional cooperation in the field. India was required to “take the lead in providing a new impetus with an attitudinal change and injection of fresh political will” for effective and mutually beneficial utilization of regional energy resources. Since, no significant progress has so far been made in these fields, therefore, “major share of the blame for the inability” of South Asian states to conclude some reasonable agreements also goes to India.

CONCLUSION

The regional political environment continued to overshadow the process of regional cooperation in various fields such as: environment; joint development, conservation and management of common water resources; development and trade of hydropower; and transit trade of natural gas. India has bilateral disputes with its neighbours on sharing of common river waters. There was a widespread feeling in Bangladesh, Nepal and Pakistan that India was using its superior position to deprive them of their share of river waters. These disputes not only strained its bilateral relations with them but also overshadowed the regional political environment and undermined the prospects of cooperation in various areas.

254 Ibid, 190–3.
India did not equitably and fairly share common water resources with smaller states and its efforts to extract maximum benefits at the cost of others severely damaged the prospects of regional cooperation in various fields, such as: joint development, preservation and management of water resources; generation of electricity; and energy trade. India, as a leading state in the region, could play the main role in bringing transparency and ensuring just distribution of benefits of cooperation in development and regional trade of hydropower and to build mutual trust necessary for further cooperation. Rather, India pursued its self-interest and undermined regional interests. India prioritized its strategic, political and economic interests with external powers particularly the US over its relations with regional states. It apparently abandoned the IPI project to appease the US which severely undermined the prospects of creating economic interdependence in South Asia. Thus, India gave more precedence to its extra-regional linkages over its political and economic ties with the SAARC members. It stressed more on bilateralism in its dealings with smaller states and inhibited growth of regionalism to maintain its political and economic domination in the region. India could not reconcile its national interests with regional ones and pursued policies which made SAARC an ineffective organization.
The term regionalism generally refers to the study of regional organizations, regional cooperation or integration which involves the process of intensification of interactions – strategic, political, economic, social, and cultural – among the states of a given geographical area. The growth of regionalism involves a “complex concert,” compromise and synchronization of national interests with regional ones and modification of relations among member states. Regional cooperation requires different states to harmonize their actions through various ways, such as mutual consultation, policy coordination and active collaboration in various fields. It involves a mixture of conflicting and complementarity of states’ interests and takes place when states change their behavior to the expectations of others. The foremost for the success of regionalism is to provide it a psychological foundation and a launching pad for its further growth through creation of a regional security community which comes into being when regional states renounce the use of force in their mutual dealings and agree to resolve their disputes through peaceful means. It creates a sense of oneness, amity, friendship, trust, and understanding which in turn promotes mutual responsiveness, appreciation of each others’ needs, problems and aspirations and increases social and economic transactions among the regional states. The growth of regionalism is generally viewed as a part of states’ efforts to consolidate their national authority and increase their political and economic power. The developing states perceive economic regionalism as a panacea of their development problems and a “paradigm” for rapid industrialization. They also want immediate economic benefits as well as equitable distribution of gains of cooperation.
The issue of even distribution of gains of cooperation is crucial one and determines the durability and survival of regional arrangements.

There are various models of economic integration based on varying degrees of involvement of member states and having different distributional consequences. The most familiar and widely practiced model is based on market integration involving creation of PTAs, FTAs, custom unions, common markets and monetary and economic unions. However, it also contains certain drawbacks. It could not adequately address the development problem. Rather, it mostly intensified underdevelopment through increasing disparities and creating dual economies which caused disappointment with integration itself. The durability of grouping rests on the ability and willingness of the more advanced members to take redistributing measures in favour of poor members. To avoid such problems, the developing states of unequal economic strata can pursue an alternative model of economic cooperation. This model prioritizes balanced economic development through regional planning and adopting corrective and compensatory measures. It involves regional planning of development such as improvement of physical infrastructure, creation of regional banks to finance development projects, and allocation of industries to create industrial complementarities and economic interdependence. It may also include a regional policy to regulate FDI, joint industrial projects under public or private ownership with provisions to supply its products to all or several members. This model strives to ensure that no member becomes more developed at the cost of others. This model is more complex and requires high level of understanding and commitment by all members. It also demands some short-term sacrifices from the more developed members.
There exist several theories explaining regional integration process, and they include: federalism, functionalism, neofunctionalism, transactionalism, interdependence theory, neo-institutionalism or regime theory, intergovernmentalism and liberal intergovernmentalism. In the context of South Asia regionalism, it is noteworthy that power distribution in an area is an important variable to influence integration process. Under different set of conditions, power asymmetries can either promote or impede regionalism. The successful political or economic integration generally requires leadership of a powerful regional state, a core or leading member, which must have the capacity and interest in promoting regionalism. The leading member must take the initiative to convert its adversaries into a relationship of balanced and equal partnership. To this end, it must: synchronize its national interests with regional ones; tacitly or implicitly renounce the use of force in its dealings with regional partners; show sincerity towards peaceful resolution of mutual disputes; and adopt restraint behaviour in regional affairs. The core state has to accept a dominance-free regional arrangement which can assure smaller states of preservation of their national security, territorial integrity, political independence and sovereign equality. The leading state must show large-heartedness, magnanimity, responsiveness and accommodation towards the genuine needs, demands, concerns and aspirations of its partners. It must also play a role to ensure just distribution of gains of regional cooperation through: generating development impulses in its weak regional partners; making short-term sacrifices; promoting joint projects; creating regional economic complementarities; and playing the role of a paymaster in the cooperative arrangement. However, a state having confidence in its national capabilities may not take serious interest in the growth of regionalism.
A study of SAARC indicated that the organization has not benefitted much from experiences of other regional arrangements. SAARC was formed to promote peace, stability and progress in the region. Its main objective was to promote the welfare and quality of life of people through accelerating economic growth, and strengthening collective self-reliance of member states. The SAARC members agreed to cooperate in the identified areas, such as: agriculture and rural development; health and population; welfare of women, youth and children; environment and forestry; science and technology, and meteorology; human resource development including education, arts, culture and sports; transport; telecommunications, and ICT; biotechnology; intellectual property rights; tourism and; energy. The SAARC undertook various activities to attain its goals. Its members signed various regional conventions, such as: suppression of terrorism; prevention of narcotic drugs and psychotropic substances; mutual legal assistance in criminal matters; cooperation on environment; regional arrangements for the promotion of child welfare; and preventing and combating the trafficking in women and children for prostitution. They set up a regional food reserve and regional food bank to ensure food security in the region. The members established various regional funds which were finally merged and reconstituted as SDF. The SAARC also set up various regional centres in different members and a university in India. It extended recognition to various regional bodies and took certain measures to promote people-to-people contacts to create regional identity. The members also made progress towards strengthening economic cooperation and signed agreements on trade liberalization such as SAPTA and SAFTA in 1993 and 2004, respectively. Later on, they also signed agreements on: trade in services; mutual administrative assistance in customs matters; establishment of SAARC arbitration
council and; the limited agreement on avoidance of double taxation and mutual administrative assistance in tax matters. They also formed a regional standards organization. Meanwhile, Afghanistan became the eighth member of SAARC and observer status was given to Australia, China, Iran, Japan, Korea, Mauritius, Myanmar, the EU and the US. The SAARC also adopted a social charter and agreed on taking measures for the welfare of women, children, disabled, and youth and its members time and again reaffirmed their commitment to work collectively to provide basic facilities, such as education, health and shelter, to their people and eradicate poverty from the region and improve the living standards of common men of South Asia. However, SAARC failed to translate its promises into practice and implement its decisions. It could not meet its targets set for the year 2000, such as general vaccination of children, universal primary education, provision of shelter and clean water to people, child and mother nutrition, and poverty alleviation. The evidence showed that SAARC members would be short of achieving MDGs and SDGs.

The South Asian region is unique in several respects. It is a religiously, ethnically, culturally, and linguistically heterogeneous region where the nation-states differ sharply from one another in terms of their size, population, area, military and economic power, natural resources, level of industrial, scientific and technological development, ideological orientation and political systems. India, occupying central position and separating the rest of the founding members from one another, is the largest of all as it shares about 75–80 percent of region’s area, population, production and trade. Due to India’s huge size and central position in the region, IR scholars agreed that its behaviour and policies would determine the fate of SAARC.
India’s domestic politics and external policies had direct bearing on the demand of creating South Asian regionalism. Contrary to European integration experience, there existed no significant demand for unification of the South Asian states. In fact, the factors which had contributed to Partition still persist with more or less the same vigor and threaten national security and territorial integrity of the regional states. India’s domestic politics such as failure to integrate its minorities particularly Muslims into the mainstream and the rise of Hindu extremism with its hostility towards Indian Muslims as well as neighbouring Muslim states, i.e. Pakistan and Bangladesh, mainly prevented the growth of demand for unification of regional states. Yet, India’s policies influenced, in a negative sense, the growth of demand of regionalism in South Asia.

In post-Independence era, India perceived itself as inheritor of the rights and privileges of British India and pursued imperial policies towards smaller states. It imposed its hegemony in the region, politically and militarily intervened in neighbouring states, forcefully occupied and annexed variously princely states including Jammu and Kashmir, and Sikkim and supported insurgencies in neighbouring states, such as in East Pakistan in 1971, Bangladesh in 1970s and Sri Lanka in 1980s. These factors had instilled a fear among the smaller states which created the need of regional arrangement in South Asia. Some external factors might have also played some role, but these were indeed the internal factors which had primarily contributed to the creation of SAARC. The smaller states such as Bangladesh, Nepal and Bhutan wanted to reshape post-Independence regional political culture characterized by Indian domination and to create a new regional order based on political independence and sovereign equality of all states. To get a cover against Indian domination was their main objective. They also wanted to
achieve economic independence, rapid growth, decrease economic disparities among regional countries and even distribution of gains of cooperation through creating economic complementarities and joint ventures. However, the success of the organization rested on India’s role and behaviour.

New Delhi had different perceptions and preferences in the region. India’s founding fathers had envisioned a specific role for their country and wanted India to play a leading role in the global politics. They had championed the cause of non-alignment to this end. In its bid to become the leader of the Third World, New Delhi had organized several Afro-Asian conferences but took South Asian states as granted and showed no significant interest in building any cooperative organization in the region. It took advantage of its geographical location, and far superior military and political power and imposed its domination on regional countries perceiving South Asia as its legitimate sphere of influence. The global and regional political developments since 1970s favoured New Delhi and provided it with an opportunity to consolidate its domination with the blessings of both superpowers. In this background, India’s response to the SAARC proposal was cautious and based on suspicions. India feared that smaller states would gang up against it to contain its power and isolate it in regional and global politics. New Delhi did not want internationalization of its bilateral disputes with smaller neighbours. However, India had also expected to achieve some political and economic benefits through joining SAARC, such as: suggesting smaller states to look inward for their security and economic needs; organizationally and politically legitimize its leadership in the region; find markets for its products; and win the support of regional countries at international forums and global institutions. Thus, New Delhi accepted the proposal with
two conditions: contentious issues and bilateral disputes would be excluded from deliberations; and all decisions would be made on the basis of unanimity.

India and rest of members had divergent interests, perceptions, priorities and positions at SAARC. Most importantly, they had divergent threat perceptions. The smaller members mainly feared India and built extra-regional linkages and alliances to preserve their national security which India interpreted as threat to its own security. These divergent threat perceptions could be reconciled through adjustment of policies and creation of a conflict-resolving system in the region. A modification in Indian policy towards smaller states could also provide the remedy.

There was an inherit contradiction in the making of SAARC. It was primarily formed to contain Indian domination in the region but it also needed firm Indian support for its success. New Delhi could avoid its course of intimidation and domination and instead pursue a policy of reconciliation and accommodation towards smaller states in order to build constructive and cooperative partnership with them for success of regionalism. The smaller states had expected India to play a similar role. They wanted India to adopt a restraint behaviour and ideology of internationalism, harmonize its national interests with regional ones and to show a spirit of large-heartedness, accommodation, fairness, and magnanimity towards them and appreciate their concerns and aspirations and treat them as equal partners. The smaller states had the conviction that meaningful regional cooperation would not be possible without building mutual trust, understanding, goodwill, and harmonious relations among SAARC members which in turn required resolution of political problems and bilateral disputes in the region. Thus, the smaller states repeatedly stressed the need of using SAARC as a mean to this end. In
fact, the smaller states wanted to create a regional pluralistic security community, the first and most important stage of regional integration, which provides a solid foundation for building regionalism on a durable basis. Strategically, politically and economically, it could contribute significantly to South Asian regionalism. The smaller states were so convinced about the utility of resolving political problems that they were even ready to discuss them on bilateral basis as well as during informal meetings with Indian leaders during the sidelines of SAARC summits.

The informal meetings sometimes proved more successful and attracted greater attentions in media than formal summits. On several occasions, the informal discussions between the leaders of India and smaller members helped defuse bilateral tensions, such as that on: Chakma insurgency and water issues between India and Bangladesh; Tamil issue between India and Sri Lanka; and sharing of water between India and Nepal. Most importantly, the informal meetings between leaders of India and Pakistan had helped to defuse border tensions in 1986-7 and 2001–2004; resume bilateral talks in 1987, 1998 and 2004; conclude several bilateral agreements such as those on promotion of economic and cultural cooperation and another on not attacking each other’s nuclear facilities signed in 1988. These successes show that SAARC had enormous potential, if given an institutional framework, to resolve bilateral disputes and help improve political environment in the region. Notwithstanding the merits of strengthening SAARC to deal with political and security related issues, New Delhi was opposed to it.

India had a different perspective on the issue of dealing with political problems. It persisted to exclude contentious issues and bilateral disputes from discussion at SAARC forum. India claimed that forging regional cooperation in economic and cultural fields
and promotion of people-to-people contacts would help SAARC members to grow out of these problems. In fact, New Delhi suggested that it had no real issue with the smaller states. Rather their concerns were psychological and imaginary and they needed to remove those “psychological barriers.” India believed that regional cooperation would decrease the importance of its political problems with the smaller states. Thus, despite changes of governments in New Delhi, it did not accept the demand of smaller states to provide SAARC an institutional framework for discussion and resolution of these issues. However, India was willing to discuss its disputes with smaller states on bilateral basis.

New Delhi made several bilateral moves to improve relations with its neighbours: such as with Pakistan in 1988, Nepal and Sri Lanka in 1989–90. Later on, the Gujral doctrine envisaged India’s cordial relations with its smaller neighbours. In 1996, New Delhi signed water sharing agreements with Nepal and Bangladesh. Indian leadership also attempted to improve its relations with Pakistan, in 1988-89, 1999, 2001, and 2004. Both countries took several steps to normalize bilateral relations through taking various CBMs and improvement of socio-cultural and economic ties. However, no concrete decision was made to resolve any of their main bilateral disputes, such as Kashmir problem, water issue, and Sir Creek etc. Meanwhile, some new problems arose and old ones got intensified, such as: issue of construction of water projects by India and rise of militancy in IHK, and Siachen dispute. India and Pakistan had reached the agreements on Siachen in 1989 and 1992, but later the Indian government backed out due to narrow electoral considerations. Meanwhile, New Delhi toughened its position and demanded recognition of its occupation of Siachen. This happened mainly because of stiff stance of hard core elements in BJP and Congress party, but most importantly, on pressure of
Indian army. Similarly, India was not willing to amicably resolve Kashmir issue believing that Pakistan would ultimately settle down with the status quo due to its weak political and economic position.

India did not show its seriousness to resolve contentious issues with Pakistan due to which both countries went to the brink of war several times. On different pretexts, India threatened to wage war and deployed its troops on Pakistan’s border in 1986–7, 1990, 2001–2, and 2008. Both countries had also fought a limited war in Kargil, a by-product of Kashmir-Siachen issue, in 1999. Earlier, it had intimidated Pakistan by detonating nuclear weapon in 1998. Indian leaders and generals believe that if the US strips Islamabad of its nuclear weapon, then New Delhi could destroy Pakistan army and “correct” everything. In fact, India had strived to persuade America to declare Pakistan a terrorist state and include Pakistan and Kashmir in its war against terrorism. India’s own role in sponsoring insurgencies in neighbouring countries has also been quite significant.

Since inception of SAARC, India extended and continued its covert support to insurgencies in neighbouring states: Chakmas in Bangladesh; Tamils in Sri Lanka; Maoists in Nepal; and Baluch and Taliban insurgents in Pakistan. India used resistance groups and insurgencies to put pressure and extract concessions from and impose unequal treaties on its neighbours, such as that on Sri Lanka in 1987. It unilaterally deployed its troops in the smaller states, such as Maldives and Sri Lanka which was interpreted as part of its hegemonic ambitions in South Asia. India’s inability and unwillingness to peacefully resolve bilateral issues also caused occasional border skirmishes or firing incidents with Bangladesh, causing hundreds of casualties every year.
Tension existed inside SAARC because of India’s bad relations with other members. Most of the time, India had tense relations with its neighbours which prevented SAARC from reaching agreements on important matters. Even if some decisions were made, they were not implemented in letter and spirit. Due to Indian behavior, the smaller states sometimes reacted unfavorably to the cause of regionalism and pursued policies of irritation, sabotage, denial of mutual benefits, and even confrontation towards New Delhi. The smaller states demonstrated their inclination to come closer in SAARC meetings due to which India felt isolated on several issues. This political polarization reinforced Indian fears that smaller states wanted to gang up against it. Meanwhile, India’s domineering policies towards its neighbours generated strong anti-India feelings in the region. Instead of addressing its root causes, India interpreted it as an outcome of the conscious efforts of the ruling elites of smaller states to make it a scapegoat for their failure to address their domestic problems. It also considered it a conspiracy of the external powers. Thus, the level of mistrust between India and its neighbours remained very high.

India’s policy towards involvement of external power in the regional politics has been characterized by duplicity. Despite professing non-alignment, India had been a close Soviet ally during the cold war. Still it believed that the external political and economic linkages of smaller states were the main hurdles in the growth of regionalism in South Asia and the problem could only be overcome through delinking the region from the West. The end of the Cold War, in fact, had opened several opportunities for the regional countries to revise their decades’ old strategic thinking and begin a new era. It led to the decreased US interest and presence in the region after which India could have taken certain measures to dispel fears of smaller states and in turn further reduce external
involvement in the region. Then, it was expected that India would accommodate the needs and concerns of smaller states in order to promote regionalism and consolidate South Asia as a part of its strategy to keep smaller states along as active supporters in achieving its old ambitions of becoming a major player in world politics. The geopolitical changes taking place in adjoining regions and growing energy demand in the region had created vast opportunities of regional cooperation in South Asia, accompanied with improvement of relations between India and Pakistan. However, Indian ruling elites, confident of their national power and comparatively weak position of Pakistan, were not willing to concede any concession to Islamabad on important contentious issues.

India pursued a different course of action to achieve its long-term objectives. It gradually endeavored to create complementarity of interests with the US in a bid to become its junior partner and seek its approval in playing a much bigger role in the region. India had started to come into terms with the US soon after the end of the Cold War after realizing that the policy of non-alignment was no more useful in a unipolar world. It started exploiting “Islamic threat” to attract American attention. In the post-9/11 era, it entered into a strategic partnership with the US and signed several agreements including a civil-military nuclear deal. Meanwhile, India changed its old stance of containing external involvement in the region. It approved, without any significant domestic criticism: the US involvement in Nepal to combat Maoist insurgency; American backed Norwegian peace initiative in Sri Lanka; and military supplies to Bangladesh. New Delhi also tried to persuade the US to pressurize Pakistan to abandon its old position on Kashmir, and used American influence to get transit facility and gas exports from Bangladesh and increase trade with Pakistan. The sustained economic growth since mid-
1990s enabled India to pursue an ambitious plan of arms purchases from the West and development and diversification of its domestic defence related industries to increase its military might. Due to huge arms purchases, it also became an attractive destination for the American military-industrial-complex and exporters of other western countries which helped it consolidate its influence and position at the global level.

India’s confidence in its national capabilities prevented it from pursuing a policy of accommodation and cooperation towards its neighbours. The rising political and economic power of India, compounded with its acceptance as a major player in world politics, had enabled India to achieve most of its political and economic objectives. Resultantly, New Delhi believed that the policy of accommodation and cooperation with its smaller neighbours was not needed. Apparently, being confident of its size and resources and extra-regional political and economic linkages, India did not take serious interest in promoting a multilateral framework to deal with political issues in South Asia. The smaller states were in favour of a regional framework which they could use to promote their political and security objectives. India obstructed such moves fearing that the smaller states would use such a framework to put collective pressure on it to resolve their bilateral disputes.

India believed that bilateralism was the best way to deal with its smaller neighbours. Being a dominant and status quo power in South Asia, New Delhi preferred bilateralism over multilateralism in order to consolidate its predominance in the region. The smaller states, except Pakistan, could not face New Delhi alone for a long time due to massive power differentials and Indian central position in the region. Ultimately they had to settle down on Indian terms and conditions. Under bilateral negotiations, all of its
smaller neighbours found India less than sympathetic to their needs, problems, concerns and sensitivities. In most cases, the smaller states complained, India was not willing to show flexibility in its position and give any significant concessions. Rather it used its towering position as leverage to impose its decisions on the smaller states. Sometimes, India imposed unequal treaties on them and at times interpreted the terms of agreements at will, violating their letter and spirit and further destroying trust and understanding among its neighbours. In fact, New Delhi believed that it had no compulsion to compromise its position due to its dominance in the region and its neighbours, due to their weak position, would ultimately have to accept the status quo. Thus, India deliberately did not allow the growth of multilateralism in political and security matters in order to consolidate its military and political dominance in South Asia. India’s insistence to exclude political problems and contentious issues from discussion in SAARC meetings made it a non-starter and an ineffective organization. In fact, India was not sincere to promote SAARC since its very creation.

India was bent upon acquiring greater power. It pursued a massive program of modernizing its armed forces which stimulated a costly arms race in South Asia. India introduced nuclear weapons and missile programs in the region which not only endangered the security of its people but also caused diversion of valuable resources leaving too little for socio-economic development. Due to India’s arms purchases and covert support for insurgencies, the smaller states had to increase their defence expenditures. However, the arms buildup rather decreased the security of the people. It is South Asia’s tragedy that millions die due to hunger, malnutrition and easily curable diseases caused by inadequate water, sanitation and health facilities. Even those who
survive, mostly live under conditions of absolute poverty, hunger, malnutrition and without other basic amenities of life. These are the people who have to pay the cost of India’s quest to become a great power and impose its hegemony in South Asia.

Unlike smaller states, India did not desire any political or security role from SAARC. Rather it was rather enthusiastic to promote trade liberalization in South Asia. It claimed that economic cooperation, enhanced people-to-people contacts, socio-cultural ties and exchanges would create regional awareness which in turn would help manage bilateral disputes and normalization of relations among SAARC members. Thus, New Delhi from the onset pressed for trade liberalization because it had enjoyed comparative advantages in several respects over smaller states some of which were at an early stage of industrialization. The smaller states were opposed to trade liberalization due to economic and political reasons. Meanwhile, a number of studies had suggested that South Asian states did not possess the prerequisites of trade liberalization and should thereby focus on: development of infrastructure; promotion of joint venture projects; and creation of economic complementarities and mutual interdependence through regional planning and allocation of industries, in order to avoid polarization effects and ensuring equitable distribution of gains of economic cooperation.

India continued to press for trade liberalization. The SAARC members signed SAPTA in 1993 and had started negotiations to conclude SAFTA. However, India was not satisfied with the pace and scope of regional trade liberalization decided to promote free trade through alternative arrangements. It signed bilateral agreements with Sri Lanka, Bhutan, Maldives, Nepal and Bangladesh. It also played an active role in promoting sub-regional cooperation in South Asia, and creating alternative RTAs such as
BIMSTEC and IOR-ARC which also included extra-regional states. These alternative arrangements had virtually divided SAARC and broken the unity of smaller states. India had played a proactive role in promoting these arrangements which gave way to an alternative free trade area in South Asia that bypassed SAARC and undermined SAFTA.

India made increasingly more efforts in building extra-regional linkages than in South Asia. In 1990s, a feeling emerged in New Delhi that SAARC needed India more than India needed SAARC due to certain reasons, such as: India’s frustration over unwillingness of smaller states to liberalize trade; realization in New Delhi that South Asia alone could not meet its growing political and economic needs; and changed international geopolitical environment, which had created new opportunities for India prompting it to change its previous mind-set. Thus, New Delhi started looking beyond the region to promote its security, political and economic interests. It increasingly built linkages with Gulf States, CARs, and countries of East Asia such as Korea, China, Japan and ASEAN members. India’s emergence as an Asian economic power and its growing linkages with countries of the wider Asian region significantly changed the dynamics of South Asian regionalism. India’s trade pattern suggested that its economic interests did not lie in South Asia whose importance as a region was diminishing for New Delhi. Thus, the smaller states, except Pakistan, were forced to integrate their economies with that of India to promote their economic interests. The process marginalized SAFTA and bypassed SAARC. It also compromised several of the strategic, political and economic benefits that could be achieved through SAARC.

The implementation of India’s bilateral trade arrangements with smaller states has not contributed positively to the growth of economic regionalism in South Asia. Initially,
these agreements had resulted in significant increase in smaller states’ exports to India, but ultimately Indian decisions severely undermined the process. The smaller states continued to face huge trade imbalances. Still India took certain restrictive measures which deprived the smaller states of their competitiveness in Indian market. Dhaka faced huge trade imbalance due to legal and illegal imports of Indian goods which had increased its economic dependence on New Delhi. Several NTBs and PTBs prevented Bangladesh from enhancing its exports to India and correcting huge trade imbalance due to which there was a widespread resentment against New Delhi. Rather, India imposed anti-dumping laws on some of its imports from Bangladesh and did not honor its commitment to give it zero-rated tariff facility to some selected items. India was responsible for half of Dhaka’s trade deficit and Bangladesh was so perturbed over the trade issue that it had refused to participate in Myanmar-Bangladesh-India gas pipeline project until New Delhi took certain remedial steps. India’s five year trade agreement with Katmandu in 1996 provided for free access of the latter’s products in the Indian market. It had resulted in FDI flow to Nepal and increase of its exports to India. Still the trade balance was heavily tilted in India’s favour but its domestic interest groups forced New Delhi to raise the issue of anti-dumping and revise the treaty incorporating ROOs and norms of value additions etc. It badly affected Nepalese exports to India and undermined former’s efforts to diversify its economy.

The ISL–FTA also underwent a set back after the initial success. New Delhi had given several concessions to Sri Lanka in their bilateral FTA which resulted in significant increase in bilateral trade, particularly Colombo’s exports to India during the first five years of its operation since 2000. It had helped attract massive FDI to Sri Lanka and
bridge their trade imbalance. Initial success of the agreement led both states to initiate talks on concluding CEPA in 2004. However, the process underwent a setback after 2005 as New Delhi gradually took protectionist measures which severely undermined Colombo’s exports to India. Sri Lanka’s main exports items such as garments and tea which formed more than 50 percent of its total export potential were given limited access to the Indian market. Thus, Sri Lankan exports to India were mainly dominated by vegetable oil and copper. However, India took certain restrictive measures which severely undermined exports of both items constituting about one-half of its total exports to India. Resultantly, Sri Lankan exports to India dropped from an all time high of $568 million in 2005 to $328 million in 2009. Meanwhile, prevailing NTBs, and PTBs undermined Sri Lanka’s export competitiveness in the Indian market. Due to growing concerns among the business community of Sri Lanka, Colombo refused to sign CEPA which both countries had agreed to conclude in 2008.

India’s restrictive trade policies put adverse effects on its economic links with Pakistan. India–Pakistan bilateral trade had started improving since the 1980s. It increased ten times during 2000–2010 and it stood around $2.7 billion in 2011. Meanwhile, unofficial trade between them – mainly one-sided, i.e. smuggling of Indian goods to Pakistan – remained about US$ 10 billion. India had given Pakistan MFN status in 1997 while Islamabad had not reciprocated to New Delhi. Still their bilateral trade was heavily titled in India’s favour. Pakistan has been reluctant to liberalize trade with India on political and economic grounds. However, recently, a strong consensus has emerged among the main political parties and leading business groups in favour of enhancing trade links with India. Due to different domestic and external factors, Pakistan has very
recently, agreed to conduct trade with New Delhi on “negative list” instead of “positive list” and liberalize the visa regime. However, Pakistani political leaders and business communities alike have strong reservations over prevailing NTBs and PTBs which significantly inhibited the growth of Pakistani exports to Indian market.

The trade liberalization process has not resulted in creating a sense of community in South Asia. Rather, it has increased mistrust and fears. Almost all smaller states complain that India was not giving them enough access to its market which was a major cause of their trade imbalance with New Delhi. Some studies had suggested that trade liberalization with India would enable smaller states to overcome their weaknesses arising out of their small markets and help achieve rapid economic growth due to enhanced access to larger Indian market. However, others have indicated that trade liberalization in South Asia would result into trade diversion and would benefit mainly India at the cost of LDCs. Massive poverty, illiteracy and malnutrition still prevail in South Asia. Economic growth and trade liberalization had widened the prevailing disparities and development gaps within and between regional states.

Being the largest country in SAARC, more was expected from India than others. The onus of success of SAARC laid on India but New Delhi did not come up with the expectations of smaller states. It did not take any significant step to generate development impulses in its neighborhood, create economic complementarities, and decrease development disparities among regional states. It even had opposed the idea of accepting foreign funding of regional projects which could have contributed to the growth of smaller states. Rather, India forced regional states to adopt an inappropriate model of economic cooperation which severely undermined their development process. Even,
under market integration model, India did not remove NTBs, PTBs and tariff barriers to exports of smaller states and to create some space for their products in its market. In spite of being quite resourceful, India acted small. It could have played the role of a regional patron but it pursued policies which created ill-will and caused tensions among regional states. Its domestic politics, business lobbies and other groups influenced Indian policies restricting access to Indian market for products of smaller states. It created resentment and inhibited growth of economic regionalism in South Asia. Due to lack of vision and farsightedness, generally Indian leaders could not show large-heartedness, magnanimity and accommodation towards smaller states to help promote economic regionalism in South Asia. India had badly failed to create a stake for the smaller states in SAARC.

India’s inclination to politicize cultural and sports ties have also badly affected its relations with Pakistan and also the growth of regional identity in South Asia. Since inception of SAARC, the Indian leadership had called for improving ties among people of the regional states through increased cooperation in the fields of culture, sports and tourism, particularly, the events and fields which attracted mass public interest and participation. Particularly, the love for Bollywood movies and cricket could be used to unite the regional people. India’s vast market and developed film and music industries attracted actors, singers, and performers from other regional states including Pakistan. Some of Pakistani singers had attained tremendous successes in India. However, some Pakistani actors who went India to work in Bollywood returned resentfully due to various controversies and prejudices. Some also became victim of right-wing Hindu extremism and subjected to discrimination and harassment mainly due to their Pakistani origin.
Some recent developments have further thwarted the growth of regionalism in South Asia. The most important of which was the Mumbai incident. After it, extremist elements in India took revenge against several Pakistani artists and singers working therein and forced them to leave the country. Several Indian singers, artists and NGOs have launched a campaign putting pressure on Indian government to ban Pakistani artists working in India due to political and economic reasons. Meanwhile, Pakistani film producers and directors besides others have complained that Indian movies were easily available everywhere in the country which had ruined the Pakistan’s film industry. They needed technical assistance from Bollywood which was not available to them. It was widely believed in the country that India had also tried to culturally dominate Pakistan.

India repeatedly strived to use entertainment industry for political objectives which undermined the growth of mutual understanding in the region. A few of the Indian movies strived to tarnish Pakistan’s image, some created hatred against the very existence of Pakistan and mostly portrayed Pakistanis as villains. These movies championed the cause of Indian government to portray Pakistan as a terrorist state and undermined the efforts of creating mutual understanding through enhanced people-to-people contacts and increased cultural exchanges. Meanwhile, All India Radio broadcasts anti-Pakistan propaganda in the popular music programs directed at Pakistani audiences. Using entertainment and recreational channels for political purposes by India undermined the process of creating an environment of love, peace and friendship in South Asia.

Meanwhile, India occasionally tried to use bilateral cricket ties to coerce Pakistan for political purposes. Islamabad had time and again made efforts to use “cricket diplomacy” to open the window of negotiations and improving bilateral relations.
Pakistani leaders visited India apparently to watch cricket matches in 1987, 2005 and 2011 but their main purpose was to hold talks with New Delhi on bilateral issues and improve regional political environment. Increased cricket ties between the two states always contributed to enhanced people-to-people contacts. However, Hindu nationalist parties in India occasionally strove to sabotage cricket series between the two states. At times, Indian government severed cricket relations with Pakistan on political grounds. On some occasions, the Indian leadership was hesitant to have cricket matches with Pakistan fearing that defeat in the stadium would cost them in the election. India also attempted to “securitize” sports and imposed cricket sanctions against Pakistan, i.e. in 1992–93, 2001 and 2008, as part of its efforts to pressurise Islamabad on political issues, such as stopping alleged cross-border insurgency, as well as to gain mileage in domestic politics.

After the Mumbai incident, the Indian government and BCCI took several measures apparently aimed at destroying cricket in Pakistan. India’s alleged role in sponsoring a terrorist attack on Sri Lankan team in Lahore, pressing ICC to deprive Pakistan of its share of World Cup matches, banning Pakistani players in IPL and marginalizing PCB at various forums are its clear manifestations. These actions badly affected the process of creating understanding and friendship between the two states.

India’s attempts to politicize sports and culture showed the limits of such means of Track III diplomacy to help improve regional political environment. History shows that it was politics which mainly dominated sports and culture, and not vice versa. However, it was India which politicized sports and culture and undermined growth of people-to-people contacts, mutual understanding and regional awareness in South Asia.
The vast potential of regional cooperation in the field of tourism could have multiplier effects on the socio-economic development of the South Asian states. It could also help increase people-to-people contacts among regional states and improve their relations. However, South Asian countries, despite different announcements and promises, have attracted far less foreign tourists. Even regional tourism which could be developed in various forms due to religious, cultural, social and economic ties of the people across the borders in South Asia was not fully exploited. There existed various impediments to growth of tourism, such as: poor travel and transportation facilities; complex and restrictive visa policies; weak infrastructures and interconnectivity; bad law and order and security situation; political uncertainty and insurgencies; and incidents of terrorism. Some of these conditions were directly related with the overall political environment and nature of bilateral relations among regional states. Visa procedures and travelling restrictions could not be relaxed without creating trust and understanding among regional states which in turn rested on resolution of their political problems and bilateral disputes. In fact, India could play an important role in promoting tourism in South Asian. Its unwillingness to resolve regional political problems and stop support of insurgencies in neighbouring states undermined the prospects of regional cooperation in promoting tourism in South Asia. The failure of regional states to promote tourism due to various factors mainly associated with the nature of bilateral relations among SAARC members have again validated the primacy of politics in South Asia. Unless, SAARC members overcome political problems, they cannot move significantly in any field having potential of regional cooperation.
The regional political environment continued to overshadow the process of regional cooperation in various fields such as: environment; joint development, conservation and management of common water resources; development and trade of hydropower; and transit trade of natural gas. South Asian states were faced with the problems arising out of global warming, glacial melting and rise in the sea level. The climatic changes caused frequent rainfalls during monsoon and droughts during the lean periods. It necessitated SAARC members to cooperate for joint development of their common water resources such as Indus, Ganges and Brahmaputra basins. They could build large upstream dams which could control floods in monsoon and augment water during the dry seasons. Both Pakistan and India had rejected the proposal of joint development of the Indus basin and had agreed to divide its water under IWT. However, both Bangladesh and Nepal were willing for joint development of Ganges basin for their common benefit. Bangladesh had presented various proposals in this regard, such as construction of several high dams in Nepal, which were not accepted by India. New Delhi instead stroke bilateral agreements with Nepal on construction of various dams. However, some of these projects created discontent, frustration and feeling of injustice among Nepalese who felt that New Delhi had cheated them. They complained that India had mainly benefitted of these projects at their cost. These projects had adverse effects on people’s lives, lands, economy, environment, and socio-political system of Nepal.

India also has a water–sharing problem with Bangladesh. Apparently both states had resolved the sharing of Ganges waters problem in 1996 but they could not conclude any agreement on sharing of waters of other rivers. Dhaka claimed that construction of Farakka barrage had caused severe environmental, agricultural and industrial losses to
downstream Bangladesh. Meanwhile, India’s river linkage project announced in 2002 was a major cause of concern for Dhaka. It envisaged construction of 33 dams and linking of about 30 canals. Dhaka feared that it would divert its share of water and intensify its water shortage during the dry season. It opposed the project and claimed that it violated the UN convention on the Law of International Watercourses of 1997. Instead of addressing the concerns of Bangladesh, India accused Dhaka of overestimating its water requirements. New Delhi perceived Ganges as its national river and wanted to use its waters for domestic purposes. The federal structure of the Indian union, inter-provincial water disputes, growing water needs in some heavily populated provinces, overuse and mismanagement of its water resources and electoral considerations of national leaders and individual practices of farmers and leaders at the local level had contributed to India’s dispute over water sharing with Bangladesh.

The relations between Indian and Pakistan also suffered mainly because of their disputes over sharing of river waters. Pakistan is already faced with a severe water shortage and its problems have been aggravated due to Indian water projects. India has a plan of constructing 135 big and small dams in IHK with massive cumulative water storage capacity that could provide New Delhi a big leverage on Pakistan. India could stop water flow for several weeks during the crucial sowing periods and cause flooding downstream during monsoons. These dams shall have several strategic, political, economic, and environmental consequences for Pakistan. There is a widespread feeling in Pakistan that India wants to convert its fertile land into a desert in the coming years and would use water as a weapon against Islamabad. Due to these concerns, Pakistan opposed construction of these dams and argued that they were being built in violation of the spirit
of IWT. Some elements in Pakistan feel that India was involved in a “water war” against
the country. They believe that it was part of India’s hegemonic designs and ambitions to
destroy Pakistan. Some political leaders, political analysts and neutral experts have
warned that the water issue could trigger a war between the two nuclear states. Pakistani
leaders raised the issue with Indian leadership but New Delhi did not take these concerns
seriously and claimed that it was complying with the provisions of IWT. India claimed
that Pakistan’s water problem was a result of mismanagement of its water resources and
that Islamabad was trying to divert attention from its interprovincial water disputes. India
has far better water availability and alternative options than Pakistan but it was trying to
impose its will as a regional hegemon on the lower riparian country.

India’s inclination to extract maximum benefits at the cost of others undermined
the prospects of cooperation in the field of joint development and trade of hydropower.
SAARC members such as India and Pakistan were faced with severe electricity shortage
while Nepal and Bhutan had vast exploitable hydropower potential. If developed, they
could export power to India and other SAARC members. New Delhi has bilateral power
trade arrangements with Nepal and Bhutan but their scope is nominal. Both smaller states
could not develop their hydropower resources due to various factors, such as: small
domestic needs; and lack of resources including finance, expertise and technology, to
plan and execute the projects. They needed external assistance for development of their
water resources. India had helped Bhutan to develop hydropower under a buyback
arrangement but Nepal had some reservations over such agreements with India. Its past
agreements with India on joint development of water resources have deteriorated mutual
trust and understanding. Rather, Katmandu wanted to develop its hydropower potential
under a multilateral, preferably regional, framework. In the past, some foreign donors were ready to finance hydro-projects in Nepal but had to abandon their offers due to Indian opposition as a lower riparian state. Thus, Nepal could not develop its hydropower resources without Indian consent.

The vision of constructing a regional electricity market could not be realized due to: India’s reluctance to become dependent on smaller states; lack of infrastructure; absence of legal framework to facilitate energy trade; shortage of resources to develop regional hydropower resources; and differences over pricing formula. Indian practice of giving electricity to its people on subsidized rates had prevented it to purchase power from Pakistan in late 1990s as it felt that Islamabad was demanding higher rates. Nonetheless, political impediment were even more important which included: mutual distrust, lack of political will and commitment to share regional resources on equitable basis, political uncertainty and instability, unwillingness of the major regional state to honour and implement bilateral agreements, bilateral disputes particularly those associated with sharing and distribution of water resources. India, as a leading state in the region, could play the main role in bringing transparency and ensuring just distribution of benefits of regional cooperation in development and regional trade of hydropower and to build mutual trust necessary for further cooperation. It was required to take the lead in regional cooperation accompanied with an attitudinal change and provision of political commitment necessary for effective and mutually beneficial utilization of regional hydropower resources. Rather, India pursued its self-interest and undermined regional interests. Thus, no significant progress could be made in this direction and India owed the largest responsibility for this failure. India could not play any role in evolving a
transparent mechanism for ensuring equitable distribution of benefits of cooperation in hydropower generation which prohibited further cooperation in this field.

Similarly, divergence of national interests and priorities regarding development of regional natural gas linkages became a significant issue that remains unresolved. Particularly, Indian policies and priorities adversely affected the prospects of regional cooperation in transit trade of gas pipeline projects in South Asia. The IPI gas pipeline project was considered as the most attractive and feasible. It was also termed as peace project as it could bind two traditionally hostile neighbours – India and Pakistan – into a relationship of economic interdependence. The project could not take early off due to several problems such as: mutual distrust between India and Pakistan; confirmation of gas deposits; and differences over pricing of gas as India wanted lower price than the internationally accepted standards. However, these problems could be sorted out. Meanwhile, the project attracted massive opposition form the US which wanted to isolate Iran. Both India and Pakistan had announced that the project was in their national interests and they would not abandon it. However, gradually India started to give precedence to its relations with the US over its economic and political ties with Tehran and practically opted out of the project without formally announcing it. Rather, it started to show more interests in TAPI pipeline project, which was being promoted by the US. Pakistan signed a bilateral agreement with Iran in 2009. Thus, India abandoned an important project of South Asian regionalism for the sake of attracting strategic, political and economic benefits from the US. Its quest to become a major player in the world adversely affected the efforts of creating economic interdependence and undermined the
growth of regionalism in South Asia. India continued to pursue narrowly defined national interests at the cost of regional ones.

The failure of SAARC can be attributed to various factors most prominent of which pertain to India, such as: divergence of expectation from the organization; clash of national interests and priorities; lack of leadership; India’s reaching out of the region because of certain developments; and India’s lack of interest to promote SAARC due to its confidence in its national capabilities pertaining to attainment of its own interests.

The presence and role of a powerful state is very important for the success of a regional cooperative arrangement. If the core state has an interest and capabilities to promote regionalism, it must take concrete measures to accommodate the security and political concerns of smaller partners and to ensure equitable distribution of gains of regional cooperation. In this context, India’s role was believed to be vital for the success of SAARC. Alternatively, India’s confidence in its national capabilities and reliance on extra-regional linkages to help achieve its strategic, political and economic interests could induce it to pursue independent policies and show little interest in promoting regionalism.

India had envisaged a greater political role for itself in the world and was confident of its capabilities and extra-regional linkages to achieve its objectives. New Delhi believed that South Asia could not meet its strategic, political and economic interests due to which it considered any accommodation towards smaller states as unnecessary. It took South Asian countries as granted and never took serious steps to address their concerns. Being a dominant power, India wanted to maintain a status quo in the region and consciously prevented the growth of political regionalism in South Asia. It used bilateral means to extracts maximum benefits and imposed its policies and decisions
on smaller states. Contrary to the expectations of the leaders of smaller states, generally it did not show magnanimity, generosity and accommodation towards the needs and concerns of its co-partners in SAARC.

India took keen interest in promoting trade liberalization in South Asia as it could benefit its economy but the process did not help create a feeling of oneness in the region. Indeed, the trade liberalization had increased existing economic disparities within and between states. It could not significantly reduce poverty and improve the living standards of people of South Asia. India’s protectionist measures and prevailing NTBs and PTBs continued to prevent smaller states to increase their exports to India. It did not play any significant role in generating development impulses in smaller states, creating economic and industrial complementarities, taking any redistributive measures through creating some space in its market for increasing exports of smaller states and correcting their huge trade imbalances. India did not create any political and economic stake of smaller states in SAARC. Rather prevailing trade patterns increased economic dependence of smaller states on India which created discontent and resentment towards regional cooperation.

India also politicized sports and cultural ties which undermined the process of creating a regional identity. New Delhi did not equitably and fairly share common water resources with its smaller neighbours and its efforts to extract maximum benefits at the cost of others severely damaged the prospects of regional cooperation in various fields, such as: joint development, preservation and management of water resources; generation of electricity; and energy trade.

India prioritized its strategic, political and economic interests with external powers particularly the US over its relations with regional states. It apparently abandoned
the IPI project to appease the US which severely undermined the prospects of creating economic interdependence in South Asia. Thus, India gave more precedence to its extra-regional linkages over its political and economic ties with the SAARC members. It stressed more on bilateralism in its dealings with smaller states and inhibited growth of regionalism to maintain its political and economic domination in the region. India could not reconcile its national interests with regional ones and pursued policies which made SAARC an ineffective organization.

A meaningful regional cooperation always involves give and take and compromises by all parties for the sake of common benefits. In fact, the largest and most powerful state has to make more sacrifices and concessions proportionate to its capabilities, than the rest of states. However, the evidence suggested that India’s behaviour remained contrary to this general practice. New Delhi mostly expected full reciprocity from the smaller states beyond their potential and resources. It did not fulfill its responsibility as a most powerful state to create a feeling of oneness and a part of a community among the regional states. Generally, it tried to extract maximum benefits from others. Instead of promoting regionalism and advancing collective interests of SAARC members, India employed unilateralism, bilateralism and extra-regional linkages to further its own agenda. It did not attach SAARC or the regional states much importance which was needed for growth of regionalism. However, it did not want to abandon SAARC for the sake of engaging the smaller states and getting the desired benefits. India’s one of the major interests in the organization has been to liberalize trade, particularly with Pakistan, in the name of SAARC.
The SAARC experiment has been a failure primarily because of India. Being the largest and most resourceful state of the region, it was required to provide a leadership in a manner acceptable to all regional states and create political and economic stakes for smaller states. Rather, India pursued policies aimed at maximizing its own share of benefits through various means which created resentment towards itself and the process of regional cooperation in various fields.

Both ideas and material interests drove India to pursue this course of action. The historical events were favorable to India in fulfilling its old desire of becoming a great power, and its domestic political and economic compulsions drove it together in the same direction. Apparently, New Delhi did not need either SAARC or the regional states to meet most of its strategic, political and economic needs. It has enough national capabilities to help achieve its objectives due to which India felt no compulsion to compromise its position or national interests for the sake of regionalism. Still India kept SAARC alive to use it as a forum for discussion of non-controversial issues and achieving its secondary interests. India also wanted to engage smaller states particularly Pakistan in the region diverting its attention from building strong connections with external powers, including the states of Central and West Asia.

New Delhi rationally calculated its options and decided to grasp the moment through skillfully exploiting the opportunities in its favour. It could extract more benefits through unilateral and bilateral means and building extra-regional linkages than through promoting South Asian regionalism. It preferred the former over the latter because international politics is guided by national interests and not by ethics and morality.
There was an inherent contradiction in the making of SAARC. Different countries approached SAARC in different ways. The smaller states had mainly intended to use SAARC to thwart Indian domination while India wanted to maintain the status quo and reinforce its supremacy in the region. The chances of SAARC’s success also rested on India’s role in it. There were no internal or external compulsions or political or economic impulses which could force India to change its policy towards regional states. India had enough national capabilities to advance its interests independently. New Delhi believed that South Asia fell too short to meet its far larger ambitions and interests. India strongly felt that its great power ambitions could be promoted through building extra-regional linkages and SAARC could do little to help in this regard. Thus, Indian leadership felt that it needed not to bother too much about SAARC. Even India could achieve its interests in the region through bilateral means. In fact, bilateralism enabled it to extract maximum benefits from smaller states. India realistically and skillfully exploited the opportunities which were provided to it by the historical developments. It chose the policy option which could best serve its interests. The advancement of its objectives through bilateralism in the region and building alignment with key world players particularly the US could help achieve its interests. India’s profile and credibility as a liberal, democratic and secular state with open and thriving economy and one of the largest emerging middle class, as well as its potential to become an ally against resurgent China or Islamic threat made New Delhi an acceptable world player for the West. Thus, India pursued its strategic, political and economic objectives through other means and did not take serious interest in promoting South Asian regionalism.


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**THESIS**


WEBSITES


http://www.crwflags.com/fotw/flags/int-uam.html
ANNEXURE–I

CHARTER OF THE
SOUTH ASIAN ASSOCIATION FOR REGIONAL COOPERATION
(SAARC)

We, the Heads of State or Government of BANGLADESH, BHUTAN, INDIA, MALDIVES, NEPAL, PAKISTAN and SRI LANKA;

1. Desirous of promoting peace, stability, amity and progress in the region through strict adherence to the principles of the UNITED NATIONS CHARTER and NON-ALIGNMENT, particularly respect for the principles of sovereign equality, territorial integrity, national independence, non-use of force and non-interference in the internal affairs of other States and peaceful settlement of all disputes;

2. Conscious that in an increasingly interdependent world, the objectives of peace, freedom, social justice and economic prosperity are best achieved in the SOUTH ASIAN region by fostering mutual understanding, good neighbourly relations and meaningful cooperation among the Member States which are bound by ties of history and culture;

3. Aware of the common problems, interests and aspirations of the peoples of SOUTH ASIA and the need for joint action and enhanced cooperation within their respective political and economic systems and cultural traditions;

4. Convinced that regional cooperation among the countries of SOUTH ASIA is mutually beneficial, desirable and necessary for promoting the welfare and improving the quality of life of the peoples of the region;

5. Convinced further that economic, social and technical cooperation among the countries of SOUTH ASIA would contribute significantly to national and collective self-reliance;

6. Recognising that increased cooperation, contacts and exchanges among the countries of the region will contribute to the promotion of friendship and understanding among their peoples;

7. Recalling the DECLARATION signed by their Foreign Ministers in NEW DELHI on August 2, 1983 and noting the progress achieved in regional cooperation;

8. Reaffirming their determination to promote such cooperation within an institutional framework;

DO HEREBY AGREE to establish an organisation to be known as SOUTH ASIAN ASSOCIATION FOR REGIONAL COOPERATION hereinafter referred to as the ASSOCIATION, with the following objectives, principles, institutional and financial arrangements:
Article I

OBJECTIVES

The objectives of the ASSOCIATION shall be:
a) to promote the welfare of the peoples of SOUTH ASIA and to improve their quality of life;
b) to accelerate economic growth, social progress and cultural development in the region and to provide all individuals the opportunity to live in dignity and to realise their full potentials;
c) to promote and strengthen collective self-reliance among the countries of SOUTH ASIA;
d) to contribute to mutual trust, understanding and appreciation of one another's problems;
e) to promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields;
f) to strengthen cooperation with other developing countries;
g) to strengthen cooperation among themselves in international forums on matters of common interests; and
h) to cooperate with international and regional organisations with similar aims and purposes.

Article II

PRINCIPLES

1. Cooperation within the framework of the ASSOCIATION shall be based on respect for the principles of sovereign equality, territorial integrity, political independence, non-interference in the internal affairs of other States and mutual benefit.
2. Such cooperation shall not be a substitute for bilateral and multilateral cooperation but shall complement them.
3. Such cooperation shall not be inconsistent with bilateral and multilateral obligations.

Article III

MEETINGS OF THE HEADS OF STATE OR GOVERNMENT

The Heads of State or Government shall meet once a year or more often as and when considered necessary by the Member States.

Article IV

COUNCIL OF MINISTERS

1. A Council of Ministers consisting of the Foreign Ministers of the Member States shall be established with the following functions:
a) formulation of the policies of the ASSOCIATION;
b) review of the progress of cooperation under the ASSOCIATION;
c) decision on new areas of cooperation;
d) establishment of additional mechanism under the ASSOCIATION as deemed necessary;
e) decision on other matters of general interest to the ASSOCIATION.

2. The Council of Ministers shall meet twice a year. Extraordinary session of the Council may be held by agreement among the Member States.

Article V

STANDING COMMITTEE

1. The Standing Committee comprising the Foreign Secretaries shall have the following functions:
   a) overall monitoring and coordination of programme of cooperation;
   b) approval of projects and programmes, and the modalities of their financing;
   c) determination of inter-sectoral priorities;
   d) mobilisation of regional and external resources;
   e) identification of new areas of cooperation based on appropriate studies.

2. The Standing Committee shall meet as often as deemed necessary.

3. The Standing Committee shall submit periodic reports to the Council of Ministers and make reference to it as and when necessary for decisions on policy matters.

Article VI

TECHNICAL COMMITTEES

1. Technical Committees comprising representatives of Member States shall be responsible for the implementation, coordination and monitoring of the programmes in their respective areas of cooperation.

2. They shall have the following terms of reference:
   a) determination of the potential and the scope of regional cooperation in agreed areas;
   b) formulation of programmes and preparation of projects;
   c) determination of financial implications of sectoral programmes;
   d) formulation of recommendations regarding apportionment of costs;
   e) implementation and coordination of sectoral programmes;
   f) monitoring of progress in implementation.

3. The Technical Committees shall submit periodic reports to the Standing Committee.

4. The Chairmanship of the Technical Committees shall normally rotate among Member States in alphabetical order every two years.

5. The Technical Committees may, inter-alia, use the following mechanisms and modalities, if and when considered necessary:
   a) meetings of heads of national technical agencies;
   b) meetings of experts in specific fields;
c) contact amongst recognised centres of excellence in the region.

**Article VII**

**ACTION COMMITTEES**

The Standing Committee may set up Action Committees comprising Member States concerned with implementation of projects involving more than two but not all Member States.

**Article VIII**

**SECRETARIAT**

There shall be a Secretariat of the ASSOCIATION.

**Article IX**

**FINANCIAL ARRANGEMENTS**

1. The contribution of each Member State towards financing of the activities of the ASSOCIATION shall be voluntary.

2. Each Technical Committee shall make recommendations for the apportionment of costs of implementing the programmes proposed by it.

3. In case sufficient financial resources cannot be mobilised within the region for funding activities of the ASSOCIATION, external financing from appropriate sources may be mobilised with the approval of or by the Standing Committee.

**Article X**

**GENERAL PROVISIONS**

1. Decisions at all levels shall be taken on the basis of unanimity.

2. Bilateral and contentious issues shall be excluded from the deliberations.

**IN FAITH WHEREOF We Have Set Our Hands And Seals Hereunto. DONE In DHAKA, BANGLADESH, On This The Eighth Day Of December Of The Year One Thousand Nine Hundred Eighty Five.**

Hussain Muhammad Ershad  
**PRESIDENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH**

Jigme Singye Wangchuk  
**KING OF BHUTAN**

Rajiv Gandhi  
**PRIME MINISTER OF THE REPUBLIC OF INDIA**
Maumoon Abdul Gayoom
PRESIDENT OF THE REPUBLIC OF MALDIVES

Birendra Bir Bikram Shah Dev
KING OF NEPAL

Muhammad Zia-ul-Haq
PRESIDENT OF THE ISLAMIC REPUBLIC OF PAKISTAN

Junius Richard Jayewardene
PRESIDENT OF DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA
AGREEMENT ON SOUTH ASIAN FREE TRADE AREA (SAFTA)

The Governments of the SAARC (South Asian Association for Regional Cooperation) Member States comprising the People's Republic of Bangladesh, the Kingdom of Bhutan, the Republic of India, the Republic of Maldives, the Kingdom of Nepal, the Islamic Republic of Pakistan and the Democratic Socialist Republic of Sri Lanka hereinafter referred to as “Contracting States”

Motivated by the commitment to strengthen intra-SAARC economic cooperation to maximise the realization of the region's potential for trade and development for the benefit of their people, in a spirit of mutual accommodation, with full respect for the principles of sovereign equality, independence and territorial integrity of all States;

Noting that the Agreement on SAARC Preferential Trading Arrangement (SAPTA) signed in Dhaka on the 11th of April 1993 provides for the adoption of various instruments of trade liberalization on a preferential basis;

Convinced that preferential trading arrangements among SAARC Member States will act as a stimulus to the strengthening of national and SAARC economic resilience, and the development of the national economies of the Contracting States by expanding investment and production opportunities, trade, and foreign exchange earnings as well as the development of economic and technological cooperation;

Aware that a number of regions are entering into such arrangements to enhance trade through the free movement of goods;

Recognizing that Least Developed Countries in the region need to be accorded special and differential treatment commensurate with their development needs; and

Recognizing that it is necessary to progress beyond a Preferential Trading Arrangement to move towards higher levels of trade and economic cooperation in the region by removing barriers to cross-border flow of goods:

Have agreed as follows:

Article – 1

Definitions

For the purposes of this Agreement:

1. **Concessions** mean tariff, para-tariff and non-tariff concessions agreed under the Trade Liberalisation Programme;

2. **Direct Trade Measures** mean measures conducive to promoting mutual trade of Contracting States such as long and medium-term contracts containing import and supply commitments in respect of specific products, buy-back arrangements, state trading operations, and government and public procurement;

3. **Least Developed Contracting State** refers to a Contracting State which is designated as a “Least Developed Country” by the United Nations;
4. **Margin of Preference** means percentage of tariff by which tariffs are reduced on products imported from one Contracting State to another as a result of preferential treatment.

5. **Non-Tariff Measures** include any measure, regulation, or practice, other than “tariffs” and “paratariffs”.

6. **Para-Tariffs** mean border charges and fees, other than "tariffs", on foreign trade transactions of a tariff-like effect which are levied solely on imports, but not those indirect taxes and charges, which are levied in the same manner on like domestic products. Import charges corresponding to specific services rendered are not considered as para-tariff measures;

7. **Products** mean all products including manufactures and commodities in their raw, semi-processed and processed forms;

8. **SAPTA** means Agreement on SAARC Preferential Trading Arrangement signed in Dhaka on the 11th of April 1993;

9. **Serious injury** means a significant impairment of the domestic industry of like or directly competitive products due to a surge in preferential imports causing substantial losses in terms of earnings, production or employment unsustainable in the short term;

10. **Tariffs** mean customs duties included in the national tariff schedules of the Contracting States;

11. **Threat of serious injury** means a situation in which a substantial increase of preferential imports is of a nature to cause “serious injury” to domestic producers, and that such injury, although not yet existing, is clearly imminent. A determination of threat of serious injury shall be based on facts and not on mere allegation, conjecture, or remote or hypothetical possibility.

**Article – 2**

**Establishment**

The Contracting States hereby establish the South Asian Free Trade Area (SAFTA) to promote and enhance mutual trade and economic cooperation among the Contracting States, through exchanging concessions in accordance with this Agreement.

**Article – 3**

**Objectives and Principles**

1. The Objectives of this Agreement are to promote and enhance mutual trade and economic cooperation among Contracting States by, inter-alia:

   a) eliminating barriers to trade in, and facilitating the cross-border movement of goods between the territories of the Contracting States;
b) promoting conditions of fair competition in the free trade area, and ensuring equitable benefits to all Contracting States, taking into account their respective levels and pattern of economic development;

c) creating effective mechanism for the implementation and application of this Agreement, for its joint administration and for the resolution of disputes; and

d) establishing a framework for further regional cooperation to expand and enhance the mutual benefits of this Agreement.

2. SAFTA shall be governed in accordance with the following principles:

   a) SAFTA will be governed by the provisions of this Agreement and also by the rules, regulations, decisions, understandings and protocols to be agreed upon within its framework by the Contracting States;

   b) The Contracting States affirm their existing rights and obligations with respect to each other under Marrakesh Agreement Establishing the World Trade Organization and other Treaties/Agreements to which such Contracting States are signatories;

   c) SAFTA shall be based and applied on the principles of overall reciprocity and mutuality of advantages in such a way as to benefit equitably all Contracting States, taking into account their respective levels of economic and industrial development, the pattern of their external trade and tariff policies and systems;

   d) SAFTA shall involve the free movement of goods, between countries through, inter alia, the elimination of tariffs, para tariffs and non-tariff restrictions on the movement of goods, and any other equivalent measures;

   e) SAFTA shall entail adoption of trade facilitation and other measures, and the progressive harmonization of legislations by the Contracting States in the relevant areas; and

   f) The special needs of the Least Developed Contracting States shall be clearly recognized by adopting concrete preferential measures in their favour on a non-reciprocal basis.

**Article – 4**

**Instruments**

The SAFTA Agreement will be implemented through the following instruments:-

1. Trade Liberalisation Programme
2. Rules of Origin
3. Institutional Arrangements
4. Consultations and Dispute Settlement Procedures
5. Safeguard Measures
6. Any other instrument that may be agreed upon.
Article – 5

National Treatment

Each Contracting State shall accord national treatment to the products of other Contracting States in accordance with the provisions of Article III of GATT 1994.

Article – 6

Components

SAFTA may, inter-alia, consist of arrangements relating to:

a) tariffs;
b) para-tariffs;
c) non-tariff measures;
d) direct trade measures.

Article – 7

Trade Liberalisation Programme

1. Contracting States agree to the following schedule of tariff reductions:

a) The tariff reduction by the Non-Least Developed Contracting States from existing tariff rates to 20% shall be done within a time frame of 2 years, from the date of coming into force of the Agreement. Contracting States are encouraged to adopt reductions in equal annual installments. If actual tariff rates after the coming into force of the Agreement are below 20%, there shall be an annual reduction on a Margin of Preference basis of 10% on actual tariff rates for each of the two years.

b) The tariff reduction by the Least Developed Contracting States from existing tariff rates will be to 30% within the time frame of 2 years from the date of coming into force of the Agreement. If actual tariff rates on the date of coming into force of the Agreement are below 30%, there will be an annual reduction on a Margin of Preference basis of 5% on actual tariff rates for each of the two years.

c) The subsequent tariff reduction by Non-Least Developed Contracting States from 20% or below to 0-5% shall be done within a second time frame of 5 years, beginning from the third year from the date of coming into force of the Agreement. However, the period of subsequent tariff reduction by Sri Lanka shall be six years. Contracting States are encouraged to adopt reductions in equal annual installments, but not less than 15% annually.

d) The subsequent tariff reduction by the Least Developed Contracting States from 30% or below to 0-5% shall be done within a second time
frame of 8 years beginning from the third year from the date of coming into force of the Agreement. The Least Developed Contracting States are encouraged to adopt reductions in equal annual installments, not less than 10% annually.

2. The above schedules of tariff reductions will not prevent Contracting States from immediately reducing their tariffs to 0-5% or from following an accelerated schedule of tariff reduction.

3. a) Contracting States may not apply the Trade Liberalisation Programme as in paragraph 1 above, to the tariff lines included in the Sensitive Lists which shall be negotiated by the Contracting States (for LDCs and Non-LDCs) and incorporated in this Agreement as an integral part. The number of products in the Sensitive Lists shall be subject to maximum ceiling to be mutually agreed among the Contracting States with flexibility to Least Developed Contracting States to seek derogation in respect of the products of their export interest; and

   b) The Sensitive List shall be reviewed after every four years or earlier as may be decided by SAFTA Ministerial Council (SMC), established under Article 10, with a view to reducing the number of items in the Sensitive List.

4. The Contracting States shall notify the SAARC Secretariat all non-tariff and para-tariff measures to their trade on an annual basis. The notified measures shall be reviewed by the Committee of Experts, established under Article 10, in its regular meetings to examine their compatibility with relevant WTO provisions. The Committee of Experts shall recommend the elimination or implementation of the measure in the least trade restrictive manner in order to facilitate intraSAARC trade.\textsuperscript{1736}

5. Contracting Parties shall eliminate all quantitative restrictions, except otherwise permitted under GATT 1994, in respect of products included in the Trade Liberalisation Programme.

6. Notwithstanding the provisions contained in paragraph 1 of this Article, the Non-Least Developed Contracting States shall reduce their tariff to 0-5% for the products of Least Developed Contracting States within a timeframe of three years beginning from the date of coming into force of the Agreement.

\textbf{Article – 8}

\textit{Additional Measures}

\textsuperscript{1736} The initial notification shall be made within three months from the date of coming into force of the Agreement and the COE shall review the notification in its first meeting and take appropriate decisions.
Contracting States agree to consider, in addition to the measures set out in Article 7, the adoption of trade facilitation and other measures to support and complement SAFTA for mutual benefit.

These may include, among others:

a) harmonization of standards, reciprocal recognition of tests and accreditation of testing laboratories of Contracting States and certification of products;
b) simplification and harmonization of customs clearance procedure;
c) harmonization of national customs classification based on HS coding system;
d) Customs cooperation to resolve dispute at customs entry points;
e) simplification and harmonization of import licensing and registration procedures;
f) simplification of banking procedures for import financing;
g) transit facilities for efficient intra-SAARC trade, especially for the land-locked Contracting States;
h) removal of barriers to intra-SAARC investments;
i) macroeconomic consultations;
j) rules for fair competition and the promotion of venture capital;
k) development of communication systems and transport infrastructure;
l) making exceptions to their foreign exchange restrictions, if any, relating to payments for products under the SAFTA scheme, as well as repatriation of such payments without prejudice to their rights under Article XVIII of the General Agreement on Tariffs and Trade (GATT) and the relevant provisions of Articles of Treaty of the International Monetary Fund (IMF); and
m) Simplification of procedures for business visas.

Article – 9

Extension of Negotiated Concessions

Concessions agreed to, other than those made exclusively to the Least Developed Contracting States, shall be extended unconditionally to all Contracting States.

Article – 10

Institutional Arrangements

1. The Contracting States hereby establish the SAFTA Ministerial Council (hereinafter referred to as SMC).
2. The SMC shall be the highest decision-making body of SAFTA and shall be responsible for the administration and implementation of this Agreement and all decisions and arrangements made within its legal framework.

3. The SMC shall consist of the Ministers of Commerce/Trade of the Contracting States.

4. The SMC shall meet at least once every year or more often as and when considered necessary by the Contracting States. Each Contracting State shall chair the SMC for a period of one year on rotational basis in alphabetical order.

5. The SMC shall be supported by a Committee of Experts (hereinafter referred to as COE), with one nominee from each Contracting State at the level of a Senior Economic Official, with expertise in trade matters.

6. The COE shall monitor, review and facilitate implementation of the provisions of this Agreement and undertake any task assigned to it by the SMC. The COE shall submit its report to SMC every six months.

7. The COE will also act as Dispute Settlement Body under this Agreement.

8. The COE shall meet at least once every six months or more often as and when considered necessary by the Contracting States. Each Contracting State shall chair the COE for a period of one year on rotational basis in alphabetical order.

9. The SAARC Secretariat shall provide secretarial support to the SMC and COE in the discharge of their functions.

10. The SMC and COE will adopt their own rules of procedure.

Article – 11

Special and Differential Treatment for the Least Developed Contracting States

In addition to other provisions of this Agreement, all Contracting States shall provide special and more favorable treatment exclusively to the Least Developed Contracting States as set out in the following sub-paragraphs:

a) The Contracting States shall give special regard to the situation of the Least Developed Contracting States when considering the application of anti-dumping and/or countervailing measures. In this regard, the Contracting States shall provide an opportunity to Least Developed Contracting States for consultations. The Contracting States shall, to the extent practical, favourably consider accepting price undertakings offered by exporters from Least Developed Contracting States. These constructive remedies shall be available until the trade liberalisation programme has been completed by all Contracting States.

b) Greater flexibility in continuation of quantitative or other restrictions provisionally and without discrimination in critical circumstances by the Least Developed Contracting States on imports from other Contracting States.
c) Contracting States shall also consider, where practical, taking direct trade measures with a view to enhancing sustainable exports from Least Developed Contracting States, such as long and medium-term contracts containing import and supply commitments in respect of specific products, buy-back arrangements, state trading operations, and government and public procurement.

d) Special consideration shall be given by Contracting States to requests from Least Developed Contracting States for technical assistance and cooperation arrangements designed to assist them in expanding their trade with other Contracting States and in taking advantage of the potential benefits of SAFTA. A list of possible areas for such technical assistance shall be negotiated by the Contracting States and incorporated in this Agreement as an integral part.

e) The Contracting States recognize that the Least Developed Contracting States may face loss of customs revenue due to the implementation of the Trade Liberalisation Programme under this Agreement. Until alternative domestic arrangements are formulated to address this situation, the Contracting States agree to establish an appropriate mechanism to compensate the Least Developed Contracting States for their loss of customs revenue. This mechanism and its rules and regulations shall be established prior to the commencement of the Trade Liberalisation Programme (TLP).

Article – 12

Special Provision for Maldives

Notwithstanding the potential or actual graduation of Maldives from the status of a Least Developed Country, it shall be accorded in this Agreement and in any subsequent contractual undertakings thereof treatment no less favourable than that provided for the Least Developed Contracting States.

Article – 13

Non-application

Notwithstanding the measures as set out in this Agreement its provisions shall not apply in relation to preferences already granted or to be granted by any Contracting State to other Contracting States outside the framework of this Agreement, and to third countries through bilateral, plurilateral and multilateral trade agreements and similar arrangements.

Article – 14

General Exceptions
a) Nothing in this Agreement shall be construed to prevent any Contracting State from taking action and adopting measures which it considers necessary for the protection of its national security.

b) Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the similar conditions prevail, or a disguised restriction on intra-regional trade, nothing in this Agreement shall be construed to prevent any Contracting State from taking action and adopting measures which it considers necessary for the protection of:

(i) public morals;
(ii) human, animal or plant life and health; and
(iii) articles of artistic, historic and archaeological value.

**Article – 15**

**Balance of Payments Measures**

1. Notwithstanding the provisions of this Agreement, any Contracting State facing serious balance of payments difficulties may suspend provisionally the concessions extended under this Agreement.
2. Any such measure taken pursuant to paragraph 1 of this Article shall be immediately notified to the Committee of Experts.
3. The Committee of Experts shall periodically review the measures taken pursuant to paragraph 1 of this Article.
4. Any Contracting State which takes action pursuant to paragraph I of this Article shall afford, upon request from any other Contracting State, adequate opportunities for consultations with a view to preserving the stability of concessions under SAFTA.
5. If no satisfactory adjustment is effected between the Contracting States concerned within 30 days of the beginning of such consultations, to be extended by another 30 days through mutual consent, the matter may be referred to the Committee of Experts.
6. Any such measures taken pursuant to paragraph 1 of this Article shall be phased out soon after the Committee of Experts comes to the conclusion that the balance of payments situation of the Contracting State concerned has improved.

**Article – 16**

**Safeguard Measures**

1. If any product, which is the subject of a concession under this Agreement, is imported into the territory of a Contracting State in such a manner or in such quantities as to cause, or threaten to cause, serious injury to producers of like or directly competitive products in the importing Contracting State, the importing Contracting State may, pursuant to an investigation by the competent authorities
of that Contracting State conducted in accordance with the provisions set out in this Article, suspend temporarily the concessions granted under the provisions of this Agreement. The examination of the impact on the domestic industry concerned shall include an evaluation of all other relevant economic factors and indices having a bearing on the state of the domestic industry of the product and a causal relationship must be clearly established between "serious injury" and imports from within the SAARC region, to the exclusion of all such other factors.

2. Such suspension shall only be for such time and to the extent as may be necessary to prevent or remedy such injury and in no case, will such suspension be for duration of more than 3 years.

3. No safeguard measure shall be applied again by a Contracting State to the import of a product which has been subject to such a measure during the period of implementation of Trade Liberalization Programme by the Contracting States, for a period of time equal to that during which such measure had been previously applied, provided that the period of non-application is at least two years.

4. All investigation procedures for resorting to safeguard measures under this Article shall be consistent with Article XIX of GATT 1994 and WTO Agreement on Safeguards.

5. Safeguard action under this Article shall be non-discriminatory and applicable to the product imported from all other Contracting States subject to the provisions of paragraph 8 of this Article.

6. When safeguard provisions are used in accordance with this Article, the Contracting State invoking such measures shall immediately notify the exporting Contracting State(s) and the Committee of Experts.

7. In critical circumstances where delay would cause damage which it would be difficult to repair, a Contracting State may take a provisional safeguard measure pursuant to a preliminary determination that there is clear evidence that increased imports have caused or are threatening to cause serious injury. The duration of the provisional measure shall not exceed 200 days, during this period the pertinent requirements of this Article shall be met.

8. Notwithstanding any of the provisions of this Article, safeguard measures under this article shall not be applied against a product originating in a Least Developed Contracting State as long as its share of imports of the product concerned in the importing Contracting State does not exceed 5 per cent, provided Least Developed Contracting States with less than 5% import share collectively account for not more than 15% of total imports of the product concerned.

Article – 17

Maintenance of the Value of Concessions

Any of the concessions agreed upon under this Agreement shall not be diminished or nullified, by the application of any measures restricting trade by the
Contracting States, except under the provisions of other articles of this Agreement.

Article – 18

Rules of Origin

Rules of Origin shall be negotiated by the Contracting States and incorporated in this Agreement as an integral part.

Article – 19

Consultations

1. Each Contracting State shall accord sympathetic consideration to and will afford adequate opportunity for consultations regarding representations made by another Contracting State with respect to any matter affecting the operation of this Agreement.

2. The Committee of Experts may, at the request of a Contracting State, consult with any Contracting State in respect of any matter for which it has not been possible to find a satisfactory solution through consultations under paragraph 1.

Article – 20

Dispute Settlement Mechanism

1. Any dispute that may arise among the Contracting States regarding the interpretation and application of the provisions of this Agreement or any instrument adopted within its framework concerning the rights and obligations of the Contracting States will be amicably settled among the parties concerned through a process initiated by a request for bilateral consultations.

2. Any Contracting State may request consultations in accordance with paragraph 1 of this Article with other Contracting State in writing stating the reasons for the request including identification of the measures at issue. All such requests should be notified to the Committee of Experts, through the SAARC Secretariat with an indication of the legal basis for the complaint.

3. If a request for consultations is made pursuant to this Article, the Contracting State to which the request is made shall, unless otherwise mutually agreed, reply to the request within 15 days after the date of its receipt and shall enter into consultations in good faith within a period of no more than 30 days after the date of receipt of the request, with a view to reaching a mutually satisfactory solution.

4. If the Contracting State does not respond within 15 days after the date of receipt of the request, or does not enter into consultations within a period of no more than 30 days, or a period otherwise mutually agreed, after the date of receipt of the request, then the Contracting State that requested the holding of
consultations may proceed to request the Committee of Experts to settle the dispute in accordance with working procedures to be drawn up by the Committee.

5. Consultations shall be confidential, and without prejudice to the rights of any Contracting State in any further proceedings.

6. If the consultations fail to settle a dispute within 30 days after the date of receipt of the request for consultations, to be extended by a further period of 30 days through mutual consent, the complaining Contracting State may request the Committee of Experts to settle the dispute. The complaining Contracting State may request the Committee of Experts to settle the dispute during the 60-day period if the consulting Contracting States jointly consider that consultations have failed to settle the dispute.

7. The Committee of Experts shall promptly investigate the matter referred to it and make recommendations on the matter within a period of 60 days from the date of referral.

8. The Committee of Experts may request a specialist from a Contracting State not party to the dispute selected from a panel of specialists to be established by the Committee within one year from the date of entry into force of the Agreement for peer review of the matter referred to it. Such review shall be submitted to the Committee within a period of 30 days from the date of referral of the matter to the specialist.

9. Any Contracting State, which is a party to the dispute, may appeal the recommendations of the Committee of Experts to the SMC. The SMC shall review the matter within the period of 60 days from date of submission of request for appeal. The SMC may uphold, modify or reverse the recommendations of the Committee of Experts.

10. Where the Committee of Experts or SMC concludes that the measure subject to dispute is inconsistent with any of the provisions of this Agreement, it shall recommend that the Contracting State concerned bring the measure into conformity with this Agreement. In addition to its recommendations, the Committee of Experts or SMC may suggest ways in which the Contracting State concerned could implement the recommendations.

11. The Contracting State to which the Committee's or SMC's recommendations are addressed shall within 30 days from the date of adoption of the recommendations by the Committee or SMC, inform the Committee of Experts of its intentions regarding implementation of the recommendations. Should the said Contracting State fail to implement the recommendations within 90 days from the date of adoption of the recommendations by the Committee, the Committee of Experts may authorize other interested Contracting States to withdraw concessions having trade effects equivalent to those of the measure in dispute.

Article – 21

Withdrawal
1. Any Contracting State may withdraw from this Agreement at any time after its entry into force. Such withdrawal shall be effective on expiry of six months from the date on which a written notice thereof is received by the Secretary-General of SAARC, the depositary of this Agreement. That Contracting State shall simultaneously inform the Committee of Experts of the action it has taken.

2. The rights and obligations of a Contracting State which has withdrawn from this Agreement shall cease to apply as of that effective date.

3. Following the withdrawal by any Contracting State, the Committee shall meet within 30 days to consider action subsequent to withdrawal.

**Article – 22**

*Entry into Force*

1. This Agreement shall enter into force on 1st January 2006 upon completion of formalities, including ratification by all Contracting States and issuance of a notification thereof by the SAARC Secretariat. This Agreement shall supercede the Agreement on SAARC Preferential Trading Arrangement (SAPTA).

2. Notwithstanding the supercession of SAPTA by this Agreement, the concessions granted under the SAPTA Framework shall remain available to the Contracting States until the completion of the Trade Liberalisation Programme.

**Article – 23**

*Reservations*

This Agreement shall not be signed with reservations, nor will reservations be admitted at the time of notification to the SAARC Secretariat of the completion of formalities.

**Article – 24**

*Amendments*

This Agreement may be amended by consensus in the SAFTA Ministerial Council. Any such amendment will become effective upon the deposit of instruments of acceptance with the Secretary General of SAARC by all Contracting States.

**Article – 25**

*Depository*

This Agreement will be deposited with the Secretary General of SAARC, who will promptly furnish a certified copy thereof to each Contracting State.
IN WITNESS WHEREOF the undersigned being duly authorized thereto by their respective Governments have signed this Agreement.

DONE in ISLAMABAD, PAKISTAN, On This The Sixth Day Of the Year Two Thousand Four, In Nine Originals In The English Language All Texts Being Equally Authentic.

M. MORSHED KHAN
Minister for Foreign Affairs
People's Republic of Bangladesh

NADO RINCHHEN
Officiating Minister for Foreign Affairs
Kingdom of Bhutan

YASHWANT SINHA
Minister of External Affairs
Republic of India

FATHULLA JAMEEL
Minister of Foreign Affairs
Republic of Maldives

DR. BHEKH B. THAPA
Ambassador-at-large for Foreign Affairs
His Majesty's Government of Nepal

KHURSHID M. KASURI
Minister of Foreign Affairs
Islamic Republic of Pakistan

TYRONNE FERNANDO
Minister of Foreign Affairs
Democratic Socialist Republic of Sri Lanka