

Regionalism in South Asian Diplomacy

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Preface

Any reference to regional cooperation in South Asia is apt to raise a weary smile. The main thing the rest of the world knows about this area is the long-standing antagonism between India and Pakistan, now both de facto nuclear weapon states. Sri Lanka's internal conflict is another unhealed sore, and Afghanistan looms in the north with its risk of descent into even greater chaos. Neither the urgent problems of human security (poverty, disease and the environment) that the South Asian countries share, nor the nearby examples of robust regionalism in Africa and South-East Asia, nor concern about the strategic rise of China seems able to launch this region decisively along the track towards a security community.

As so often, however, the picture when seen from inside South Asia is more complex. The South Asian Association for Regional Cooperation (SAARC) has existed for two decades and has made gradual progress in the least contentious economic and social fields. The region is criss-crossed with the membership patterns of larger Asian groupings including two—the Association for South East Asian Nations (ASEAN) Regional Forum and the Shanghai Cooperation Organization—that have explicit security agendas. For several years now, India and Pakistan have been developing a confidence-building programme that has somewhat lowered tensions, notably over Kashmir: and perhaps most significant of all in the big picture, the USA and other Western actors now have a clear interest in reconciling, rather than polarizing, these two determinant local powers.

Could the new realpolitik conjuncture, joined to the new security agenda of terrorism and proliferation plus the fact that intra-regional efforts for free trade have reached their most serious stage yet, give multilateralism in South Asia its best chance ever of a take-off? If so, would the decisive push come from the reinvigoration of SAARC, the combination of specific 'bottom-up' gains in dispute and conflict resolution, or the joint presence of India and Pakistan in larger groupings where the problem of India's asymmetric strength is muted? Without being able to promise a clear (let alone positive) answer, this Policy Paper aims to provide background and an analytical framework for a serious new look at all these questions. It forms part of a wider programme of studies in comparative regional security cooperation being carried out by SIPRI's Euro-Atlantic, Regional and Global Security Project.

I am especially indebted to Dr Mavara Inayat, Major-General (retired) Jamshed Ayaz Khan, Dr Swaran Singh and Dr John Gooneratne, who contributed their own perspectives to this publication. Only space has prevented the inclusion of chapters from Bangladesh and Nepal. Further thanks are due to all those who helped in the recent thickening of SIPRI's relationships with South Asia, and—not least—to Connie Wall for the editing, Nenne Bodell for reference research and David Cruickshank for the map.

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February 2007

Abbreviations and acronyms

ADB	Asian Development Bank
AICC	All-India Congress Committee
APEC	Asia–Pacific Economic Cooperation
ARF	ASEAN Regional Forum
ASEAN	Association of South East Asian Nations
ASEM	Asia–Europe Meeting
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
CSTO	Cooperative Security Treaty Organization
D8	Developing Eight Countries
EAS	East Asia Summit
ECO	Economic Cooperation Organization
EU	European Union
GCC	Gulf Cooperation Council
GDP	Gross domestic product
GNP	Gross national product
IOR-ARC	Indian Ocean Rim Association for Regional Cooperation
LTTE	Liberation Tigers of Tamil Eelam
MERCOSUR	Mercado Común del Sur
MFN	Most favoured nation
NAM	Non-Aligned Movement
NATO	North Atlantic Treaty Organization
OIC	Organization of the Islamic Conference
OSCE	Organization for Security and Co-operation in Europe
PPP	Purchasing power parity
RCD	Regional Cooperation for Development
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Area
SAPTA	SAARC Preferential Trading Arrangement
SCO	Shanghai Cooperation Organization
WMD	Weapons of mass destruction
WTO	World Trade Organization



Table A.1. Basic data for the South Asian countries, 2006

State	Area (km ²)	Population in 2005 (m.)	GDP (US\$ b.)	GDP per capita (US\$)	Military expenditure (US\$ m. at current prices)
Afghanistan	645 807	29.9	8.9	354	..
Bangladesh	147 570	131.5	63.0	407	678.3
Bhutan	47 000	2.2	1.0	1 303	..
India ^a	3 166 414	1 103.4	854.5	769	25 485.3
Maldives	298	0.3	1.0	2 757	..
Nepal	147 181	27.1	8.0	339	111.3
Pakistan ^a	796 095	157.9	129.0	830	4 818.2
Sri Lanka	65 610	20.7	26.2	1 324	663.6
Total	5 015 975	1 473.0	1 091.6	–	31 756.7

.. = Figures not available; GDP = gross domestic product.

^a Figures for the area and population of India exclude the Pakistan- and China-occupied parts of Kashmir, and figures for the area and population of Pakistan exclude the Pakistan-occupied part.

Sources: **Area and Population:** Turner, B. (ed.), *The Statesman's Yearbook 2007* (Palgrave Macmillan: Basingstoke, 2006). **GDP:** International Monetary Fund (IMF), *World Economic Outlook Database* (IMF: Washington, DC, Sep. 2006), URL <<http://www.imf.org/external/pubs/ft/weo/2006/02/data/index.aspx>>; **Military expenditure:** SIPRI military expenditure database.

1. Regionalism and security building

ALYSON J. K. BAILES

The South Asian challenge

In any survey of present-day regional cooperation, South Asia is liable to be cited as one of the problem cases.¹ The dominant strategic feature of the region is the tension and rivalry between India and Pakistan, two powers that have more than once gone to war or to the verge of war and that now have nuclear weapons.² Unlike the East–West confrontation of cold war times, this confrontation has not (yet) led to more than a few fragmentary elements of a larger structure of confidence building and conflict avoidance.³ Even this major challenge is only one of the difficulties in the way of a non-zero-sum multilateral security order for the region. The discrepancy of size and power between India, a nation of over 1 billion people, and all its neighbours leads to natural concerns among the latter about India's dominance in the region and potential interference in their affairs. At different times this has been a significant strand in the policy thinking of states such as Bangladesh, Nepal and Sri Lanka and has led them to seek security assistance first and foremost from outside South Asia when they need it.⁴

Mention of Sri Lanka also draws attention to the fact that the region is one still suffering from intra-state conflicts. Factors of ethnic identity, language, aspirations for local autonomy and competition over resources have helped to fuel the long-

¹ For such a survey see Bailes, A. J. K. and Cottey, A., 'Regional security cooperation in the early 21st century', *SIPRI Yearbook 2006: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 2006), pp. 195–223.

² For an analysis of the most recent near escapes—the Kargil war of 1999 and the crisis of 2002—see Ramana, M. V. and Mian, Z., 'The nuclear confrontation in South Asia', *SIPRI Yearbook 2003: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 2003), pp. 195–212.

³ The reference is to the inclusive regimes of confidence building and conventional arms reductions developed for the wider Europe in the framework of the Conference on (from 1995 the Organization for) Security and Co-operation in Europe; see Lachowski, Z., *Confidence- and Security-Building Measures in the New Europe*, SIPRI Research Report no. 18 (Oxford University Press: Oxford, 2005).

⁴ India made an abortive attempt at military intervention in Sri Lanka in the 1980s and its posture on the internal conflict there remains affected by the Tamil population on its own territory, in a way that makes it hard for India to be seen as an honest broker. See also other chapters in this paper, especially chapters 2 and 5. For the attitude of Bangladesh see Afroz, S. (ed.), *Regional Co-operation in South Asia: New Dimensions and Perspectives* (Bangladesh Institute of International Strategic Studies (BIISS): Dhaka, 2002); and Shewly, J. S., 'Postponement of SAARC summits: an analysis and prognosis', *BIISS Journal*, vol. 26, no. 2 (2005). For the attitude of Nepal see Dahal, D. R. and Pandey, N. N. (eds), *New Life Within SAARC* (Institute of Foreign Affairs: Kathmandu, 15 Nov. 2006), URL <<http://www.ifa.org.np/saarcpapers.php>>. This syndrome of the too-large single state is not a particular South Asian weakness but has also complicated efforts for integration in such different environments as the former Soviet Union, East Asia and the Americas. See Bailes and Cottey (note 1), pp. 219–21.

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standing insurgency of the Tamil Eelam movement against the government in Colombo, which has hitherto defied all outside efforts at conclusive mediation and has claimed a total of at least 60 000 lives.⁵ Nepal has also faced a Maoist insurgency that was less of an ethnic movement and more of a contestation over the way in which the country has been governed by the increasingly erratic King Gyanendra.⁶ Some of the smallest states of the region, such as the Maldives and the Seychelles, have suffered violent political coups in living memory. Such internal factors of insecurity are far from absent in the region's largest states either: Pakistan has alternated between weak civilian governments and military takeovers, while India has seen significant levels of internal violence connected with religious extremism, local patriotism or local struggles for power. Terrorism also comes into play as part of the internal security challenge (and a complication for any eventual settlement) in the disputed region of Kashmir, which is divided into de facto provinces under Chinese, Indian and Pakistani administration. Pakistan's north-western borderland with Afghanistan has long been a bridge for terrorist infiltration (spontaneous or state-sponsored) in both directions, and poses further challenges for the central authorities because of the lawlessness of local tribes.⁷ All these features help to explain why military spending by the powers of South Asia has remained relatively high in spite of their relatively low per capita wealth, and why arms build-ups—notably between India and Pakistan—continue to show a distinctly competitive dynamic.⁸

Some regions have been driven towards the formation of security communities by threats from an outside power or guided there by its encouragement. For South Asia, the only directly relevant strategic challenge comes from China, and for much of the 20th century this worked as a polarizing rather than uniting factor because Pakistan chose to seek Chinese support (including weapon supplies and nuclear expertise) against India. An Indo-Chinese border dispute sparked armed

⁵ Harbom, L. and Wallensteen, P., 'Patterns of major armed conflicts, 1990–2005', *SIPRI Yearbook 2006* (note 1), p. 117. Note that the figure is for directly battle-related deaths only.

⁶ For background see Dwan, R. and Holmqvist, C., 'Major armed conflicts', *SIPRI Yearbook 2005: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 2005), pp. 99–100. On 21 Nov. 2006 a comprehensive peace agreement was signed that ended the 10-year insurgency in Nepal.

⁷ For more on the linkage between terrorism and other challenges in these areas see Khan, A. U., *The Terrorist Threat and the Policy Response in Pakistan*, SIPRI Policy Paper No. 11 (SIPRI: Stockholm, Aug. 2006), URL <<http://www.sipri.org>>.

⁸ In 2004 India spent 3.0% of its GDP on defence and Pakistan 3.4%, both clearly above the NATO or European average. India's cash expenditure in 2005 was c. \$20 billion (in 2003 US dollars), accounting for 81% of all South Asian military expenditure, while Pakistan spent \$3.2 billion. Nepal's military expenditure, while low in real terms at \$127 million, has tripled over the past decade mainly as a result of the civil war. As to armaments, over the period 2001–2005 India was the world's 2nd largest, and Pakistan the 13th largest, importer of major conventional weapons; Indian imports have shown a clearer rising trend i.a. because of the difficulties experienced by Indian industry in meeting a substantial share of national needs (70% of all Indian equipment is imported at present). Note that these calculations do not include nuclear weapons. Military spending figures are from Stålenheim, P. et al., 'Tables of military expenditure', *SIPRI Yearbook 2006* (note 1), pp. 325–52, and figures for arms transfers are from Hagelin, B., Bromley, M. and Wezeman, S. T., 'International arms transfers', *SIPRI Yearbook 2006*, pp. 449–76.

clashes in 1962. However, relations around the India–Pakistan–China triangle are now becoming more relaxed and complex, and the idea (popular in some US quarters) of using India as a block to China’s further strategic rise is disavowed by many Indians themselves, who also see certain parallels of interest between New Delhi and Beijing. At any rate, the vision that South Asia’s powers might come together partly in order to deal better with China (as another group of smaller states have done in the Association of South East Asian Nations, ASEAN⁹) is still very remote from reality. Among other major world powers, the most significant presence is that of the United States, which has permanent base facilities supporting extensive naval deployments in the Indian Ocean and a large ad hoc presence in Afghanistan, while France retains a foothold in the island of Réunion (with elements of naval, air, ground and gendarmerie forces) and on the north-east African mainland at Djibouti. The availability of US assets turned out to be providential for humanitarian purposes following the Indian Ocean tsunami of December 2004; but in general it is fair to say that the USA’s strategic purpose in this part of the world is neither directed towards protecting the South Asian nations nor of a sort to spur them to seek greater unity themselves. It has more to do with general considerations of protection for trade routes and (especially since 1979) with the interest in maintaining an ‘over-the-horizon’ capability for possible intervention in the greater Middle East, as well as with balancing China and other powers in the broader sense.¹⁰

For all this, South Asia has for some time had a formal framework for regional cooperation. The South Asian Association for Regional Cooperation (SAARC) was established in 1985 as a vehicle for political and economic cooperation. Today, it has Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka as its members, and China and Japan as observers (it has also agreed in principle to admit South Korea, the USA and the EU as observers).¹¹ Member states meet at annual summits while foreign ministers are supposed to meet at least twice annually; the secretariat is located in Kathmandu, Nepal. SAARC’s general aims include promoting understanding and peaceful coexistence among its members, and the group has adopted conventions on some explicitly security-related issues such as combating terrorism and drug trafficking, while a number of

⁹ ASEAN was created in 1967 and currently has 10 members: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam. The ASEAN Regional Forum (ARF), which has recently addressed a number of security-related themes, combines ASEAN’s members with 15 additional states—Australia, Bangladesh, Canada, China, India, Japan, North Korea, South Korea, Mongolia, New Zealand, Pakistan, Papua New Guinea, Russia, Timor-Leste and the USA (Sri Lanka will join in 2007)—and the European Union, while ASEAN also maintains the ASEAN Plus Three dialogue with China, Japan and South Korea. On ASEAN see URL <<http://www.aseansec.org>> and on ARF see URL <<http://www.aseanregionalforum.org>>.

¹⁰ The USA’s strategic purposes, as well as the priority it gives to the region, have of course fluctuated over time: thus, up to 1988 containment of the Soviet Union was a major consideration, while the currently growing engagement in Afghanistan and elsewhere is related to the post-2001 ‘new threats’ agenda and above all to counter-terrorism.

¹¹ For more on SAARC see URL <<http://www.saarc-sec.org>> and other chapters in this paper.

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issues relating to broader ‘human security’—such as the environment, HIV/AIDS and biotechnology—are close to the core of its agenda. SAARC’s general progress has, however, been slow, and the organization is only now attempting to achieve the serious integrative goal of a regional free trade area. From the outset SAARC has been quite deliberately designed to eschew discussion of the bilateral and internal security problems that are key to regional dynamics.

The benefits forgone

Why should the lack of a functioning and evolving multilateral security mechanism be seen as a positive disadvantage for South Asia, rather than just a consequence or secondary manifestation of deeper security ills? The answer lies above all in the benefits that other regions, including some others dominated by lower-income developing states, have drawn from building up mutual mechanisms that address their security needs either directly or indirectly. Europe has explored this formula and demonstrated its advantages most fully with the creation of the North Atlantic Treaty Organization (NATO) and the European Union (EU), which put an effective stop to war among the Western states after 1945 (and has helped to contain their remaining internal disorders) and then spread the same benefits more widely with the enlargement decisions of the late 20th and early 21st century. The ending of prolonged and bloody interstate conflict in South-East Asia has been both marked and consolidated by the strengthening of ASEAN, its enlargement to such countries as Cambodia, Laos, Myanmar and Viet Nam, and its increasingly formalized cooperation and dialogue relationships with Asia’s larger powers.¹²

China’s and Russia’s relationship, if still complex, has been stabilized with the help of the Shanghai Cooperation Organization (SCO),¹³ which also serves various strategic purposes for both countries vis-à-vis their Central Asian neighbours and the USA’s ambitions for Asia. The multilateral organizations of Latin America and the Caribbean are generally seen as weaker, not least because of their multiplicity and many overlaps, but their explicit efforts for confidence building and conflict prevention or resolution have certainly played a role in the gradual phasing out of interstate conflicts in the region and the containment of such intra-state ones as remain (e.g. in Colombia and Haiti).¹⁴ African subregional organizations such as the Economic and Monetary Community of Central African States, the Economic Community of West African States, the Intergovernmental Authority on Develop-

¹² See note 10 in this chapter. As a result of these developments it is now hard to imagine China, Russia or even the USA being able to exploit security rifts in the ASEAN region to its advantage, as happened in the 20th century. International intervention to help with conflicts in East Timor (now Timor-Leste) and Aceh has been essentially impartial and (so far) positive in effect, if not yet fully successful.

¹³ The SCO was created in 2002 as a more formal successor to the earlier Sino-Soviet, then Sino-Russian, ‘Shanghai process’, and now also has Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan as members. On the SCO see URL <<http://www.sectsco.org>>; and for the South Asian powers’ involvement in the SCO see below.

¹⁴ See Rosas, M. C., ‘Latin America and the Caribbean: security and defence in the post-cold war era’, *SIPRI Yearbook 2005* (note 6), especially pp. 261–70.

ment and the Southern African Development Community have had peace-making and peacekeeping as one set of their activities and have carried out a number of multinational peace missions in their own neighbourhoods—a function now inherited primarily by the African Union (established in 2002) for the continent as a whole.¹⁵

Positive military cooperation among members, for general purposes of reform and modernization (and sometimes equipment collaboration) as well as for strengthening collective and intervention capacities, has in fact become a feature of virtually all regional organizations that do not limit themselves strictly to economics. An equally strong trend is for regional and subregional organizations to develop explicit policies for cooperation in other functional fields of security such as anti-terrorist, anti-crime, anti-piracy and anti-smuggling efforts; border security and migration control; accident and emergency handling and rescue services; environmental protection and handling of natural disasters and pollution; epidemic handling and positive work for public health; transport and infrastructure security, and so on almost ad infinitum. Moreover, even when such organizations do not openly declare an interest in human rights and good governance among their members (as the European institutions and the African Union do), their existence is both facilitated by the improvement of internal political standards in member countries, and helps to facilitate it and promote it further. Last but not least, an effective and legitimate regional organization can do service to the shared *external* security interests of its members, most obviously if it constitutes an armed alliance, but also in more varied and constructive ways. In an age when most functional security challenges are correctly seen as global in character, regional groups can both ensure that their region's special needs and interests are properly taken into account in the setting of global agendas, and help to speed global solutions by acting as effective self-help mechanisms or 'implementation clubs' for their own areas.

It is hardly necessary to argue at length why South Asia and its states would benefit if they were endowed with a regional cooperation framework even as productive as those of Africa and the Americas, let alone ASEAN or the EU. The roles played by such mechanisms elsewhere in conflict containment and resolution, military confidence building and direct or indirect restraint on arms races are of the very first relevance for the region and for the wider Indian Ocean area. Bangladesh, Pakistan and India make enormous contributions to peacekeeping under United Nations mandates in other parts of the world,¹⁶ and it is intriguing to consider how

¹⁵ On the African Union see e.g. Adisa, J., 'The African Union: the vision, programmes, policies and challenges', *SIPRI Yearbook 2003* (note 2), pp. 79–85; Williams, R., 'National defence reform and the African Union', *SIPRI Yearbook 2004: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 2004), pp. 231–49; and the organization's website at URL <<http://www.africa-union.org>>. On peace-building in Africa see Wiharta, S., 'Peace-building: the new international focus on Africa', *SIPRI Yearbook 2006* (note 1), pp. 139–63.

¹⁶ As of Aug. 2006 Bangladesh had 10 156 personnel deployed in UN peace missions worldwide, Pakistan 9820 and India 9279. UN Department of Peacekeeping Operations, Fact sheet, Sep. 2006, URL <<http://www.un.org/Depts/dpko/factsheet.pdf>>.

the existence of an inclusive regional military cooperation framework might open the way for cooperative use of these countries' assets also in conflicts (and humanitarian emergencies) nearer at hand. The handling of anti-terrorism, anti-proliferation, anti-smuggling and anti-crime efforts throughout the region could be transformed if its largest states were able to view all these as shared challenges rather than strands tangled damagingly with their own past confrontations. Cooperation against 'human security' problems such as disease, natural disasters, environmental damage, climate change, poverty, drought and starvation already functions in South Asia, not least because of the very active approach of the UN and its relevant agencies throughout the region; but there would no doubt be further synergies and other benefits to be squeezed out by closer regional integration here, too. The role of a common regional front in influencing global processes would be highly apposite now that India has become one of the world's most significant rising powers: it would help to cushion others' concerns about the security impact of Indian military and economic might, just as it would allow the South Asians to stand up more effectively for their special interests, or interests they share with China, in future global management.

Positive and negative trends

Is the first decade of the 21st century a good time to readdress the prospects for relaunching South Asian regionalism—in whatever framework and context? Certain factors do seem to point that way. Since 2003, India–Pakistan relations have shown at least a temporary trend towards stabilization. Direct government-to-government talks have addressed various types of confidence-building measure, and modest steps have been taken to open up communications and human contact across the de facto boundary in Kashmir. The demands of humanitarian relief work after the major earthquake of 6 October 2005, which hit Kashmir particularly hard, brought some further positive energy to the relationship after a cautious start. As regards the very sensitive issue of terrorism, Pakistan's leaders have been drawn into a stronger and, indeed, militant anti-terrorist stance by events in Afghanistan since 2001 and by US demands for collaboration against al-Qaeda.¹⁷ The gradual exposure in 2001–2003 of the role played by Pakistani government scientist Abdul Qadeer Khan in spreading nuclear weapon technology to Iran and other clients was a catalytic development that, while initially strengthening old threat perceptions, could in the longer run create more common ground between India and Pakistan since the latter is now under such tremendous pressure to clean up its act.¹⁸ The Civil Nuclear Cooperation Initiative of 2005 holds out the prospect for positive nuclear cooperation between India and the United States for the first time since

¹⁷ Khan (note 7).

¹⁸ On the Khan nuclear smuggling network see Kile, S. N., 'Nuclear arms control and non-proliferation', *SIPRI Yearbook 2006* (note 1), pp. 607–25.

India's nuclear weapon tests of 1998.¹⁹ The agreement caused natural concerns in Pakistan—which has very little hope of earning corresponding favours in the near term—but has not so far caused any break or backsliding in the US–Pakistani strategic dialogue, which also embraces topics of weapons of mass destruction (WMD) safety and export control. What has marked US actions in these cases also characterizes the USA's present South Asian policies more largely: Washington needs cooperation from both New Delhi and Islamabad on strategically vital parts of the new security agenda and is therefore more inclined to offer positive security inducements to both, but also to work more actively than ever to stabilize the peace between them.²⁰ To the limited extent that other Western players have influence, they are using it to the same ends, while even China does not seem currently over-interested in boosting Indo–Pakistani tensions (although this might change if the USA seemed to be backing India too nakedly against China).

Elsewhere in the region, the progress made towards resolving regional conflicts in Indonesia and (at least temporarily) containing the hostilities in Sri Lanka has confirmed that improvements in local security can be made in a non-zero-sum manner and with all the benefits of international approval and support. The December 2004 tsunami disaster was a powerful reminder of the littoral states' shared vulnerabilities in the realm of human security, and it has given rise to a concrete cooperative scheme for the Indian Ocean Tsunami Warning and Mitigation System.²¹ Other powerful drivers for cooperation are to be found in the threat of HIV/AIDS, which the UN fears may be in danger of getting out of control, especially in India,²² and of avian influenza, which reached India in January and

¹⁹ The USA had discouraged nuclear cooperation with India ever since the latter's first nuclear test, in 1974, but specific sanctions were introduced in 1998 when the UN Security Council adopted Resolution 1172 (6 June 1998), calling on nations to restrict the export to India of materials relevant to nuclear weapons and to missile construction. The USA decided to lift its national sanctions in 2001 in the context of its global war on terrorism. For more on this subject see Ahlström, C., 'Legal aspects of the India–US Civil Nuclear Cooperation Initiative', *SIPRI Yearbook 2006* (note 1), pp. 669–85.

²⁰ Following the Apr. 2005 declaration of its intention to develop a strategic relationship with India, the USA has offered 2 options (the F/A-18E and an advanced version of the F-16 aircraft), plus some degree of technology transfer, to meet the Indian requirement for 126 combat aircraft. The USA has also offered the Patriot surface-to-air missile in its PAC-3 version, and P-8A anti-submarine warfare/maritime patrol (ASW/MP) aircraft. Hagelin, Bromley and Wezeman (note 8), p. 456. Previous US restrictions on arms transfers to Pakistan were lifted after the events of Sep. 2001 and in Mar. 2005 the USA granted Pakistan the status of 'major non-NATO ally', further facilitating its access to US weaponry. Ratnam, G. and Raghuvanshi, V., 'Subcontinental tightrope', *Defense News*, 29 Mar. 2005, p. 1. Actual and proposed sales post-2001 have included 6 C-130E transport aircraft, 8 P-3C ASW aircraft, over 100 helicopters and 2000 TOW-2 anti-tank missiles. In Sep. 2004 the USA indicated that it was willing to sell F-16s to Pakistan after many years of blocking such transfers, but as of July 2006 the proposed sale of 36 such aircraft was facing strong opposition in the US Congress due to concerns about Pakistan's nuclear record and its relations with China. Wolf, J., 'F-16 sale to Pakistan hits snag in Congress', Reuters, 13 July 2006, URL <<http://www.washingtonpost.com/wp-dyn/content/article/2006/07/13/AR2006071301189.html>>.

²¹ On development of the system see Intergovernmental Oceanographic Commission of UNESCO, 'Towards the establishment of a tsunami warning and mitigation system for the Indian Ocean', URL <<http://ioc3.unesco.org/indotsunami/>>.

²² For the most recent figures on HIV infection and AIDS deaths see Joint United Nations Programme on HIV/AIDS (UNAIDS), *2006 Report on the Global AIDS Epidemic* (UNAIDS: Geneva,

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Pakistan in April 2006. Climate change and, particularly, global warming poses threats of flooding especially for Bangladesh and some of the Indian Ocean island states, together with shifts in the monsoon and other weather patterns that could hurt economically marginal populations in all states: challenges certainly too large even for the largest local state to try to tackle on its own. At the most general level of all, the very fact of profitable advances made in security-related cooperation in other regions, including many of those bordering on South Asia, has provided a new challenge and a new source of hope for those South Asian thinkers who would like to see their region benefiting from some of the same advantages. If the Six-Party Talks initiated by China to negotiate on the North Korean nuclear programme should develop into a lasting North-East Asian framework, as some hope, this point would be all the stronger.

Factors to be counted on the negative side are first and foremost those that have long been present in the region and that are enumerated in the first section of this chapter. More tentatively, it may be suggested that the very question of whether South Asia is a predestined and cohesive region may not be so easy to answer as it was at other times in the past. Earlier, the British (and where applicable Dutch, French and Portuguese) colonial heritage could be seen as something of a uniting factor because of its linguistic, cultural and systemic legacy—including local bureaucracies' parallel inherited features—even if the end of empire was war-torn and divisive in the extreme. From their creation, however, the independent states of India and Pakistan chose to define contrasting identities for themselves in terms of not just religious orientation but also strategic alignment (Pakistan seeking Western alliances, India leading the Non-Aligned Movement), and these choices in turn led to new external links with non-colonial players, notably the United States and the Soviet Union. Dynamics of migration and the economy have also re-established a much older historical interplay with the Arabian peninsula. Today, qualified South Asians can view the whole world as their oyster: the rise of interest in the region's human resources (especially in the field of information technology but also in the context of outsourcing) is building a new set of intimate economic connections and socio-cultural sympathies. Of course, not all new trends are positive, but even the worrying phenomenon of Islamic and other (e.g. Sikh) religious extremism points to ties that may draw the region's states towards different external partners and frames of reference, or may subdivide national identities within the frontiers originally set by colonial powers. Even the hoped-for march of democracy should logically give populations more freedom to decide their own identities and alignments, with results that could still include a few surprises. Any careful analysis of regional developments elsewhere will underline how far regional communities—and perhaps especially the more successful ones—are conscious and, therefore, subjective constructs:²³ only the South Asians themselves can in the last resort decide whether they constitute a region, a set of subregions, a border zone between

May 2006), URL <<http://data.unaids.org/en/HIV-data/2006GlobalReport/>>, Annex 2, 'HIV/AIDS estimates and data, 2005'.

²³ Bailes and Cottey (note 1), pp. 198–99.

other macro-regions, or nothing that fits into the normal vocabulary of regionalism at all.

Some hypotheses

If regional security cooperation does make progress in South Asia, it will not necessarily be by a direct or conventional route. Three possible scenarios are mentioned here that may have some plausibility against the background of current events, although no claim is made at this point about their probability.

First, several other regions have started to engage in security cooperation at a fairly late stage in the life of their respective framework organizations, which were originally set up with aims of trade and development promotion. This is true of the European Union and has been true more recently of the Mercado Común del Sur (MERCOSUR) in South America, ASEAN, the Asia–Pacific Economic Cooperation (APEC) group and others that have adopted positions notably on terrorism-related issues since 2001.²⁴ It is theoretically possible that new life might be breathed into SAARC itself by using it to pursue human security or functional security issues, where the nature of the regional powers' interests is relatively little affected by their different sizes or by traditional enmities, and where—in many cases—commitments entered into or campaigns launched at global level could provide a ready-made brief for action. Energy and environmental security (including natural disaster handling), transport security and combating epidemic disease would be examples. It is not an enormously big step from these fields to contemplate common South Asian measures in the areas of trade, sea traffic, transport and human movement that would relate more directly to the most sensitive 'new threats' of terrorism and WMD proliferation.

A second scenario would start from the definite (if still modest and reversible) progress made in confidence building and in some other concrete areas of cooperation between India and Pakistan in the latest years, and from the settlement that might eventually come within reach in Sri Lanka, together with the evident need for some kind of security framework of a simultaneously sustaining and containing kind around the new Afghanistan. Building on such localized steps and needs to construct a wider regional regime of confidence building, transparency and security cooperation would be an approach that could draw on some parallels with groups in Latin America, the ASEAN Regional Forum (ARF), the SCO and perhaps certain subregional communities in Africa and Europe. In this scenario the agenda would be from the outset a traditional security one but could, of course, develop in such a way as to sustain different kinds of functional security cooperation.²⁵ While

²⁴ The members of MERCOSUR, or the Southern Common Market, are Argentina, Brazil, Paraguay, Uruguay and Venezuela. See URL <<http://www.mercosur.org.uy>>. For the 21 members of APEC and more on the group see URL <<http://www.apec.org>>.

²⁵ The OSCE, whose security *acquis* was based on the easing of traditional military confrontation, has since 2000 developed joint policies on issues such as terrorism, drug and arms smuggling, and people trafficking following a similar evolution.

the circumstances of South Asia may not seem promising for such a scenario—notably because no one could expect it to be accompanied by a complete settlement between India and Pakistan on any short timescale—a comparable process in Europe was born amid no easier conditions in cold war times (namely, the Conference on Security and Co-operation in Europe—from 1995 the Organization for Security and Co-operation in Europe, OSCE). One additional factor to bring into the picture in the case of South Asia would be the existence of outside institutions, NATO and to a lesser extent the EU, that have their own interests in regulating the security situation around Afghanistan: are their urgings (and their own speculative schemes) likely to improve the prospects for local states to get together, or are they likely to trigger counterproductive reactions and possibly divisive effects?²⁶ (A further remark on this is made below.)

A third scenario that is interesting because it hardly involves Western inputs at all would be for India and Pakistan to approach local security cooperation ‘by the long way round’: from gaining experience of working together in groupings centred somewhere outside their own region. Both are members of ARF and can apply to attend APEC meetings as ‘guests’. India (although not yet Pakistan) was invited to join the new East Asian Summit (EAS), which met for the first time at Kuala Lumpur, Malaysia, in December 2005 and which consciously excludes the United States.²⁷ The Asia–Europe Meeting (ASEM) process, which brings together the 25 EU member states, the European Commission and 13 Asian states, agreed at its summit meeting at Helsinki on 10 September 2006 to invite India, Mongolia and Pakistan to join.²⁸ Perhaps most intriguing, India and Pakistan have both become observers in and would like to be full members of the six-member SCO, which links China and Russia with four Central Asian states and also has Iran and Mongolia as observers. Although often looked at askance by Western observers and certainly one of the world’s least transparent organizations, the SCO has an agenda that is highly pertinent to South Asia’s needs, with its focus on cooperation in combating terrorism, extremism, secessionism and crime; stabilizing borders; and reducing military threats, notably through constraints on armed forces in mutual frontier zones. There are indications that Afghanistan would also like to be associated with the SCO.²⁹ An alternative scenario for successful regionalism in South Asia is, thus, that India, Pakistan and, where relevant, Afghanistan could learn to work together—and be guided to see where their strongest shared interests

²⁶ The EU as such has little *prima facie* leverage, given its lack of a clear joint strategy towards South Asian states and the fact that some of its policies, ranging from trade and immigration control to its approach to WMD issues, are seen as harmful or at least irrelevant by many South Asian authorities.

²⁷ To the USA’s relief, however, Australia and New Zealand were eventually included. On the EAS see Frost, F. and Rann, A., ‘The East Asian Summit, Kuala Lumpur, 14 December 2005: issues and outcomes’, Parliament of Australia, Parliamentary Library, Canberra, 17 Jan. 2006, URL <http://www.aph.gov.au/library/intguide/FAD/eastasia_summit.htm>.

²⁸ On the informal ASEM process, initiated in 1996, see URL <http://ec.europa.eu/comm/external_relations/asem/intro/index.htm>.

²⁹ See e.g. ‘Afghanistan keen to cooperate with SCO members: Karzai’, Afghan–American Chamber of Commerce, 15 June 2006, URL <http://www.a-acc.org/c/news/news_sco_karzai.html>.

lie—thanks to their shared participation in these other bodies. The presence in these bodies of such important outside powers as China, Japan and Russia would offset the problem of India's excessive weight vis-à-vis its closest neighbours. Any positive dynamic thus generated could be fed back into South Asia to reanimate the SAARC, to create a sort of South Asian chapter of one of the larger organizations, or in some other way that is hard to foresee at present.

Conclusions

The credibility of these various scenarios is discussed by experts from the region in the other chapters of this Policy Paper. Representing three different countries, they can give an insight also into the all-important subjective dimension that so often complicates any apparent security logic perceived from outside. In assessing the emerging picture, it will be important to bear one further point in mind: that regional cooperation, for those not yet (fully) committed to it, is not always viewed just in the light of its most obvious successes but also in the knowledge of its more flawed and questionable forms. For example, the renewed interest being shown by NATO in Central Asian security—mainly in the context of Afghanistan's needs—has aroused apprehension as well as curiosity in India, where it may be interpreted as a recipe for importing superpower agendas into the region and where the vision of an 'Asian NATO' is most likely to be pictured as a late-cold-war-style US–Pakistani–Afghan pact. More generally and as hinted above, the region's most experienced decision makers seem to be on their guard today against any outside manipulation that would risk either renewed polarization within South Asia or the crude exploitation of the region's powers to 'balance' someone else. That in itself is, of course, quite a hopeful sign for the eventual prospects of local solidarity and cooperation. If such perceptions should ultimately help to feed real local progress, it will not be the first time that recent US policies have led towards precisely the effect of consolidating other regional 'counter-powers' that they were meant to avoid.³⁰

³⁰ This thesis can certainly be applied to the EU's efforts to find new unity and more explicit security-policy platforms for itself after the splits caused by the Iraq invasion in the spring of 2003. In Latin America, too, there have been signs of reaction against the USA's terrorism-dominated agenda among more moderate states as well as the openly anti-US Peruvian and Venezuelan regimes. For more on the USA and regionalism see Bailes and Cottey (note 1).

2. The South Asian Association for Regional Cooperation

MAVARA INAYAT

Introduction

South Asian heads of state and government formally adopted the Charter of the South Asian Association for Regional Cooperation (SAARC) on 8 December 1985, with Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka as its members.¹ At the 13th SAARC summit meeting, held on 12–13 November 2005 at Dhaka, SAARC's membership was expanded to include Afghanistan. SAARC was created for cooperation in the socio-economic fields, based on respect for the principles of sovereign equality, territorial integrity, political independence and non-interference in the internal affairs of members. Cooperation within SAARC was designed to complement both the bilateral and the multilateral relations of SAARC states. All decisions within SAARC are taken on the basis of unanimity, while bilateral and contentious issues are excluded from the group's deliberations (Article X of the Charter).

Geographically, SAARC was founded on the premise that South Asia is an integrated ecosystem. It is dominated by two subsystems: the Himalayan mountain system in the north and the oceanic regions of the south.² In the north, the Himalayas separate the South Asian region from the rest of Asia, and the region extends southwards into the Indian Ocean, with a coastline of 5633 km.³ The network of land and riverine communications, especially between India and the smaller states (with the exception of Pakistan), and the climatic homogeneity of the region were all conducive to a coordinated effort to promote cooperation over this territory. This geographical cohesion of South Asia has been an important factor in the evolution of SAARC.

South Asia is also a geopolitical region—'a region derived from geographical features which give it a unity within which cultural, political and economic processes of integration can occur'.⁴ Throughout history, South Asia has seen the movement of peoples, trade and ideas that have integrated the region both econom-

¹ For the history of SAARC and for SAARC documents see the association's website at URL <<http://www.saarc-sec.org>>. The SAARC Charter is available at URL <<http://www.saarc-sec.org/main.php?id=10>>.

² On South Asia as a geographic region see Chapman, G. P., *The Geopolitics of South Asia: From Early Empires to India, Pakistan, Bangladesh* (Ashgate: Burlington, Vt., 2000), pp. 3–8.

³ Mendis, V. L. B., *SAARC: Origins, Organisation and Prospects*, Monograph no. 3 (Indian Ocean Centre for Peace Studies: Perth, 1991), p. 7.

⁴ Mendis (note 3), p. xvi.

ically and culturally. The subcontinent's blend of Buddhism, Hinduism and Islam creates a distinct culture in the South Asian region.

This chapter first reviews the origins of SAARC and its key characteristics. It then comments on participants' attitudes and evaluates SAARC's progress and achievements. The conclusions are presented in the last section of the chapter.

The historical background

Historically, South Asian populations have constituted a mix of indigenous peoples and migrants from both Central Asia and the Middle East.⁵ The region has also seen massive internal movements of peoples. It has never been united politically, however, and for much of its history has consisted of a set of subregions. Two Indian monarchs were noteworthy for their efforts to unite the subcontinent and promote a policy of mutual toleration between the different religions—the Mauryan Emperor Asoka in the 3rd century BC and the Mughal Emperor Akbar in the 16th century—but their efforts failed.⁶ Later, the United Kingdom played a more significant role in uniting much of the Indian subcontinent politically: the region now comprising Bangladesh, India and Pakistan formed a single political entity under British rule for 200 years. In the 20th century it was in part due to the UK that the independent states of India and Pakistan emerged and inherited integrated bureaucracy and legal systems.⁷

The idea of building cooperation in modern-day South Asia had historical roots. Michael Haas traces the idea of a South Asian community to an Asian Relations Conference that was convened in New Delhi in April 1947.⁸ This conference led to the formation of a non-governmental Asian Relations Organization with the objective of creating a pan-Asian framework to build technical cooperation among these countries.⁹ No meeting was ever held under its auspices, however, and the organization itself was dissolved by 1957. From 28 April to 2 May 1954, Burma, Ceylon, India, Indonesia and Pakistan met at the South Asian Prime Ministers'

⁵ Throughout the centuries, immigrants have entered South Asia overland through the Khyber Pass in the north-west.

⁶ While Asoka was a propagator of Buddhism, he tolerated all the other faiths. Akbar, born Muslim, invented his own religion, Din-i-Elahi, which preached tolerance of all the other faiths, especially Hinduism. The preachers of various faiths who have taught toleration of other faiths have served the cause of unity at least as much as the monarchs did in promoting unity among the South Asian peoples.

⁷ Mahmood-i-Elahi, 'From confrontation to cooperation: emerging regionalism in South Asia', *Asian Profile*, vol. 14, no. 6 (Dec. 1986), p. 541.

⁸ Haas, M., *The Asian Way to Peace: A Story of Regional Cooperation* (Praeger: New York, N.Y., 1989), pp. 275–76. Efforts for regional cooperation in South Asia can also be traced back to 1945, when Jawaharlal Nehru made a plea for 'a South Asian Federation of India, Iran, Afghanistan and Burma'. He convened the 1947 Asian Relations Conference even before India's independence. The next step was the Colombo Plan, a product of the Commonwealth Foreign Ministers' Conference held in Colombo in Jan. 1950. The aim was to promote technical cooperation among the South and South-East Asian countries, but the plan also represented the Commonwealth's attempt to explore how it might play a role in emergent Asia.

⁹ Haas (note 8), p. 275.

Conference (also known as the Colombo Powers' Conference), held in Kandy, Ceylon.¹⁰ The conference met again twice in the same year to finalize plans for an Afro-Asian Nations Conference; but after April 1955, when it created the Bandung movement, which later became the formal Non-Aligned Movement (NAM), the Colombo Powers never met again.¹¹

In the 1950s, various moves towards the establishment of South Asian regionalism failed because, with the start of the cold war, India and Pakistan took up contradictory foreign policy alignments. Pakistan became a member of US-sponsored defence pacts such as the South-East Asia Treaty Organization (SEATO) and the Central Treaty Organization (CENTO), while Indian foreign policy during the cold war era was tilted towards the Soviet Union.¹² This contradiction in the foreign policies of two large South Asian states postponed the emergence of regionalism in South Asia for a long time.

Ironically, various outside proposals and events also encouraged the eventual formation of SAARC. For example, Soviet leaders such as Aleksei Kosygin and Leonid Brezhnev suggested several times that Asia should have a collective security arrangement.¹³ Another influence was the formation of other regional organizations, such as the Association of South East Asian Nations (ASEAN), raising the question of whether a similar grouping was possible in South Asia. Most importantly, the Soviet intervention in Afghanistan in 1979 quickened the pace of the emergence of SAARC—primarily because of the USA's new interest in building regionalism in South Asia as a bulwark against further Soviet advance.

For the smaller South Asian states, the 1971 Indo-Pakistan war established the preponderance of India in the region and sharpened the fear of Indian hegemony. These states coped with their fear on two levels: on the one hand their behaviour became accommodating towards India, but on the other hand they sought to engage this dominant power in a regional forum where they themselves could gain at least a semblance of equality. Against this background it was natural that the initiative for the formation of SAARC came from a smaller state—Bangladesh.

The first concrete steps to establish SAARC were taken in 1977 by the President of Bangladesh, Ziaur Rahman. During visits to Nepal, India, Pakistan and Sri Lanka in 1977–80, he discussed the possibility of creating a regional cooperation framework in South Asia. As a second step, he sent letters to the heads of government of Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka, proposing a

¹⁰ Haas (note 8), p. 275. Until 1972 Sri Lanka was called Ceylon. Until 1971 Pakistan consisted of the territory of present-day Pakistan (West Pakistan) and that of Bangladesh (East Pakistan).

¹¹ Haas (note 8), p. 276. On NAM and for a list of its 116 members see URL <<http://www.e-nam.org.my/mainb.php?pg=map>>.

¹² During the cold war, while Pakistan's military was strengthened by US assistance, India became a regular customer for Soviet military equipment and technology. E.g. during the 1971 Indo-Pakistani war, while the US Administration supposedly leaned towards Pakistan, India signed a Treaty of Peace, Friendship and Cooperation with the Soviet Union before sending the Indian military into what was then East Pakistan in order to help the Bengali freedom fighters against Pakistani forces. See also chapter 4 in this paper.

¹³ Mendis (note 3), p. 24.

summit meeting to explore the possibility of establishing institutional arrangements for regional cooperation.

Three distinct phases marked the subsequent emergence of SAARC. The first phase engaged the countries' foreign secretaries and senior officials in preparing a basic framework, starting with the first meeting of foreign secretaries in April 1981 at Colombo and continuing until 1983.¹⁴ The second phase began with the convening of the meeting of foreign ministers at New Delhi in August 1983, when the process was elevated to a political level and the Declaration on South Asian Regional Cooperation was adopted. In the third phase, the heads of state or government of the seven founding members met at the first SAARC summit meeting, held at Dhaka in December 1985, and adopted the SAARC Charter.

SAARC's objectives, as set out in Article I of the Charter, include the promotion of economic growth, social progress and cultural development; collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields; cooperation with other developing countries and among South Asian states in international forums on matters of common interest; and cooperation with international and regional organizations with similar aims and purposes. Interestingly, SAARC members had also initially agreed to work together in the social, economic and technical fields, but mutual suspicions—especially Pakistan's fear of Indian hegemony—led to economic cooperation being dropped from the organization's purview. It was only during the 1990s that SAARC moved into the area of trade, albeit with caution.

SAARC's institutional set-up

At its creation, the founding members of SAARC had a functional, intergovernmental, step-by-step approach to regional cooperation. This was largely due to the reciprocal concerns of India, which feared that the smaller countries would unite against it in the SAARC forum, and the smaller countries, which feared that India would use SAARC to impose its hegemony. SAARC structures are intergovernmental in character, and any new area of cooperation is subject to the approval of SAARC heads of state or government.

At the apex of SAARC's organizational structure are the annual summit meetings of heads of state or government. Summit meetings are the decision-making authority of SAARC. Next in the hierarchy is the Council of Ministers, comprising the foreign ministers of the member states. The Council is responsible for formulating policies, reviewing progress, deciding on new areas of cooperation, establishing additional mechanisms as deemed necessary and deciding on other matters of general interest to the Association. The Council meets twice a year and may also meet in an extraordinary session if the member states so agree.

¹⁴ In this region, foreign secretaries are the highest professional officials in each foreign ministry (in European terms, the permanent secretaries or secretaries-general).

Table 2.1. Comparison of SAARC with three other regional organizations, as of October 2006

	Area (m. km ²)	Population (m.)	GDP (PPP \$)		No. of members
			Total (m.)	Per capita	
SAARC	5.1	1 473.0	4 074 031	2 733	8
ASEAN	5.2	580.8	2 614 422	4 501	10
EU	4.0	457.0	12 180 000	26 655	25
GCC	2.3	36.7	573 190	15 607	6

ASEAN = Association of South East Asian Nations; EU = European Union; GCC = Gulf Cooperation Council; GDP = gross domestic product; PPP = purchasing power parity; SAARC = South Asian Association for Regional Cooperation.

Source: US Central Intelligence Agency, *The World Factbook*, updated as of 17 Oct. 2006, URL <<https://www.cia.gov/cia/publications/factbook/>>.

Next in line is the Standing Committee, comprising the foreign secretaries of the SAARC states, which monitors and coordinates cooperation programmes and deals with financing (mobilizing regional and external resources) and identifies new areas of cooperation. It submits its reports to the Council of Ministers. The Technical Committees comprise representatives from the member states and formulate work programmes and prepare projects in their respective fields, which make up the SAARC Integrated Programme of Action. The Technical and Action Committees are executive bodies forming the bottom rung, with virtually no decision-making power, although they may debate the 'potential and the scope of regional cooperation in agreed areas'.¹⁵ They submit their reports to the Standing Committee.

The SAARC Secretariat was established at Kathmandu in January 1987 with its own secretary-general.¹⁶ Unfortunately, the latter's role was not designed for effective regional leadership but is purely bureaucratic in nature. In the hierarchical structure of SAARC, the secretary-general is placed under the Standing Committee and his executive powers are limited. This has ruled out any supranational element in the SAARC organization.

SAARC's activities

All areas of cooperation in SAARC are covered by the SAARC Integrated Programme of Action: agriculture and forestry, communications (postal services and telecommunications), education, culture, sports and arts, the environment, health, population and child welfare, meteorology, the prevention of drug trafficking and

¹⁵ SAARC Charter (note 1), Article VI.

¹⁶ On the establishment of the SAARC Secretariat and the powers of the secretary-general see 'Memorandum of understanding on the establishment of the Secretariat', *From SARC to SAARC: Milestones in the Evolution of Regional Cooperation in South Asia*, vol. 1, 1980–1988 (SAARC Secretariat: Kathmandu, 1988), pp. 179–81.

drug abuse, rural development, science and technology including energy, tourism and transport, and the role of women in development. All these areas are discussed at SAARC summit meetings, of which 13 have been held.

At the ninth SAARC summit, heads of state or government agreed for the first time that a process of informal political consultations would prove useful in promoting peace, stability and amity and accelerated socio-economic cooperation in the region. The leaders reiterated this intent during their 10th and 11th summits, held in Colombo and Kathmandu, respectively. Up to 2004, the SAARC Council of Ministers had held 24 meetings, while the SAARC Standing Committee had held 29 sessions, all of them instrumental in carrying the SAARC agenda forward. Even so, SAARC has been notably slow to move into vital areas of cooperation such as trade and to build consensus among its members on issues of domestic, regional and global security. In this respect it has a lot to learn from other regional organizations.

The European Union (EU) is the most sophisticated model of a regional organization because its members agreed to transfer parts of their national sovereignty to the central organs. In contrast, SAARC member states had only recently gained their independence and cautiously guarded their sovereignty. In this, SAARC resembled the organizations operating in other regions of the world, such as Africa and Latin America, which have remained based on national sovereignty and are 'loosely embedded in institutional structures'.¹⁷

Table 2.1 presents data showing how SAARC compared with ASEAN, the EU and the Gulf Cooperation Council (GCC) as of the autumn of 2006.¹⁸ SAARC is larger than the other organizations in terms of area (except for ASEAN) and population. However, the EU has far the largest membership, while SAARC has only 8 members, and the EU is far ahead of SAARC in terms of its members' gross domestic product (GDP) measured by purchasing power parity (PPP), both in total and per capita. The GCC has fewer members than SAARC and lower aggregate GDP (PPP-converted), but much higher GDP per capita. ASEAN has more members than SAARC, lower GDP (PPP-converted) but higher GDP per capita.¹⁹

Three further differences may be noted between SAARC and other regional organizations. First, during the cold war era, unlike the then European organizations and ASEAN, South Asia was not polarized along East–West lines. Second, SAARC had no common security threat. In contrast to Western Europe's need to ally (in NATO) against the Soviet threat, and GCC member states that needed protection against either Iran or Iraq, the source of potential threat for most

¹⁷ Wagner, C., 'Examples and models for economic development', ed. K. M. Asaf, *Pakistan & Regional Economic Cooperation in SAARC–ECO* (Institute of Regional Studies: Islamabad, 1996), p. 11.

¹⁸ The 6 members of the GCC are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. On the group see URL <<http://www.gcc-sg.org>>.

¹⁹ On the use of purchasing power parities in another context see Ward, M., 'International comparisons of military expenditures: issues and challenges of using purchasing power parities', *SIPRI Yearbook 2006: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 2006), pp. 369–86.

SAARC members—India—lies within SAARC itself. Third, in the post-cold war era, the idea of benefiting from greater trade within SAARC was an incentive for India but not for smaller SAARC countries that felt that Indian goods would dominate their markets. Thus, unlike members of ASEAN, smaller SAARC states resisted moves towards free trade for fear that the balance of trade would go in India's favour. Their strongly protectionist attitude helps to explain why SAARC took so long to build a regional free trade area.

For all this, SAARC has worked effectively at three levels. First, through its structures it promotes cooperation in the areas where SAARC member states have unanimously agreed to work together. Second, over time SAARC has moved into the significant area of cooperation on trade. Third, and at a later stage, it produced the SAARC Regional Convention on Suppression of Terrorism in 1987 and the Additional Protocol on Suppression of Terrorism in 2004.²⁰ Thus, although the pace of progress in SAARC has been slow, it has not been altogether lacking.

Attitudes of significant regional powers

India

What has India's attitude been towards SAARC? Predominantly (over 80 per cent) a Hindu state, India constitutes 73 per cent of both the population and the land area of the whole SAARC region (see table A.1). It is the most powerful SAARC member both militarily and economically, causing many smaller SAARC members to feel apprehensive about Indian hegemony. India has a large Muslim minority (over 13 per cent) but, despite the country's religious, ethnic and linguistic diversity, its democratic system ensures a relative degree of political stability.

India has strong political and economic linkages with most other SAARC members. Since its independence on 15 August 1947, these have been embodied most clearly in its security treaties with the landlocked states of Bhutan and Nepal, its role in the creation of Bangladesh in 1971, its role in aborting a coup d'état attempt in the Maldives in 1989 and its continued interest in Sri Lanka's Sinhalese–Tamil conflict.²¹

At the economic level, India is Bhutan's and Nepal's major export and import partner and Bangladesh's and the Maldives' main import partner. However, all these partners are among the world's least developed countries, so the volume of their trade with India is not significant. The statistics for intra-SAARC trade could rise only if India and Pakistan conducted significant trade with one another.

India's own domestic, regional and global security interests have determined its attitude towards SAARC. At the domestic level, India is aware of the asymmetry of its own military, political, economic and social potential vis-à-vis the smaller

²⁰ The text of the SAARC Regional Convention is available at URL <<http://untreaty.un.org/English/Terrorism.asp>> and the Additional Protocol at URL <http://www.satp.org/satporgtp/southasia/documents/papers/SAARC_pak.htm>; the protocol was ratified in Nov. 2005.

²¹ See chapter 5 in this paper.

SAARC states. While understanding that the smaller members would try to resist any open claim to hegemony, India has felt that being treated in the same way as they are would be highly unsuited to its real potential. At the regional level, given its disputes with many SAARC members, India was also fearful that the smaller members would gang up against it within SAARC and saw Bangladesh's proposal to establish the organization in that context. This is why India fought for the unanimity principle within SAARC and insisted that the discussion of bilateral disputes must be kept outside the organization's purview.

At the global level, both the cold war and the dynamics of the post-cold war era shaped India's attitude towards SAARC in three ways at different times. Initially, India decided to accept membership of SAARC because there was a consensus between the USA and the Soviet Union on the need for some form of cooperation in South Asia. At the same time, especially in view of the US opposition to the Soviet intervention in Afghanistan, India wanted to maintain its equidistance between the two superpowers and thus also saw value in making Afghanistan a member of SAARC. Later, with the end of the cold war and US–Soviet rivalry, India moved closer to the USA and was influenced by the fact that this sole remaining superpower continued to favour cooperation in SAARC.

Pakistan

Pakistan, the second largest state in the SAARC region in terms of both area and population, is much more religiously homogeneous than India, with a 97 per cent Muslim population. Even so, it faced religious factionalism along Sunni and Shiite lines combined with ethno-linguistic divisions. Politically, a series of military coups in Pakistan destabilized the country's democratic structures: unsuccessful experimentation with democracy during the 1950s, 1970s and 1990s led to the establishment of military rule during the 1960s, 1980s and from October 1999. Pakistan's rivalry with its larger and militarily more powerful neighbour—India—led to wars between them in 1948 and 1965 over the disputed territory of Kashmir and in 1971 over Bangladesh, which further destabilized Pakistan's political structure.

At the domestic level, the asymmetry in size, resources and military potential among the SAARC states shaped Pakistan's attitude towards them. Like other members, Pakistan has feared Indian hegemony, but at the same time its own strength compared to the smaller SAARC members has facilitated its good relations with Bangladesh, Bhutan, the Maldives, Nepal and Sri Lanka. The smaller SAARC members' disputes with India also strengthened Pakistan's friendship with these states, giving hope that a common stand could help to dilute Indian hegemony through SAARC.

At the regional level, the historical, strategic and political relationships of Pakistan have strongly affected its attitude towards SAARC. The three Indo-Pakistani wars, combined with lower-scale conflicts in Siachen and Kargil, underlined Pakistan's insecurity vis-à-vis India, and the latter's superiority in nuclear forces from

the 1990s added a new dimension.²² These national security concerns determined Pakistan's attitude towards SAARC and in turn set barriers to the degree of cooperation that the organization could achieve.

The Kashmir dispute has affected Pakistan's attitude towards SAARC in two specific ways. First, it led Pakistan to assert that the smaller SAARC members' bilateral political disputes with India should be discussed within the SAARC framework—aiming thereby both to pressure India on the Kashmir dispute and to unite the smaller SAARC members against India. Pakistan's attempts to amend the SAARC Charter to this effect, however, have been unsuccessful, largely because the Charter established unanimity as the basis of decision making in SAARC. The outcome led to a period of Pakistani scepticism about SAARC's potential that lasted from 1985 to 2005.²³

Nevertheless, Pakistan found it acceptable to go on participating in SAARC activities for two reasons: SAARC's structures are intergovernmental, which suited Pakistan's national security interests, and the group did not involve any political or security activities that might adversely affect Pakistan's national security concerns. SAARC countries did manage to agree during this period to cooperate in combating terrorism and promoting intra-SAARC trade, and both these things strengthened the organization and Pakistan's commitment to it.

Pakistan also views the 1987 SAARC Regional Convention on Suppression of Terrorism as not conflicting with its national security concerns for two reasons. First, the convention was designed to respect members' national interests and thus did not allow SAARC to back India's allegations against Pakistan in this context (or vice versa). Second, Pakistan could nonetheless use the convention to criticize India's interference in smaller SAARC members' ethnic affairs, thereby enhancing its own solidarity with the latter.

Pakistan's position on intra-SAARC trade was also shaped by fear of Indian hegemony, on both the political and economic levels. On the former the unresolved Kashmir dispute with India was a factor, while on the economic front the Pakistani Government feared that it would not be able to compete with India's larger and more powerful economy.

Pakistan's alignment with the USA was the deciding factor in shaping Pakistani attitudes towards SAARC. In the wake of the Soviet intervention of Afghanistan, Pakistan's security relationship with the USA was a strong influence on its decision to join SAARC in 1985. During the 1990s, Pakistan's involvement in SAARC was dependent on the USA's specific interests in expanding local cooperation. The USA especially urged Pakistan to build people-to-people linkages and to combat drug trafficking and terrorism in the SAARC region. This suggests that an even greater US involvement in the resolution of India–Pakistan rivalry and in the SAARC process could transform Pakistan's overall hesitant approach towards SAARC into a more positive commitment and involvement in future.

²² For details of Indian and Pakistani nuclear forces see Kile, S. N., Fedchenko, V. and Kristensen, H. M., 'World nuclear forces, 2006', *SIPRI Yearbook 2006* (note 19), pp. 660–66.

²³ On Pakistan and its relationship with SAARC in this period see also chapter 4 in this paper.

Bangladesh

Of the six smaller SAARC states, Bangladesh has the second largest population and a large economic and military potential. Now a parliamentary democracy, it is both linguistically and ethnically a homogeneous society, as 98 per cent of the population is ethnically Bengali. However, there is religious division between the Muslims (83 per cent) and Hindus (16 per cent).

Bangladesh's attitude towards the establishment of SAARC reflected its national security concerns in the domestic, regional and global dimensions. The asymmetry between Bangladesh's geographical, military and economic potential and that of India was the largest factor driving Bangladesh to propose the idea of SAARC. At the regional level, given Indo-Bangladeshi disputes, the desire to dilute Indian hegemony in the region was decisive and led Bangladesh to propose that SAARC should enunciate principles such as respect for the equality of all states. Bangladesh also wanted its bilateral disputes with India to be discussed in the SAARC forum and joined Pakistan in its ultimately fruitless efforts to avert the establishment of the principle that prevented SAARC from discussing bilateral political matters.

Another factor shaping Bangladesh's attitude was its natural inclination to help in resolving the bilateral problems of India and Pakistan. This became linked at times to the timetable of SAARC summits: thus, after the nuclear explosions conducted by India and Pakistan in May 1998, Bangladesh played a major role in ensuring that the 10th SAARC summit was held on 29–31 July 1998 at Colombo.

At the global level, the pro-Western attitude of Bangladesh, especially its pro-US orientation, affected its approach to SAARC. When Bangladesh proposed the formation of SAARC, the South Asian media saw this as a possible opening for US interests in the region. In fact, just before the proposal was put forward, US officials held meetings with President Rahman. This pro-Western orientation is still a key factor in Bangladesh's enthusiasm for SAARC.

SAARC's achievements and current progress

A major achievement of SAARC has been to bring India and Pakistan closer to negotiating over their Kashmir dispute. For the first time since the 1999 Lahore Declaration,²⁴ the two countries' leaders—India's Prime Minister Atal Bihari Vajpayee and Pakistan's President Pervez Musharraf—adopted a positive posture towards each other at the January 2004 Islamabad SAARC summit meeting.²⁵ They also issued a joint statement in which they pledged to resume state-level talks on

²⁴ For the Lahore Declaration, issued on 21 Feb. 1999, see URL <<http://asiapeace.org/acha/Kashmir110.htm>>.

²⁵ After his meeting with Vajpayee, Musharraf declared: 'history has been made . . . We [India and Pakistan] have never reached in the past where we have reached now. . . . We have now decided to take the peace process forward'. 'Meeting with Vajpayee a historic event, Musharraf says', *The News* (Islamabad), 6 Jan. 2004.

Kashmir.²⁶ Observers of the region hoped that resolution of the dispute was drawing near.²⁷

At the same SAARC summit, the member states signed the Additional Protocol on Suppression of Terrorism, which was ratified in 2005. Whether it leads to any practical cooperation will depend above all on resolution of the Indo-Pakistani conflict over Kashmir and on the complex security relationship between India and the smaller SAARC states. Recent developments suggest that both countries have begun to take the first steps towards resolving the issues.

At the economic level, a breakthrough came with the SAARC Preferential Trading Arrangement (SAPTA) Agreement, which was signed in April 1993 and entered into force on 7 December 1995, opening the way for a certain expansion of intra-SAARC trade.²⁸ The success of SAPTA lay in its acceptance of the variation in development levels of the SAARC members. SAPTA allowed the SAARC governments to nominate items for preferential trade treatment and envisaged special concessions for the region's least developed countries—Bangladesh, Bhutan, the Maldives and Nepal. These measures ensured that trade with India would benefit all the SAARC countries. Over time, the number of items was expanded considerably, although the overall figures for intra-SAARC trade remain dismal.²⁹ The common trading interests of Pakistan and the other SAARC states and the relative successes of SAPTA, however, served to further strengthen Pakistan's commitment to maintaining the organization, despite its fears of India's economic power.

Also at the January 2004 summit meeting, the SAARC countries' foreign ministers signed the South Asian Free Trade Area (SAFTA) Agreement, which came into force on 1 January 2006.³⁰ According to this agreement, SAARC states are to reduce or eliminate tariffs. Pakistan, India and Sri Lanka will cut tariffs up to 5 per cent within seven years of the start of the agreement. The SAARC countries will also maximize their lists of items that are given preference for intra-SAARC trade. All countries can, however, 'maintain a list of sensitive products' on which they will not have to reduce tariffs.³¹

The SAARC Social Charter was signed at the same meeting, in order to address such issues as population stabilization, empowerment of women, youth mobilization, human resource development, promotion of health and nutrition, and the

²⁶ South Asia Terrorism Portal (SATP), 'India–Pakistan Joint Press Statement', Islamabad, 6 Jan. 2004, URL <http://www.satp.org/satporgtp/countries/India/document/papers/indo_pak-6jan04.htm>.

²⁷ See e.g. articles and editorials in *The News* (Islamabad) and *Jang* (Rawalpindi) from 1 to 7 Jan. 2004.

²⁸ On SAPTA see also chapter 4 in this paper, and for the agreement see URL <<http://www.south-asia.com/saarc/sapta.htm>>.

²⁹ See also chapter 4 in this paper; and Burki, S. J., 'Potential of the South Asian Free Trade Area', United States Agency for International Development (USAID), *South Asian Free Trade Area: Opportunities and Challenges* (USAID: Washington, DC, 2005), URL <http://pdf.usaid.gov/pdf_docs/PNADE563.pdf>, p. 13.

³⁰ On the SAFTA Agreement see also chapter 4 in this paper, and for the text of the agreement see URL <<http://www.saarc-sec.org/data/agenda/economic/safta/SAFTA%20AGREEMENT.pdf>>.

³¹ 'South Asia ministers sign free trade agreement', *The News* (Islamabad), 6 Jan. 2004.

protection of children, all of which are key issues for the welfare and well-being of South Asian populations.³² SAARC has also adopted conventions on other significant issues facing the region: the SAARC Convention on Narcotic Drugs and Psychotropic Substances was signed in 1993³³ and other important conventions deal with creating a regional food security reserve, preventing the trafficking of women and children for prostitution, and promoting children's welfare.

SAARC has also endeavoured to build people-to-people contacts in South Asia, in several ways. All SAARC members have actively participated in special programmes to this end, resulting in a number of useful contacts.

In order to demonstrate its spirit of internationalism, SAARC signed memoranda of understanding with various international organizations and held dialogues with other regional groupings. The interest of major regional powers in acquiring observer status in SAARC is a significant recent development. At the 13th SAARC summit, held in November 2005, SAARC members granted observer status to China and Japan. Pakistan, Bangladesh and Nepal wanted to give China full membership of SAARC, while India was initially reluctant because of its security concerns. In April 2006 the USA and South Korea formally applied to become SAARC observers, and the EU expressed a similar interest at the time of the SAARC Council of Ministers meeting in July 2006. The Council of Ministers duly agreed in principle on 2 August 2006 to grant observer status to the USA, South Korea and the EU, leaving the decision to be taken at the next SAARC summit. This could open new prospects for progress in SAARC.

Conclusions

The story of SAARC is one of both conflict and cooperation, driven above all by the primacy of national security interests for all significant local powers, especially for India and Pakistan. Clashes between these two countries' interests produce conflict, while harmony produces cooperation. Since SAARC follows the principle of unanimity, in practice it can only take decisions that are acceptable to both these core countries. The failure or success of the entire SAARC process thus rests on the primacy of their security interests, with all their manifestations at the domestic, regional and global levels and in the military, political, societal and economic dimensions.

Another limiting factor has been the way in which India's enormous geographical, military, political and economic potential, along with its bilateral disputes with smaller SAARC members, has made other SAARC members obsessed with avoiding Indian hegemony. These fears could in principle be dispelled if India resolved its disputes with its neighbours, including that over Kashmir. It would

³² For the Social Charter see URL <<http://www.saarc-sec.org/main.php?id=13>>.

³³ This convention is available at URL <<http://www.saarc-sec.org/old/freepubs/conv-narcotic.pdf>>.

also help if India followed the example of Indonesia in ASEAN by adopting a deliberately non-threatening posture in SAARC.³⁴

Even if bilateral disputes remain outside SAARC's purview, its meetings have presented the leaders of the core countries with an outstanding opportunity to discuss their bilateral issues on the sidelines. After India and Pakistan conducted nuclear explosions in May 1998, the Colombo SAARC summit allowed Pakistan's Prime Minister, Nawaz Sharif, and his Indian counterpart, Atal Bihari Vajpayee, to hold bilateral talks in the margins, with results that are mentioned above.

At the global level, the granting of observer status to major powers could boost SAARC's prospects for four interrelated reasons. First, their presence as observers should mitigate smaller SAARC members' fear of India. Second, the global powers could use their access to the SAARC circle to encourage new confidence-building measures between India and Pakistan and to explore other ways of helping resolve the Kashmir dispute, which—if successful—would, in turn open up new areas of cooperation within SAARC. Third, the major powers could help greatly with the financing of SAARC programmes and activities. Last but not least, through the involvement of major powers, SAARC could learn lessons from successful regional organizations such as the EU. At best, greater international engagement with SAARC may open a golden chapter in the organization's history.

³⁴ This point is developed more fully in chapter 5 in this paper.

3. India and regionalism

SWARAN SINGH

Introduction

India stands out in South Asia for the fact that it accounts for 75 per cent of the region's population, 63 per cent of its total area and 78 per cent of its gross domestic product (see table A.1). This inevitably makes South Asia an 'Indo-centric' region, which in turn leads to various complications: India has important relations with countries outside the region, and its immediate neighbours seek external links to overcome their fears about Indian dominance. Until 2005, when Afghanistan was admitted to the South Asian Association for Regional Cooperation (SAARC), all the smaller South Asian states shared land and maritime borders with India but none shared borders with any other.¹ Given Afghanistan's current preoccupations, its membership of SAARC is not likely to change the nature of these fundamental politico-security equations. Even with the admission to SAARC of China and Japan as observer states in November 2005 (and the decision in principle to grant observer status to South Korea, the United States and the European Union), India remains an enormously large factor in, and critical determinant of, the region's visions of both conflict and cooperation.

Compared with the next largest state of South Asia—Pakistan—India has a population that is nearly 7 times larger and an area that is nearly 4 times larger as well as a gross domestic product (GDP) that is over 6.5 times larger in current dollar terms (see table A.1). However, India also has correspondingly larger and ever-expanding responsibilities that flow from the expectations of other regional and global powers and from the demands of its citizens for health, education, security and overall welfare. These are reflected in both positive and negative indicators. For instance, India has 16 times more telephone users but also 60 times more HIV/AIDS cases than Pakistan has.² Many other examples could be offered to underscore the same point. One that speaks particularly directly to the nature of the contrast and to the two countries' special relationship is that in 2005, for

¹ Cheema, P. I., 'SAARC needs revamping', eds E. Gonsalves and N. Jetly, *The Dynamics of South Asia: Regional Cooperation and SAARC* (Sage Publications: New Delhi, 1999), pp. 92–93. On SAARC see also other chapters in this paper, especially chapter 2. For lists of its members and observers see URL <<http://www.saarc-sec.org>>.

² Guennif, S., *AIDS in India*, CSH Occasional Paper 8 (Centre de Sciences Humaines (CHS): New Delhi, July 2004), p. 9; Integrated Regional Information Networks (IRIN), 'Pakistan: commercial sex workers face HIV threat', Reuters Foundation AlertNet, 2 Feb. 2007, URL <<http://www.alertnet.org/thenews/newsdesk/IRIN/ada188e3ea9d65204c095b7dcd305795.htm>>; Bremner, G., 'Mobile elite rush to answer India's call', 1 Feb. 2007, Newsfactor.com, URL <http://www.newsfactor.com/news/Mobile-Elite-Rush-To-Answer-India-s-Call/story.xhtml?story_id=0010003JFTSR>; and 'Chinese telecom giant acquires Pakistani mobile operator', 23 Jan. 2007, English.eastday.com, URL <<http://english.eastday.com/eastday/englishedition/business/userobject1ai2584504.html>>.

example, India spent over six times more on defence than Pakistan did, and together they spent 95 per cent of the region's total defence expenditure.³

The cases of other South Asian states exhibit even larger contrasts. While Bhutan and Nepal are land-locked states, Bangladesh remains perennially vulnerable to floods and global warming threatens the very existence of the Maldives. Also, while Bhutan and Nepal share special politico-strategic ties with India, the histories of the violent partitions of India (in 1947) and Pakistan (in 1971) have added to perennial tensions between Bangladesh, India and Pakistan. This is enough to create divergence and friction between the policy priorities of the countries concerned, including constant scepticism by the other two about India's capabilities and intentions. Mutual mistrust flowing from each of these disjunctions is further fed by colonial and cold war legacies and by the resultant nature of their contemporary political culture and preoccupations. All this inevitably generates deep-rooted distrust between, and other limitations for, India and its immediate neighbours in South Asia.

India's approach to regionalism

Given the size and stature of India, its vision of regionalism has sought to situate the country in a landscape larger than the Indian subcontinent. The search for a larger Asian identity and role was integral to India's freedom struggle from the start.⁴ Even before its formal independence, India had hosted an Asian Relations Conference in 1947, which was followed by a Conference on Indonesia in 1949. These efforts were expanded further to produce the Afro-Asian Nations Conference at Bandung in 1955 and the establishment of the Non-Aligned Movement (NAM) in 1961.⁵

This larger vision, however, did not exclude cooperation with India's immediate neighbours in the region. Most of India's neighbours (with the exception of Pakistan) were also members of NAM. Influenced by Gandhian thought, India viewed the concept of neighbourhood as one of concentric circles around the central point of historical and cultural commonalities.⁶ Conflict was seen as an integral part of any common identity, although it had to be managed by peaceful means. The formulation of the Five Principles of Peaceful Co-existence (in India called the *Panchsheel*) in the mid-1950s was a clear reflection of this orientation.⁷ Never-

³ On the military spending of South Asian countries see chapter 1 in this paper, note 9, and table A.1.

⁴ Sharma, S., *India and SAARC* (Gyan Publishing House: New Delhi, 2001), p. 18.

⁵ On NAM and for a list of its 116 members see URL <<http://www.e-nam.org.my/mainb.php?pg=map>>. On these conferences leading up to the establishment of NAM see chapter 2 in this paper.

⁶ For a good account of these views see Brecher, M., 'Review: Nehru's foreign policy and the China-India conflict revisited', *Pacific Review*, vol. 50, no. 1 (spring 1977), pp. 99-106.

⁷ The Five Principles were developed in 1954 and became the basic norms for bilateral relations between China and its neighbours Burma and India. In the case of relations with India, the principles were incorporated in the Agreement between the People's Republic of China and the Republic of India on Trade and Intercourse between the Tibet Region of China and India. See Chinese Ministry of

theless, the attempts made by India to develop regionalism beyond and outside the bipolar framework of the cold war were frustrated, as relationships with its immediate neighbours were affected by cold war rivalries, thereby also undermining the country's ability to rectify local incompatibilities.⁸

The policies of non-alignment and peaceful coexistence associated with Prime Minister Jawaharlal Nehru have nonetheless had a major influence on India's relations with its neighbours. Nehru's India was convinced that the South Asian states needed to form a strong common identity and that they had the capacity to work for their common future. This belief was based on the understanding that South Asia: (a) represented a unique eco-subsystem between the Himalayas and the Indian Ocean; (b) was interlinked by a composite culture, which was a blend of Buddhism, Hinduism and Islam, providing a common basis for the norms and lifestyle of all segments of civil society; and (c) was a unique geopolitical region of newly independent states that had been divided throughout history and yet had witnessed several integration experiments under the Mauryan, Mughal and British empires, as well as during Nehru's premiership.

India's orientation towards integration gradually changed towards a more instrumental approach that aimed to create a 'functional' base—building horizontal linkages of interdependence to offset the vertical divisions of sovereignty—by such means as interstate institution building, power balances and common norms. However, this new approach did not start to take root in South Asia until the early 1980s. The 1960s and 1970s were a time when realist notions such as power projection dominated policy circles in South Asian capitals,⁹ not least in India, which experienced three wars in the period 1962–71 (the India–China war of 1962 and the India–Pakistan wars of 1965 and 1971, the latter leading to the independence of Bangladesh). One of the first formal expositions of a more realist position towards regional cooperation was offered by Indian Prime Minister Indira Gandhi in her inaugural address to the South Asian foreign ministers' meeting held in New Delhi in 1983. While underlining the region's commonalities of geography, experiences, aspirations, challenges, civilization and so forth, she said:

Our policy is not to interfere in the affairs of others. But ours is a troubled region, most of our countries are multi-racial and multi-religious. It would be idle to pretend that we are not affected by what happens elsewhere. . . . The regional grouping that brings us together is not aimed against anyone else. Nor are we moved by any ideological or military considerations. . . . We are all equals. We are against exploitation and domination. We want to

Foreign Affairs, 'China's initiation of the Five Principles of Peaceful Co-existence', 17 Nov. 2000, URL <<http://www.fmprc.gov.cn/eng/ziliao/3602/3604/t18053.htm>>.

⁸ Muni, S. D., 'Regionalism beyond the regions: South Asia outside SAARC', eds Gonsalves and Jetly (note 1), pp. 114–15; and Gupta, S., *India and Regional Integration in Asia* (Asia Publishing House: Bombay, 1964).

⁹ For more on functionalism see Claude, Jr, I. L., *Swords into Plowshares: The Problems and Progress of International Organization* (University of London Press: London, 1970), p. 346.

be friends with all on a footing of equality. We should be ever vigilant against the attempts of external powers to influence our functioning.¹⁰

At the same time, the early attitude of India to the creation of SAARC was driven by a fear that the group would provide its smaller neighbours with a forum for ganging up against it.¹¹ India therefore tried to ensure that: (a) no bilateral or contentious issues would be discussed in SAARC, (b) all SAARC decisions would be taken by consensus, and (c) SAARC would be focused primarily on social welfare and economic cooperation. Within the limits of these priorities, India was active in the evolution of this institutional framework for regional cooperation. However, this was not how India's neighbours perceived and probably still perceive India's stance on South Asian regionalism: they seem to assume that it was premised on a view of SAARC as a challenge to Indian predominance in the region. They view so-called Indian hegemony as the antithesis of any form of integrated region that SAARC may seek to develop and therefore blame India for blocking any role for SAARC as a forum for conflict resolution.¹²

For all this, there have also been similarities in India's and its neighbours' visions of regionalism. For instance, India, Nepal and Pakistan have all favoured a piecemeal, selective approach to regional cooperation and to initiatives within SAARC.¹³ It was primarily Bhutan, the Maldives and Sri Lanka that were unequivocal in their support for regional cooperation in South Asia.¹⁴ Nonetheless, the forces of globalization, increasing economic interdependence, the expanding role of civil society and the whole range of new threats—such as shortages of energy, water and food, challenges of environmental and human security, and especially post-September 2001 terrorism, which can no longer be tackled within national borders—have all triggered new common efforts among states in South Asia as elsewhere. Since these new trends have also transformed the position of the state from the sole provider of security and development to only a facilitator of

¹⁰ Inaugural Address, by Prime Minister Mrs Indira Gandhi, to the meeting of South Asian foreign ministers, New Delhi, Aug. 1983, reprinted in *India Quarterly*, vol. 11, nos 3 and 4 (Jan.–Mar. 1984), pp. 255–59.

¹¹ Dixit, J. N., *India's Foreign Policy 1947–2003* (Picus Books: New Delhi, 2003), p. 149; Dixit, A., 'SAARC towards greater cooperation', *Strategic Analysis* (New Delhi), vol. 20, no. 4 (July 1997), p. 562; Sharma (note 4), p. 61; and Muni, S. D., 'SARC: building regionalism from below', *Asian Survey*, Apr. 1985, pp. 391–405.

¹² Yahya, F., 'Pakistan, SAARC and ASEAN relations', *Contemporary Southeast Asia*, vol. 26 (2004), URL <<http://www.questia.com/PM.qst?a=o&sc=gglsc&d=5007718310&er=deny>>; and Lal, C. K., 'The necessary manufacture of South Asia', *Himal*, Jan. 2003, URL <<http://www.himalmag.com/2003/january/>>.

¹³ Upreti, B. C., 'Nepal and SAARC', eds V. Narain and B. C. Upreti, *SAARC: A Study of Perceptions and Policies* (South Asia Publishers: New Delhi, 1991), pp. 111–25; and Hussain, R. M., 'New directions for SAARC: a view from Pakistan', *South Asian Survey*, vol. 10, no. 1 (2004), pp. 57–69.

¹⁴ See Waterman, D. F., *SAARC: A New Framework for Regional Cooperation* (East–West Center: Honolulu, Hawaii, Apr. 1986), p. 22; and Kodaikara, S., 'South Asian cooperation: a Sri Lankan perspective in South Asian regional cooperation', ed. T. V. Satyamurty, *South Asian Regional Cooperation* (Institute of Asian Studies: Hyderabad, 1982).

such efforts, it is also strongly argued that SAARC should move beyond state-based action.

Regionalism today

The rapid economic development in Asia since the early 1990s has made regionalism a decisive variable in international relations. Countries such as India and Pakistan have recently achieved economic growth rates of about 8 per cent per year. These two states have also emerged as de facto nuclear weapon states, thereby radically changing South Asia's strategic profile and priorities. As one result, the 1990s witnessed a clear shift in South Asian diplomacy away from the old transnational multilateral forums such as NAM, which is no longer seen as the fulcrum of India's foreign policy.¹⁵ Instead, summit meetings, special emissaries, public diplomacy and the use of 'track II' (unofficial) channels have become the new policy tools, and new issues such as energy, water, human rights (and potentially nuclear energy and security) have caught the attention of those shaping South Asia's regionalism today.

This new context has brought an increasing recognition of the need to start a functional integration process by creating interstate channels as the first step towards strengthening the regional identity. This in turn requires change in mindsets: the will to cooperate rather than compete, to pool resources and ideas for collective development, and to end the dissipation of human energies and resources in conflict.¹⁶ Economic and security issues have emerged over the past decade as a focus of the SAARC vision of functional regionalism, as applied both within the membership and beyond. These two sectors have recently become the main drivers of integration in the context of South Asia's processes of regionalization (the tendency to identify with a region) and regionalism (creating regional institutions and arrangements).¹⁷

The de facto nuclear weapon power status of India and Pakistan has created a new 'nuclear triangle' with China and further expanded these three countries' understanding of regionalism. This is reflected in current discussions about confidence-building measures, where ideas have been moving from a purely bilateral (India–Pakistan and India–China) to a trilateral and regional paradigm. For example, in June 2004 the Indian foreign minister went so far as to propose

¹⁵ Mehrotra, L. L., 'India and SAARC: economic dimensions', ed. N. Jetly, *India's Foreign Policy: Challenges and Prospects* (Vikas Publishing House: New Delhi, 1999), p. 128; and Dixit, J. N., *Across Borders: Fifty Years of India's Foreign Policy* (Picus Books: New Delhi, 1998), p. 377.

¹⁶ Banerjee, D., 'Introduction', ed. D. Banerjee, *South Asian Security: Futures* (Regional Center for Strategic Studies: Colombo, 2002), p. x.

¹⁷ Kacowicz, A. M., *Regionalization, Globalization, and Nationalism: Convergent, Divergent or Overlapping?*, Working Paper no. 262 (Helen Kellogg Institute for International Studies: Notre Dame, Ind., Dec. 1998), URL <<http://www.ciaonet.org/wps/kaa01/>>.

discussions aimed at a joint China–India–Pakistan nuclear doctrine.¹⁸ Of course, China does not recognize India or Pakistan as a nuclear weapon state under the terms of the 1968 Treaty on the Non-Proliferation of Nuclear Weapons. However, the fact that Pakistan has been talking about ‘enlightened moderation’ and China about ‘peaceful development’, and the fact that the Common Minimum Programme of India’s ruling coalition underlines the commitment of India’s authorities to ‘evolving demonstrable and verifiable confidence building measures with its nuclear neighbours’, portends the evolution of a trilateral mode of thinking.¹⁹

Meanwhile, SAARC has expanded its mandate beyond the original spirit of its charter.²⁰ First, its special conventions on problems such as terrorism, drugs and human trafficking have pushed the forming of consensus within SAARC towards politico-strategic issues that were not part of the organization’s original mandate (see below). Similarly, breakthroughs in bilateral relations, especially in the contentious India–Pakistan relationship, have often been triggered by top-level meetings on the sidelines of SAARC summit meetings.²¹ Second, SAARC has expanded its membership. The inclusion of new states, with their own complicated issues, and the admission of new observer states, reflects this feeling of confidence in regionalism among SAARC member states.

Security imperatives

Even if security was not formally included as an area for cooperation in the SAARC Charter of 1985, the security perceptions of member states have remained the most decisive influence in the evolution of SAARC. Especially at the sub-conscious level, security issues have often been decisive in influencing the tenor of these states’ formal interactions. Security-related influences also include the nature of countries’ linkages with extra-regional powers and the pressures exercised by these powers, which may help to explain several decisive steps taken by SAARC members that illustrate the emerging consensus on certain politico-strategic issues. Examples include the 1987 SAARC Regional Convention on Suppression of Ter-

¹⁸ Parthasarathy, G., ‘Pakistan and China: the Manmohan Singh approach’, *Business Line* (Chennai), 18 June 2004, p. 9; and Sharma, R., ‘Indo-Pak nuclear CBM talks on right track’, *The Tribune* (Chandigarh), 20 June 2004, p. 1

¹⁹ Ramana, M. V. and Rajaraman, R., ‘Reducing nuclear risk’, *The Hindu*, 4 June 2004.

²⁰ For the SAARC Charter see URL <<http://www.saarc-sec.org/main.php?id=10>>.

²¹ This started in 1988, when talks between Benazir Bhutto and Rajiv Gandhi on the sidelines of the Islamabad SAARC summit resulted in the historic Agreement between Pakistan and India on the Prohibition of Attack against Nuclear Installations and Facilities, the text of which is available at URL <<http://www.stimson.org/?SN=SA20060207948>>. The meeting of the Indian and Pakistani prime ministers at the 1990 Malé SAARC summit meeting made several breakthroughs in the form of: (a) the revival of the Indo-Pakistani hotline, (b) the establishment of working groups as precursors for the composite dialogue, and (c) Pakistan’s agreement to adopt an ‘integrated’ approach to bilateral relations instead of focusing only on Kashmir. The 2 sides were believed to have prepared these developments for over 2 years, making clear that use of the SAARC opportunity was part of their strategy. See the Malé summit declaration at URL <<http://www.saarc-sec.org/main.php?id=51&t=4>>. Recently, however, Pakistani leaders have used the media to make analogous proposals, which has undermined the exclusivity of SAARC summits as a forum for India–Pakistan bilateral initiatives.

rorism, the 1990 Convention on Narcotics and Drugs and Psychotropic Substances, and the Additional Protocol to the 2004 SAARC Regional Convention on Suppression of Terrorism.²²

Meanwhile, the security imperatives of South Asia have evolved in new and sometimes divergent directions. While India's and Pakistan's possession of nuclear weapons may have contributed to stabilizing their conflictual relations, the prolonged conflict in Sri Lanka has made it the most militarized state of the region.²³ The once peaceful Hindu Kingdom of Nepal has also undergone prolonged turmoil and is currently in the midst of a historic experiment with people's democracy. Similarly, China has ceased to be such a dominant factor in India's ties with its immediate neighbours.²⁴ The very definition of 'South Asia' is being reconceptualized. Indian strategic experts have been reviving the geographical concept of 'Southern Asia' to define India's role and context, thereby widening the geographical limits of its strategic neighbourhood to include states outside the SAARC area.²⁵ Given their shared boundaries and socio-cultural proximity with SAARC other member states, countries such as Afghanistan (now a member of SAARC), Myanmar and parts if not the whole of China and even Iran are seen as part of this region. South Asia is today in the process of redefining its security and political profile. Different definitions of 'Southern Asia' are preferred by different analysts, but all of them comprise a much larger area than 'South Asia', including large parts of West, Central, East and South-East Asia as well as the northern Indian Ocean. The consequences of India's and Pakistan's possession of nuclear weapons and the post-September 2001 security linkages and threat perceptions are adding to the incentives for the countries of 'core' South Asia to see themselves as part of several overlapping regions.

Economic imperatives

Trade-led transformation has become one of the main drivers of interstate and cross-regional ties. This has facilitated a functional approach to regionalism

²² Ray-Chauhury, A. B., *SAARC at Crossroads: The Fate of Regional Cooperation in South Asia*, (Sanskriti: New Delhi, 2006), pp. 349–59. On these conventions see chapter 2 in this paper, and for full texts see URL <<http://www.saarc-sec.org>>.

²³ Reddy, B. M., 'South Asia's most militarized society', *The Hindu*, 27 Sep. 2006, p. 11. According to a study carried out by the Strategic Foresight Group (SFG), Sri Lanka has South Asia's highest proportion of military personnel—8000 per million of its population, compared with 4000 for Pakistan and 1300 for India—and in 2004 had high defence expenditure as a percentage of its gross domestic product. See SFG, *Cost of Conflict in Sri Lanka* (SFG: Mumbai, 2006), URL <<http://www.strategicforesight.com/ccinsrilanka.htm>>; and chapter 1 in this paper, note 9.

²⁴ For details see Singh, S., *China–South Asia: Issues, Equations, Policies* (Lancers Books: New Delhi, 2003), pp. 343–58.

²⁵ Kapur, A., *India: From Regional to World Power* (Routledge: London, 2006), p. 201; and Basrur, R. M., *India's External Relations: A Theoretical Analysis* (Commonwealth Publishers: New Delhi, 2000), p. 81. The term 'Southern Asia' was first coined by Michael Brecher in 'The subordinate state system of Southern Asia', *World Politics*, vol. 15, no. 2 (Jan. 1963), pp. 213–35. A larger South Asia has also been discussed e.g. by Bhabani Sen Gupta, Maya Chadda, Stephen P. Cohen and Thomas P. Thornton.

whereby economic reforms make states interdependent (through among other things the role of multinational corporations) and exports begin to contribute a large share of national income, thereby also inducing states to meet the demand for cross-country institutional arrangements.²⁶ As regards South Asia, this has triggered new initiatives in the practical processes of regionalization, but it has also contributed to a reconceptualization of the region as functionally framed around a network of nodes that can revitalize the economies of all SAARC member states through, for example, the efficient use of resources. Startling examples of waste that need to be rectified include Pakistan's import of Indian goods via South Africa and Nepal's import of onions from Germany.²⁷ This style of 'single market' cooperation would need to be extended to the other interlinked regions and sectors. Having achieved the 1993 SAARC Preferential Trading Arrangement (SAPTA) Agreement and the 2004 South Asian Free Trade Area (SAFTA) Agreement, SAARC members have also revived the debate about a common South Asian currency.²⁸ Indeed, the latter idea was formally presented by the Indian prime minister at the 12th SAARC summit meeting, held in Islamabad in 2004,²⁹ but there are still significant obstacles to implementation of the idea.³⁰

South Asia's three largest economies—India, Pakistan and Bangladesh—were once part of a single political entity, British India. It should therefore be natural for there to be a considerable flow of goods and services between them, and their historical links and resulting shared interests should underpin modern-style economic integration. Political attitudes inherited from colonial times, however, and the manner of the end of empire have created major setbacks which the national authorities are still struggling to overcome. In 1948–49, 32 per cent of Pakistani imports came from India, and India was the destination for over 56 per cent of Pakistani exports.³¹ Over 50 years later, the situation was dramatically different: in 2000–2001 only 0.42 per cent of India's imports came from Pakistan and only 0.13 per cent of Pakistan's imports were from India. This picture has

²⁶ Reed, A. M., 'Regionalization in South Asia: theory and praxis', *Pacific Affairs*, vol. 70, no. 2 (summer 1997), pp. 235, 237.

²⁷ Lal (note 12).

²⁸ On these agreements see chapter 2 in this paper. See also e.g. Stephen, R. J., 'Currency union for South Asia: a SWOT analysis', *South Asian Journal*, no. 11 (Jan.–Mar. 2006), URL <http://www.southasianmedia.net/Magazine/journal/11_currency_union.htm>; and Saxena, S. C. and Baig, M. A., *Monetary Cooperation in South Asia: Potential and Prospects*, RIS Discussion Paper no. 71 (Research and Information System for the Non-Aligned and Other Developing Countries (RIS): New Delhi, 2004), URL <http://www.ris.org.in/dp71_pap.pdf>.

²⁹ Acharya, S., 'Common SAARC currency: feasible?', 24 Aug. 2004, Rediff News, URL <<http://inhome.rediff.com/money/2004/aug/24guest2.htm>>; and Rajesh, M., 'South Asia could benefit from common currency', *Business Line* (Chennai), 12 June 2002, p. 6.

³⁰ Subramanian, N., 'India–Pakistan trade stuck on SAFTA', *The Hindu*, 31 July 2006, p. 11; Ramachandran, S., 'Free trade among neighbours', *The Hindu*, 1 Apr. 2006, p. 11; and Baruah, A., 'SAARC at 20: will the future be different?', *The Hindu*, 11 Nov. 2005, p. 13.

³¹ Burki, S. J., 'Pakistan, India and regional cooperation', *South Asia Journal*, Issue 4 (Apr.–June 2004), URL <http://www.southasianmedia.net/Magazine/journal/pakindia_regional.htm>.

started to improve, however, with Pakistan accounting for 1.21 per cent of India's imports and India accounting for 2.47 per cent of Pakistan's imports in 2005.³²

At the wider South Asian level, intra-regional trade declined from 19 per cent of states' aggregate trade in 1948–49 to 12 per cent in the early 1950s and dropped to less than 1 per cent by 2003, which says a lot about the skewed nature of economic integration in South Asia.³³ Remedying this situation has since the 1990s become an increasingly important item on SAARC's agenda. After 10 years of operation of the SAPTA Agreement, intra-regional trade in South Asia had improved from being 3.8 per cent of the region's total turnover in 2000 to about 5 per cent in 2005.³⁴ This, of course, does not take into account the huge volume of unofficial trade between India and its neighbours, including smuggling and trade conducted through third countries. The SAFTA Agreement became effective from 1 January 2006, but problems remain between India and Pakistan. Critics of the arrangement repeatedly highlight the incompatibility between an evolving free trade area in South Asia and the fact that states of the region do not trade predominantly with their immediate (and recently thriving) neighbours but with their former colonial powers and other developed nations such as the USA.

India and regionalism beyond SAARC

The recent rapid economic development in India and Pakistan together with their limited success in achieving their objectives within the SAARC framework has led these two states to expand and strengthen their links with extra-regional powers and other regional forums. In the period since the collapse of the cold war bipolar world there has been a trend towards consolidation and expansion of the existing regional groupings and the formation of several new ones.³⁵ Examples include the emergence of the European Union (EU) from the former European Communities, the creation of the North American Free Trade Area, the activation and expansion of the Asia–Pacific Economic Cooperation (APEC) group, the expansion of the Association of South East Asian Nations (ASEAN) and moves to further develop the ASEAN Regional Forum (ARF) and ASEAN Free Trade Area (AFTA), the Shanghai Cooperation Organization (SCO), the Conference on Interaction and Confidence-building in Asia (CICA), the Boao Forum for Asia (BFA), the Shangri-

³² Taneja, N., *India–Pakistan Trade*, Working Paper no. 182 (Indian Council for Research on International Economic Relations: New Delhi, June 2006), URL <http://www.icrier.org/publication/working_papers.html>, p. 48; and the websites of India's Ministry of Commerce and Pakistan's Federal Bureau of Statistics.

³³ Burki (note 31); and Patel, P., 'For an integrated South Asia', *Economic Times* (New Delhi), 2 Dec. 2005, p. 10.

³⁴ See Gupta, A., *SAARC: SAPTA to SAFTA* (Shipra Publications: New Delhi, 2002), p. 115; and Bajpaee, C., 'India held back by wall of instability', *Asia Times* online, 1 June 2006, URL <http://www.atimes.com/atimes/South_Asia/HF01Df01.html>. In contrast to SAARC, for 2004 the proportion of intra-regional trade to total trade was over 44% for the European Union, 49% for ASEAN and 67% for the North American Free Trade Area.

³⁵ Muni (note 8), p. 117.

La Dialogue of the International Institute for Strategic Studies (held in Singapore), and other possible East Asian security and economic groupings, such as the ASEAN Plus Three group (with China, Japan and South Korea), the Asia–Europe Meetings (ASEM) and the East Asia Summits (EAS).³⁶ India has been seeking new partnerships with these regional organizations in its extended neighbourhood as a part of its vision of a larger role in Asia.

Originally, it was the continued political stalemate on India's western border (with Pakistan) that caused Indian economic reforms to lead instead to new partnerships with the 'small tigers' of ASEAN to the east, seen as the spearhead of Asia's resurgence. India's 'Look East' policy has encouraged the country ever since the early 1990s to look to Asia beyond SAARC. Starting in 1993 by becoming a Sectoral Partner of ASEAN—in the fields of trade, tourism, and science and technology—in 1995 India became a member of ARF and in 1996 an ASEAN Dialogue Partner. Since then, it has also been active in all the new regional groupings of Asia, such as CICA, the Shangri-La Dialogue and the BFA. More recently, India was part of the November 2005 and January 2007 EAS, held in Kuala Lumpur and Cebu, respectively. The September 2006 ASEM, held in Helsinki, decided to admit India and Pakistan along with four other new members to its annual dialogue, and India has been an observer in the SCO since November 2005.

Since the rise of China has attracted the attention of most powers around the world and some concern from its Asian neighbours, today India sees that it has a pivotal role to play in maintaining the Asian balance of power, thus ensuring a peaceful evolution of this rather complicated, multi-zoned region.³⁷ Concerns have also recently been expressed about the omnipresence of the United States and its propensity to seek military solutions. Against this background, members of ASEAN, for instance, have moved on from their policy of seeking to use India to counterbalance China towards a new engagement with India based on a more functional paradigm. There has been a growing acceptance of India as a factor in South-East Asian security and of its playing a bigger role, for example, in securing the sea lanes in the Malacca Straits. However, local sensitivities militate against accepting a role for other external powers, including the USA. These and other factors may have implications for India's own engagement with ASEAN.³⁸ The change has come about partly because of ASEAN's enlargement, bringing membership right up to India's borders, and partly because India has no territorial, maritime or political disputes with any of the ASEAN members. India has also recently found a new partner and supporter in the USA, prompted by India's

³⁶ For the 21 members of APEC and more on the group see URL <<http://www.apec.org>>; on ASEAN and ARF see chapter 1 in this paper, note 10; on AFTA see URL <<http://www.us-asean.org/afta.asp>>; on the SCO see chapter 1 in this paper, note 14; on CICA see URL <<http://www.kazakhstanembassy.org.uk/cgi-bin/index/128>>; on the BFA see URL <<http://www.boaforum.org>>; and on the Shangri-La Dialogue see URL <<http://www.iiss.org/conferences/the-shangri-la-dialogue>>.

³⁷ Rajamohan, C., 'India's Asia movement', *Indian Express*, 13 Dec. 2005, p. 8.

³⁸ Acharya, A., 'India and Southeast Asia in the age of terror: building partnerships for peace', *Contemporary Southeast Asia*, vol. 28, no. 2 (Aug. 2006), p. 314.

energy needs and its engagement with Central and South-East Asian states.³⁹ Indeed, India has managed to develop friendly relations with all the major players—including China, Russia and the ASEAN member states—and this has clearly facilitated India's forays into regionalization beyond SAARC.

At the bilateral level, India has signed cooperation agreements with several other Asian countries, including Singapore, Sri Lanka and Thailand. It has an agreement with ASEAN on a free trade area and has been negotiating a similar agreement with China. India's booming trade with China and ASEAN states, its defence procurement from Russia and the 2005 agreement on nuclear cooperation with the USA⁴⁰ have focused attention on India, at least in Asia. In the same context, India's setting up of military facilities in Tajikistan has been a matter of international debate.⁴¹ India has taken out a lease on the two northernmost islands belonging to Mauritius—North and South Agalega—ostensibly for purposes of agriculture, tourism and trade: but the location of these islands also provides India with a strategic foothold in the Indian Ocean.⁴²

In the last resort, regardless of whether India (and its neighbours) joins any new regional group or succeeds in engaging with other big powers, the experience of working together in multiple multilateral forums will have a moderating influence on relations in South Asia, thereby facilitating the development of security-relevant functions for SAARC. It is in this setting that the inclusion of China and Japan as observers in SAARC (and the decision in principle to grant observer status to South Korea, the USA and the EU) augurs the beginning of a new era for South Asia's regionalism. A potential trigger for forging a true collective identity in the region may prove to be the cultural commonalities of the large and thriving South Asian diaspora in the USA, Europe, the Middle East and elsewhere. This could bring an end to the region's colonial and cold war legacies, even if these positive trends are still fragile and vulnerable.

Evaluation and prospects

There are several ways of assessing the success or failure of a regional framework. One is to compare the group with other initiatives in comparable regions. In this case, SAARC would stand out as one of the youngest initiatives. The Arab League,

³⁹ Yazmuradov, A., 'The US's Greater South Asia Project: interests of the Central Asian countries and of the key non-regional actors', *Central Asia and the Caucasus*, vol. 5, no. 41 (2006), p. 89.

⁴⁰ See Ahlström, C., 'Legal aspects of the India-US Civil Nuclear Cooperation Initiative', *SIPRI Yearbook 2006: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 2006), pp. 669–85.

⁴¹ Walsh, N. P., 'India flexes its muscles with first foreign ministry base', *The Guardian*, 27 Apr. 2006; 'India rebuilding air base in Tajikistan: diplomat', *Defense News*, 25 Apr. 2006, URL <<http://www.defensenews.com/story.php?F=1729691&C=airwar>>; Ramachandran, S., 'India's forays into Central Asia', *Asia Times*, 12 Aug. 2006, URL <http://www.atimes.com/atimes/South_Asia/HH12Df01.html>; and Singh, B., 'India to deploy MiG-29 in Tajikistan', *Battlespace*, vol. 9, no. 2 (July/Aug. 2006), URL <http://www.battle-technology.com/this_issue10.html>.

⁴² Sidhartha, 'India eyes an island in the sun', *Times of India*, 25 Nov. 2006, p. 1.

for instance, was created in 1945, the Organization of African Unity in 1965 (replaced by the African Union in 2001), ASEAN in 1967, the Organization of the Islamic Conference in 1971 and the Gulf Cooperation Council in 1981. Only the Shanghai Initiative—now the SCO—was created as recently as 1996, and it can be seen as far more successful than SAARC in achieving its defined objectives.

Another approach is to evaluate the group against the challenges specific to its region, thereby ensuring that expectations are not set too high and that (only) small successes are not interpreted as a major failure. On this approach, some of the inherent limitations of SAARC—which highlight the need for limited, realistic expectations—are: (a) India's enormous size and its assertive and domineering policies, which go against the basic principles of multilateralism in regional cooperation; (b) the absence of an external, imminent or massive threat of the kind that produced internal cohesion in the cases of ASEAN and the EU; (c) the fact that SAARC is not a product of initiatives by the leading countries of the region, but of concerted efforts by smaller members; and (d) the fact that SAARC revolves around internal efforts and has neither been created nor (so far) substantively assisted by external actors, including the big powers.

Some of the potentially positive factors unique to South Asia, on the other hand, include the states' recognition of their common problems and collective ambitions for economic development, especially in the field of poverty alleviation.⁴³

Seen against this background, the most important impediment to collective self-reliance in South Asia is not the inherent strategic asymmetry and the overwhelming stature of India, but rather how other members of SAARC perceive India's intentions.⁴⁴ Mutual trust is the most critical imperative for building any joint strategies, as well as for facilitating intra-regional trade and commerce. Several traits of similar organizations may be identified to provide some future pointers to SAARC. For instance, ASEAN has been particularly effective in using the informal approach at all levels, backed by strong track II efforts, to develop and then drive its members' major initiatives. The SCO also provides an interesting contrast to SAARC's dynamics in that it is predominantly China-driven. With Russia preoccupied with its domestic and external problems and the Central Asian states with theirs, China has been able to both introduce and promote many SCO initiatives. It is hard to imagine this happening in the case of SAARC, which is driven by smaller powers. Similarly, the EU's evolution has generally reflected the old 'concert of powers' approach, where smaller members can participate in deliberations and decisions but implementation is left to the major players.⁴⁵ Again, this is neither feasible nor desirable in the case of SAARC.

⁴³ Hak-Su, K., 'The goal: a poverty-free South Asia', *The Hindu*, 30 Nov. 2006, p. 11. Despite an annual 7% growth rate, 400 million people in South Asia live on less than \$1 a day. Bangladesh and India have large poverty-stricken populations, but efforts are being made in the region. See e.g. Jakarta Declaration on Millennium Development Goals in Asia and the Pacific: The Way Forward 2015, Jakarta, 5 Aug. 2005, URL <http://www.undp.org/mdg/undps_role_regional_asia.shtml>.

⁴⁴ Cheema (note 1), p. 95.

⁴⁵ Jorgensen, K. E., 'A multilateralist role for the EU', eds O. Elgstrom and M. Smith, *The European Union's Role in International Politics* (Routledge: London, 2006), p. 32.

For South Asia, it is important that states learn to separate regional issues from bilateral and domestic policies. They must insulate their bilateral relationships from the taking of pragmatic decisions at the multilateral level, which would mean applying indirect multilateral solutions to some of their less contentious bilateral issues. Experts also increasingly see the progress of SAARC as impeded by two basic provisions in its charter—unanimity as the basis for decisions, and the exclusion of contentious and bilateral issues.⁴⁶ The solution lies in institutionalization, not in the internationalization of bilateral disputes: the latter must be handled in a way that helps mobilize additional forces to aid the countries in difficulty.

The end of the cold war has had far-reaching implications for all conceptions of regionalism. The global tensions of the bipolar divide have relaxed, allowing regionalism to flourish on a non-ideological base. This has also led to greater interplay among regional institutions themselves, and between regional institutions and external actors. There is now an urgent need to expand SAARC also in terms of building its engagement with other major regional organizations. Some countries, such as Bangladesh and Sri Lanka, have shown interest in the idea of SAARC linking itself with other regional groups and letting big extra-regional players participate in its structures and work. Initially, this seemed to be prompted by a desire to restrain India, which is why India was sensitive to any interventions or even interest of extra-regional powers in the affairs of its neighbours.⁴⁷ Since then, however, India has become a more self-confident player with a potential to induce systemic-level transformations not just in its own region but also elsewhere.

Conclusions

Since future challenges will not be able to be handled within the political boundaries of states, countries are finding that they need to focus on cooperative strategies by the logic of self-interest as much as idealism or philosophy. India and Pakistan provide a good example: their differences have often marred the spirit and process of multilateral activity in SAARC and other organizations,⁴⁸ but these two major players have stabilized their relations as *de facto* nuclear weapon states. The high stakes now involved in their strategic confrontation have helped to shift their policymaking away from subjective considerations towards rational decisions.

Similarly, the new trends in global politics have led India and Pakistan to engage with the same powers (notably the USA) for the same reasons, and they have not done badly at rebalancing their relationship in the face of the added complication of these new forces. The two countries have joined the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) and the ASEAN Regional Forum, are

⁴⁶ McPherson, K., 'SAARC and an Indian Ocean dialogue', eds Gonsalves and Jetly (note 1), p. 108; and Cheema (note 1), p. 103.

⁴⁷ Muni (note 8), p. 118.

⁴⁸ Clad, J. C., 'South Asia: buoyant economies, nuclear weapons and environmental stress', ed. H. J. Wiarda, *U.S. Foreign and Strategic Policy in the Post-Cold War Era: A Geopolitical Perspective* (Greenwood: London, 1996), p. 182.

observers in the Shanghai Cooperation Organization, and so on. These are all factors that may make the two largest South Asian powers more cautiously constructive in SAARC deliberations. The post-cold war period has witnessed rapid progress in the SAPTA Agreement and the completion of three rounds of trade negotiations under the SAFTA Agreement, which makes a South Asia free trade area a far more credible goal today than ever before.⁴⁹ All these trends hold the promise of, at the least, materially strengthening the functional aspects of regional powers' interdependence in SAARC, thus ensuring the future credibility of the organization as a framework for regional cooperation.

⁴⁹ Mehta, R. and Bhattacharya, S. K., 'SAPTA I, SAPTA II and SAFTA: impact on India's imports', *South Asian Survey*, vol. 4, no. 2 (Sep. 1997), p. 260.

4. Pakistan and regionalism

JAMSHED AYAZ KHAN

Introduction

The Pakistan of today—somewhat smaller since 1971, when the east broke away to become the state of Bangladesh—largely corresponds to the ancient historic region of the Indus Valley. Even if the present state of Pakistan is just under 60 years old, its inhabitants had a distinct civilization, culture and tradition of their own (including latterly the Islamic religion) long before the organized political movement for independence emerged around the turn of the 20th century. In 1906 the Muslim League was established to safeguard the political interests of the Muslims in British India, and on 23 March 1940—led by Mohammad Ali Jinnah—it passed the Lahore Resolution, explicitly demanding the partition of the country. After World War II and against a background of frenzy and social turmoil in the sub-continent, in June 1947 the British imperial power announced a partition plan that was executed in all haste. Although the Indian National Congress and the Muslim League both concurred in the arrangements, the lingering Kashmir dispute between India and Pakistan is a legacy of the slipshod manner in which the territories were divided—often cutting, for example, across the headworks of crucial canals or dividing individual homes.

The creation of Pakistan on 14 August 1947 left 40 million Muslims in India who had supported the creation of Pakistan, plus a Hindu minority in Pakistan itself. The best interests of both new states, then dominions of the British Commonwealth, lay in peace and communal harmony. This was particularly clear for Pakistan, which—as the weaker of the two parties—depended on India's fairness for its share of the inherited assets. Jinnah, the founding father of Pakistan and its first governor-general, had consistently stressed that the non-Muslim minorities in Pakistan would have the same rights and privileges as the Muslims did. In his first address to the Constituent Assembly, on 11 August 1947, he reaffirmed that: 'You may belong to any religion or caste or creed—that has nothing to do with the business of the State. . . . you will find that in course of time Hindus would cease to be Hindus and Muslims would cease to be Muslims, not in the religious sense, because that is the personal faith of each individual, but in the political sense as citizens of the State.'¹

The Hindus of India, however, accepted partition only as a temporary necessity. In a broadcast on 3 June 1947 Jawaharlal Nehru said: 'It may be that in this way we shall reach that united India sooner than otherwise'.² Similarly, the All-India

¹ Ali, C. M., *The Emergence of Pakistan* (Columbia University Press: New York, N.Y., 1967), p. 1.

² Nehru, J., cited in Hodson, H. V., *The Great Divide* (Hutchison: London, 1969), p. 315.

Congress Committee (AICC), in its resolution agreeing to the creation of Pakistan, stated: 'The picture of India we have learnt to cherish will remain in our minds and our hearts. The AICC earnestly trusts that when the present passions have subsided, India's problems will be viewed in their proper perspective and the false doctrine of two nations in India will be discredited and discarded by all.'³

After independence, communal violence raged for several months, with loss of life and property and the forced migration of millions on both sides. Some half a million people were slaughtered and no fewer than 14 million crossed the new international border. Smaller Pakistan, having received 1.7 million more refugees than India, had a greater problem of rehabilitation.⁴ The wounds of the partition year and the eruption of the Kashmir dispute have continued to poison relations between India and Pakistan, despite leaders' clear knowledge that confrontational policies would damage them both. After three Indo-Pakistani wars (1948, 1965 and 1971), the conflict in the Kargil district of Kashmir (1999), and other times when they were on the brink of war, both countries now realize that it is in their national interests to normalize relations through a sustained composite dialogue including the issue of Kashmir. Foreclosing the option of conflict is all the more vital because both are now de facto nuclear weapon states and armed to the teeth with conventional weapons.

Modern Pakistan in South Asia and beyond

Pakistan is a developing country with high recent real gross domestic product (GDP) growth rates (6–7 per cent per annum) and a per capita income of \$800.⁵ It is a medium power in terms of its population (about 166 million), military and administrative abilities, and strategic location, and may be classified as a moderate, progressive Islamic country. Despite the strategic disparity with India in size, population, economic power and military potential, Pakistan achieved the same nuclear status as India with its nuclear weapon tests of 1998. As a result, no major power today can have a coherent India policy without having a sensible Pakistan policy as well.⁶ Pakistan is significant also because of its proximity to Central Asia, the oil-rich Persian Gulf region and the choke point of the Straits of Hormuz. Pakistan is the direct neighbour of both China, India and Iran, and is now a strategic partner of the United States. Pakistan has a 600-km frontier with China's Xinjiang region, with the Karakoram Highway linking the two countries, and there are plans to upgrade the highway and link it with Gwadar Port on the Arabian Sea coast, near the Persian Gulf. Pakistan shares with India a border of about 2250 km.

³ Burke, S. M., *Pakistan's Foreign Policy: An Historical Analysis* (Oxford University Press: Oxford, 1973), pp. 8–9.

⁴ Burke (note 3), p. 9.

⁵ See e.g. Turner, B. (ed.), *The Statesman's Yearbook 2007* (Palgrave Macmillan: Basingstoke, 2006), p. 965.

⁶ Rizvi, H.-A., 'Pakistan', eds P. Kennedy et al., *The Pivotal States* (W.W. Norton: New York, N.Y., 1998), p. 64.

It inherited its north-western border with Afghanistan (also 2250 km) from British India, which in 1930 the Simon Commission had identified as the most vulnerable frontier in the empire.⁷ Events in Afghanistan have repeatedly thrown Pakistan into prominence as a frontline state, from the Soviet invasion of 1979 to today's challenges of the Taliban, al-Qaeda and Afghanistan's internal conflict.

Pakistan has successfully used its Islamic identity to establish political, economic and security linkages with the Muslim world, especially in the Middle East, thus adding to its diplomatic clout. At the same time, against a background of growing global concern over Islamic fundamentalism, Pakistan represents a relatively moderate and democratic face of Islam and has traditionally maintained good relations with the West. Through its unparalleled influence in the Persian Gulf region and its historically cordial relations with the Arab world and Iran, Pakistan has the potential to make a bridge between the two mutually antagonistic Muslim worlds of Sunni and Shia and between the Muslim community and the West. Pakistan is a founding member of and active in the Organization of the Islamic Conference (OIC), the largest grouping of Muslim states.⁸ On 23 March 1997 the OIC held an extraordinary summit conference in Islamabad to commemorate the 50th anniversary of Pakistan's independence. Pakistan is also a member of the Economic Cooperation Organization (ECO, see below).⁹

In these first years of the 21st century Pakistan has the credentials, image and power potential to face India with confidence, although with many misgivings. If open war can now be regarded as ruled out because of their nuclear weapon status, India has become more of a hostile competitor for Pakistan than a sworn enemy. With its major population centres lying east of the historic divide of the Indus River, the South Asian personality of Pakistan is stronger than its West Asian one. Pakistan cannot opt out of South Asia—despite some unsuccessful attempts—if only because of the nearly 130 million Muslims who remain in India. Since 2004, Pakistan has tried to come to terms with India by instituting composite dialogues, designed to normalize relations and in the process give a new boost to the moribund South Asia Association for Regional Cooperation (SAARC).¹⁰ Pakistan has friendly bilateral relations with Bangladesh, Nepal and Sri Lanka, the other large countries of South Asia, and with the smaller SAARC members, Bhutan and the Maldives.

Two concerns have dominated Pakistan's policy. The first is its security vis-à-vis India and a hostile Afghanistan, and the second is its economic well-being. Pakistan joined the US-sponsored security arrangements of the 1950s, hoping that this would facilitate the acquisition of much-needed weapons and secure US diplomatic support in its disputes with India and Afghanistan. Security issues have also shaped

⁷ The Indian Statutory Commission (Simon Commission) was appointed in 1927 to study constitutional reform in British India; it published its report in 1930.

⁸ On the OIC and for the list of its 57 members see URL <<http://www.oic-oci.org/>>.

⁹ Rizvi (note 6), pp. 67–68. For more on the ECO see below in this chapter and URL <http://www.ecosecretariat.org/Detail_info/About_ECO_D.htm>.

¹⁰ For more on SAARC see chapter 2 in this paper.

subsequent shifts in Pakistan's foreign policy: for example, the cultivation of expanded relations with China and improvement of relations with the Soviet Union in the 1960s; the decision in the 1970s to pursue an independent and non-aligned stance in its foreign policy, loosening connections with the West and drawing closer to ties with the developing world; and in the late 1980s a return to the Western fold (including the revival of security ties with the USA) after the Soviet military intervention in Afghanistan. Today, the importance that Pakistan attaches to its relations with China can be attributed to the latter's readiness to supply weapons and military hardware, to help establish Pakistan's defence industry, and to cooperate in Pakistan's nuclear and missile programmes. Similarly, the ups and downs in Pakistan's interaction with the USA can be explained by periodic divergences in their views on South Asian security issues, the question of US arms supplies and US pressure on Pakistan regarding its nuclear programme.¹¹

Since 2001 Pakistan has become a major non-NATO ally of the United States. Their relationship is based on realism, with both sides understanding the limitations. In the past, even when it was most closely allied with the USA, Pakistan did not participate in the Korean or Viet Nam wars and pursued independent policies vis-à-vis China and on nuclear issues. Recently, Pakistan has followed an independent course over issues concerning Iran and Iraq.

Pakistan's balance of interest and disinterest in regional cooperation

Strained Indo-Pakistani relations have cast a deep shadow over the development of regionalism in South Asia and have held back formal and practical achievements, while Europe and most other regions have achieved ever greater integration. As early as September 1949, Indo-Pakistani trade was virtually halted when—following the 30.5 per cent devaluation of the British pound sterling vis-à-vis the US dollar—India devalued its rupee while Pakistan did not. To India, the political and economic implications of the Pakistani decision were equally painful. A country which many in India expected to collapse under the weight of its own problems had become the only one in the sterling area to resist pressure for devaluation, and India faced the prospect of paying a 30 per cent higher price for Pakistani jute (on which the Calcutta jute industry depended), cotton and food grains. Following a dispute that led to the total suspension of jute deliveries,¹² India shut off the urgently needed supply of coal to Pakistan. By the end of 1949 bilateral trade had reached an almost complete standstill. The deadlock was ultimately broken when negotiations were opened, at India's request, and a new Indo-Pakistani trade agreement was signed on 25 February 1951 on the basis of India's acceptance of the Pakistani rate of exchange.

The 'battle of the rupee' had three repercussions. First, the pattern of trade between India and Pakistan was permanently affected. Both countries took vigor-

¹¹ Rizvi (note 6), p. 70.

¹² Burke (note 3), p. 14.

ous steps to reduce their dependence on each other—Pakistan by taking urgent measures to develop the port of Chittagong as an alternative to Calcutta and by sponsoring the creation of jute and cotton mills of its own, and India by taking steps to become self-sufficient in raw cotton and jute. ‘Between 1950 and 1954, an index covering the output of seventeen major industries in Pakistan showed an increase of nearly 200 per cent.’¹³ Second, the devaluation issue contributed to communal violence in West Bengal and East Pakistan that nearly resulted in full-scale war between India and Pakistan in early 1950. The cessation of trade naturally caused hardship on both sides—in India most of the jute mills had to be closed down and in East Pakistan cultivators lost their traditional markets—and economic distress soon expressed itself in growing communal unrest. Third, there was a sudden growth in Pakistan’s trade with China.¹⁴

Efforts to develop regionalism in South Asia started in 1985, when the SAARC initiative was launched. Ten years later the member states agreed on the SAARC Preferential Trading Arrangement (SAPTA) Agreement, marking the beginning of the first stage of a regional economic integration process.¹⁵ SAPTA provided for preferential access to a list of 226 products agreed in 1995, which had increased to 4700 products by the year 2000 after four rounds of negotiations. The statistics on intra-South Asia trade since the entry into force of SAPTA suggest, however, that there has been only a negligible increase in intra-SAARC trade over this period. Intra-SAARC trade as a share of the total trade of the member countries from 1996 to 2001 averaged 4.4 per cent. This is not a very good performance compared to other trade blocs, such as the EU, where intra-regional trade accounts for 67 per cent of total trade, or the figures of 62 per cent for the North America Free Trade Agreement and 26 per cent for the members of the Association of South East Asian Nations (ASEAN).¹⁶

On the basis of Pakistan’s historical experience it can be said that the country prefers a wider multilateralism to regionalism. For example, most of Pakistan’s exports go to countries in the West, and Pakistan’s major trading partner is the USA.¹⁷ In financial year (FY) 2002–2003 the share of Pakistan’s exports to the other SAARC member states (excluding Afghanistan) was only 2 per cent and continues to be minimal. Pakistan’s imports from other SAARC member states (excluding Afghanistan) are also a small part of its total imports.¹⁸ Between 1990 and 2000, Pakistan’s exports to South Asia were 2.6–4.9 per cent of the annual

¹³ *The Economist*, 2 Dec. 1961.

¹⁴ Burke (note 3), pp. 14–15.

¹⁵ On SAPTA see also chapter 2 in this paper, and for the agreement see URL <<http://www.south-asia.com/saarc/sapta.htm>>.

¹⁶ Burki, S. J., ‘Potential of the South Asian Free Trade Area’, United States Agency for International Development (USAID), *South Asian Free Trade Area: Opportunities and Challenges* (USAID: Washington, DC, 2005), URL <http://pdf.usaid.gov/pdf_docs/PNADE563.pdf>, p. 13.

¹⁷ For the US share of total Pakistani exports from FY 1990/91 to FY 2003/2004 see Government of Pakistan, *Economic Survey 2003–04* (Ministry of Finance: Islamabad, 2004), p. 105.

¹⁸ Government of Pakistan, *Foreign Trade Statistics of Pakistan 2002–03* (Federal Bureau of Statistics, Statistics Division: Islamabad, 2003).

national total, while Pakistan's imports from other South Asian countries in the same period were 0.4–1.7 per cent of the annual total.¹⁹

The South Asian Free Trade Area (SAFTA) Agreement commits its signatories to reduce tariff rates on imports from other SAARC members over 10 years, starting in January 2006.²⁰ The tariff reductions will proceed at different rates for the least developed contracting states and non-least developed contracting states. In the first phase, the former will reduce tariffs to a maximum of 30 per cent, while the latter will reduce tariffs to a maximum of 20 per cent. The tariff rates that are already below 30 and 20 per cent for both categories of signatory will be reduced by an annual rate of 5 per cent and 10 per cent, respectively. In the second phase, the least developed contracting states will be required to reduce tariffs to the same level in five years.

It should be noted that SAFTA differs from SAPTA in that it binds its signatories to an unambiguous timetable for clearly specified tariff concessions rather than vague notions of preferential access to goods from other member states. The impact of its implementation should be correspondingly more profound. The political situation in which SAFTA emerged is also different and more propitious than that pervading at the time of the entry into force of SAPTA. The signing and likely entry into force of the SAFTA Agreement are therefore positive developments.²¹ However, none of this changes the fact that—as highlighted by the latest World Trade Organization (WTO) rounds of negotiations—regionalism in South Asia has been a case of too little, too late.

Pakistan's past and present policies towards SAARC

In 1977, when the idea of South Asian cooperation was first put forward by Bangladesh, it may have seemed natural to outsiders; but for those within the region it was beset with many contradictions. India had emerged as the region's dominant power from 1971, when it militarily intervened in the East Pakistan crisis that resulted in the creation of Bangladesh, and when it signed the Treaty of Peace, Friendship and Cooperation with the Soviet Union.²² Pakistan was traumatized by the loss of East Pakistan but was determined to resist Indian hegemony. The hardening and opposed strategic linkages of these two powers were an obvious hindrance to cooperative regionalism, but so was Pakistan's fear that joining a

¹⁹ Chadha, R. and Pratap, D., 'New era of India–Pakistan trade relations: more butter and less guns', Unpublished paper, New Delhi, 2003, cited in Akbar Zaidi, S., 'India–Pakistan trade', *South Asian Journal*, no. 4 (Apr.–June 2004), URL <http://www.southasianmedia.net/Magazine/Journal/indiapakistan_trade.htm>.

²⁰ On the SAFTA Agreement see also chapter 2 in this paper, and for the text of the agreement see URL <<http://www.saarc-sec.org/data/agenda/economic/safta/SAFTA%20AGREEMENT.pdf>>.

²¹ Khan, A., 'Economic integration in South Asia: approaching SAFTA', Paper presented at the Conference on South Asia: Territorial Boundaries and Cultural Frontiers—Emerging South Asian Consciousness, Mumbai, 3 Feb. 2006, p. 15.

²² The treaty was signed in New Delhi on 9 Aug. 1971 and is available at URL <<http://meaindia.nic.in/treatiesagreement/1971/chap434.htm>>.

regional arrangement in which India was a predominant player might compromise or dilute its own stand on the Kashmir dispute.²³ Mavara Inayat argues convincingly in chapter 2 that, in the period 1978–85, Pakistan’s national security concerns at the regional and global levels led it to maintain a cautious attitude towards the emergence of SAARC. Like many other analysts, however, she concludes that the 1979 Soviet intervention in Afghanistan—posing a direct threat to Pakistan’s security and turning Pakistan into a front-line state that received massive US military and economic aid—conditioned Pakistan’s attitude more positively towards joining SAARC in 1985. The USA itself is thought to have exerted considerable behind-the-scenes diplomatic pressure for the formation of SAARC, and on its creation US President Ronald Reagan offered ‘to provide appropriate assistance’ for SAARC programmes. (Similar offers came from Australia, China and Japan.) From the US perspective, the Soviet intervention had created a compelling case to create a regional united front in the subcontinent, even if the USA could not take things as far as creating a regional collective security system. Pakistan, in turn, was successful in blocking Soviet-occupied Afghanistan from joining SAARC.

Some of Pakistan’s own hopes for SAARC were frustrated by India’s insistence on excluding contentious bilateral issues and on taking decisions by unanimity. Pakistan would have preferred a consensus principle that might have prevented India from standing in the way of majority rule. Despite such disappointments, however, Pakistan was basically satisfied with developments in SAARC from 1985 to 2000. During various times of political tension the SAARC meetings served as confidence-building measures (CBMs). The group’s agenda developed in four directions: (a) the SAARC Integrated Programme of Action, covering 12 areas; (b) the creation of regional institutions; (c) regional conventions such as those on food security reserves, narcotic drugs and psychotropic substances, suppression of terrorism, and the SAPTA Agreement; and (d) SAARC-initiated programmes that facilitated people-to-people contacts. As these actions were mostly socio-economic and technical in nature, they did not impinge on Pakistan’s security interests and Pakistan felt able to cooperate actively in activities that SAARC promoted.²⁴

For such reasons and despite its initial hesitation, after joining SAARC in December 1985 Pakistan became an active member on all fronts. It was always clear to Pakistan that its cooperation within SAARC would be limited, not least because all the other South Asian members (apart from Bhutan and the Maldives) had their own serious disputes with India. However, SAARC presented an opportunity for Pakistan to enhance its relations with these countries through the numerous technical committee meetings, thus reducing the chances of India’s hegemony in the region. Pakistan also used the SAARC forum to express its own views on regional relations. For example, in her inaugural address at the fourth SAARC summit meeting, held at Islamabad in December 1988, Pakistani Prime Minister Benazir Bhutto complained that ‘the gap between the promise of SAARC

²³ Inayat, M., ‘Implications of Pakistan’s national security concerns for Pakistan’s attitude towards SAARC’, PhD thesis, Curtin University of Technology, Perth, 2004, p. 17.

²⁴ Inayat (note 23), p. 188.

and [the] reality of its accomplishments remains large'. She suggested that SAARC's progress in building cooperation among its members was 'slow and piecemeal' because of the constraints of unanimity, and that in the past eight years SAARC had 'tended to occupy too much of its time in making studies, holding conferences and exploring the ground'.²⁵

Although the Kashmir issue could not be raised openly in SAARC, Pakistan continued to press for a solution in the margins of SAARC meetings. On 29 July 1998, at the Colombo SAARC summit meeting, Pakistani Prime Minister Nawaz Sharif linked the Kashmir dispute with the nuclearization of the region. Suggesting that a defining moment in the region's history had been reached, he said: 'SAARC member states are concerned and worried about the future of this region . . . Let us work to remove the underlying causes of tension from South Asia on the basis of sovereign equality, equity and justice'.²⁶

Pakistan's policies and attitudes vis-à-vis larger regional groupings

The Indian Ocean Rim

Disappointed with the attitude of neighbours such as Afghanistan and India, Pakistan has tended to look beyond the South Asian region for its trade and security partners. In this quest Pakistan joined Iran and Turkey in the Regional Cooperation for Development (RCD) group in July 1964. The organization did make some limited progress: the RCD Highway, linking Pakistan with Iran and Turkey, was initiated, telecommunication links were established, and an RCD secretariat was set up in Iran. The RCD, active until 1979, was replaced by the ECO in 1985 (see below).

In 1993, the Indian Ocean Rim accounted for 31 per cent of the world's population, but only 6.3 per cent of its GDP and 10.7 per cent of its trade. Trade within the region accounted for only 22 per cent of the total.²⁷ The Indian Ocean is the world's third largest ocean, with half the world's container ships, one-third of the bulk cargo traffic and two-thirds of the world's seaborne oil shipments, making it a lifeline of the international trade and economy.²⁸

The Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) was launched in 1997.²⁹ Two forums were established under its auspices: the Indian

²⁵ Inaugural address by Benazir Bhutto, Prime Minister of Pakistan, at the inaugural session of the 4th SAARC summit, 29–31 Dec. 1988, Islamabad, cited in *SAARC Summits (1985–1988)* (SAARC Secretariat: Kathmandu, 1990), p. 163.

²⁶ Text of Prime Minister Nawaz Sharif's address, at the 10th SAARC summit, July 1998, Colombo, in *The Nation* (Lahore), 30 July 1998.

²⁷ Rana, P. I., 'Government asked to resume drive for membership: Indian Ocean Rim Association', *Dawn* (Islamabad), 10 Mar. 2005.

²⁸ Rana (note 27).

²⁹ On the IOR-ARC see URL <<http://www.dfat.gov.au/trade/iorarc/index.html>>. It has 18 members: Australia, Bangladesh, India, Indonesia, Iran, Kenya, Madagascar, Malaysia, Mauritius, Mozambique, Oman, Singapore, South Africa, Sri Lanka, Tanzania, Thailand, the United Arab Emirates and Yemen. (The Seychelles withdrew from the group in July 2003.)

Ocean Rim Consultative Business Network (IORCBN) and the Indian Ocean Rim Business Forum (IORBF). The overall aim of the IOR-ARC is to facilitate trade and investment arrangements among member countries by 2010. The importance of the group is shown by the fact that China, Egypt, France, Japan and the UK are IOR-ARC dialogue partners. Pakistan remains excluded by an Indian veto despite its 805-km coastline on the Indian Ocean and its ability to link landlocked Afghanistan and Central Asian states to the Rim. All the other members would like Pakistan to join. India's pretext is that Pakistan has not granted most-favoured-nation (MFN) trading status to India but, since Pakistan is committed to SAPTA and SAFTA under SAARC and to the WTO, it must soon grant India MFN status and would thus qualify for membership of the IOR-ARC.³⁰

The ASEAN Regional Forum

Pakistan joined the ASEAN Regional Forum on 2 July 2004. The ASEAN countries that created ARF in 1994 saw it as a forum for security dialogue with the major and emerging powers of the Asia-Pacific region, rather than as a strategic alliance with military overtones. The ARF has 25 participants.³¹ Pakistan's membership re-establishes a link that existed when Pakistan became a founding member of the US-led South-East Asia Treaty Organization (SEATO) in the early days of the cold war. After the SEATO link lapsed, Pakistan, too, fell off the radar screens of the pivotal countries of the region, but they started taking notice again when Pakistan carried out nuclear weapon tests in 1998 and also as a consequence of the region's rising economic power and ambitions. The ARF agenda has been further strengthened by Pakistan's role since 11 September 2001 as a prominent ally in the USA's 'global war on terrorism'. It is noteworthy that, while most ARF participants have acquired membership after becoming fully fledged dialogue partners of ASEAN on economic cooperation, Pakistan entered ARF without this intermediate step. According to diplomats from ASEAN and the West, Pakistan's relevance for nuclear non-proliferation and anti-terrorism efforts is the prime reason for this. For Pakistan itself, an overwhelming strategic imperative was to join India in Asia's only forum expressly designed for security dialogue.³²

The presence of Pakistan, India and China in ARF is significant for Asia's peace and stability. Although Pakistan is not formally an ASEAN dialogue partner, it has been in sectoral cooperation and has signed bilateral agreements with many ASEAN countries on combating terrorism and organized crime. China, Pakistan (in 2004) and Japan have also acceded to the 1976 Treaty of Amity and Cooperation in South East Asia.³³ Pakistan is currently negotiating with Malaysia, Singapore and

³⁰ Soorty, R., 'Delaying MFN status harming Pakistan', *Dawn* (Islamabad), 3 May 2004. On the WTO's principles of the trading system and MFN treatment see URL <http://www.wto.org/English/thewto_e/whatis_e/tif_e/fact2_e.htm>.

³¹ For the members of both ASEAN and ARF see chapter 1 in this paper, note 10. See also chapter 5.

³² Suryanarayana, P. S., 'Pakistan in ARF', *Frontline* (Chennai), 17-30 July 2004.

³³ For the instruments of accession see URL <<http://www.aseansec.org/>>.

Thailand on free trade agreements and on the expansion of trade and economic relations with ASEAN. In general, the course of Pakistan's relations with ARF and ASEAN reflects success in the 'Look East' policy that it has recently been pursuing in parallel with India.

The Asia–Pacific Economic Cooperation grouping

Pakistan is not a member of APEC, nor does SAARC have observer status there (as the ASEAN Secretariat, the Pacific Economic Cooperation Council and the Pacific Islands Forum Secretariat do). Joining APEC would be beneficial for Pakistan because it is the only intergovernmental group that addresses the trade and economic agenda with binding commitments or treaty obligations. APEC decisions are reached by consensus and commitments are undertaken on a voluntary basis. APEC's 21 'member economies'³⁴ currently account for some 40 per cent of the world's population, approximately 56 per cent of world GDP and about 48 per cent of world trade. Pakistan has active economic relations with most of these economies and could hope, through joining APEC, to gain stronger links with and more foreign investments from them.

The Shanghai Cooperation Organization

In September 2000 Pakistan applied for membership of the SCO, and in February 2004 an official of the SCO Secretariat stated that 'we believe Pakistan has proved its credentials as a frontline state in the war against terrorism and its presence would add to the strength of the organization'.³⁵ In July 2005 Pakistan, together with India, Iran and Mongolia, was granted observer status, but it is still keen to become a full SCO member.³⁶ China supports Pakistan's efforts because it considers that Pakistan would promote regional peace and common values and is well placed geographically to enhance regional trade and commerce. In an address at the July 2005 SCO summit meeting, Shaukat Aziz, the Prime Minister of Pakistan, stressed that the country had a vital stake in the security, stability and well-being of the SCO region. Pakistan shares the concerns of SCO countries regarding terrorism, extremism and separatism. As in the case of ASEAN, Pakistan has concluded counter-terrorism agreements with many of the other SCO members. It also signed a protocol to help Kazakhstan gain membership of the WTO, and offered Kazakhstan a road link with the Karakoram Highway, which would also enable the Central Asian states to use the Gwadar and Karachi ports. Pakistan has

³⁴ The members of APEC are Australia, Brunei Darussalam, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, Russia, Singapore, Taiwan, Thailand, the USA and Viet Nam. See URL <<http://www.apec.org>>.

³⁵ 'Making ECO more effective', Editorial, *The News* (Islamabad), 8 May 2006.

³⁶ The members of the SCO are China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan.

offered the Central Asian states facilities for transit through the country to enhance foreign trade.

The Economic Cooperation Organization

Pakistan is an active member of the ECO, whose membership also includes Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Tajikistan, Turkey, Turkmenistan and Uzbekistan.

The ECO region has an acknowledged potential for economic growth. With this in mind, the Pakistani Prime Minister has called for the creation of an ECO free-trade area and oil and gas pipelines that would create an effective regional energy grid. In an address at the ninth ECO summit at Baku, Azerbaijan, he argued that the ECO was best placed to explore regional interdependencies and synergies between its members, especially in the areas of energy security, transport linkages and trade promotion. He pointed out that transport between the member countries should be vastly improved and drew attention to existing and emerging arrangements that point to a likely growth of trade soon among the ECO members. Pakistan could play a pivotal role in the region thanks to its location, which bridges Central, South and West Asia and offers the shortest route to the sea for landlocked Central Asian countries.³⁷

A two-day conference of the oil and energy ministers of Afghanistan, Kyrgyzstan, Pakistan and Tajikistan was held in Islamabad in May 2006. The Pakistani Minister for Power, Liaquat Jatoi, disclosed at a press conference that Pakistan had reached agreement on importing 4000 megawatts of electricity from Tajikistan via Afghanistan, with Afghanistan ensuring security of the transmission line.³⁸ The World Bank and the Asian Development Bank have shown interest in financing this project. Up to now, the internal situation in Afghanistan and Tajikistan has been a major stumbling block in the development of infrastructure links between Pakistan and Central Asian states.

Other large regional groupings

Pakistan has been an active member of the United Nations and its specialized organs. In fact, some analysts, such as Shahid M. Amin, criticize Pakistan for being overactive in foreign affairs, to the detriment of its domestic peace and development.³⁹ Pakistan also has been an active member of the Commonwealth of Nations; it joined the Non-Aligned Movement (NAM) in September 1979; and it was a founding member of the OIC. Now it plays an active role in the Developing Eight Countries (D8), a group comprising Bangladesh, Egypt, Indonesia, Iran, Malaysia,

³⁷ 'Making ECO more effective' (note 35).

³⁸ See Azeem, D., 'Pak, CARs to lay 900-km power line', *The Nation*, 10 May 2006, URL <<http://www.nation.com.pk/daily/may-2006/10/index3.php>>.

³⁹ Amin, S. M., *Pakistan's Foreign Policy: A Reappraisal* (Oxford University Press: Karachi, 2000), pp. 165–245.

Nigeria, Pakistan and Turkey (all also members of the OIC).⁴⁰ The D8 summit held at Bali, Indonesia, in May 2006 decided to move towards free trade among the member countries, initially through preferential trade agreements, followed by an agreement to facilitate customs. Prime Minister Aziz noted in 2006 that in the past five years trade among the member countries has increased to \$33 billion from \$14.4 billion and that there was a great potential for mutual investment, enhancement of trade and cooperation in the defence field.⁴¹

In sum, Pakistan has shown its openness to joining larger regional groupings that could enhance its economic development and security vis-à-vis hostile neighbours. It has followed both bilateral and multilateral approaches. A further recent example is the security and military training relationship established between Pakistan and the North Atlantic Treaty Organization (NATO), now that the latter is operating in Afghanistan and needs to cooperate and coordinate activities with Pakistan, especially in the south-eastern province. NATO also helped Pakistan with the reconstruction of infrastructure after the devastating earthquake in Kashmir in October 2005. NATO is negotiating with Pakistan on transit rights to Afghanistan. This evolving relationship could also have a healthy impact on Pakistan's economic relationship with the European Union (EU).

New trends in Pakistan's policy on regionalism

In the 21st century, with globalization and the extended reach of the WTO, Pakistan views regional trade arrangements as detracting from true liberalization and fragmenting the global trading system. Preferential trade areas or free trade areas established at regional level may eliminate barriers among members but tend to maintain them against outside states.⁴² In this area Pakistan's approach may be classified as multilateralist: it is negotiating direct free trade arrangements with China and with a host of countries in many other continents.

A clear change in Pakistan's attitude towards regionalism emerged at the 12th SAARC summit, held in Islamabad in January 2004, where the decision was taken to launch SAFTA on 1 January 2006 and a committee of experts was set up to prepare for the launch of the free trade area. Earlier, at the January 2002 Kathmandu SAARC summit, a programme had been agreed that includes a South

⁴⁰ For the members of the Commonwealth of Nations see URL <<http://www.thecommonwealth.org>>; for the members of NAM see URL <<http://www.e-nam.org.my/mainb.php?pg=map>>; and for the OIC see URL <<http://www.oic-oci.org/>>. The D8 group was formed on 15 June 1997 in Istanbul, on the model of the Group of Seven industrialized nations, as an arrangement for developing cooperation to facilitate finance, investment, privatization, private sector coordination, sharing of technology, the fight against poverty, and promotion of small businesses, transport and telecommunications among its members. See URL <<http://www.mfa.gov.tr/d-8/facts.figures01.htm>>.

⁴¹ Khan Yousafzai, I. H., 'Pak urges D-8 to enhance trade, investment within Muslim world', *Asian Tribune*, 14 May 2006, URL <<http://www.asiantribune.com/index.php?q=node96>>.

⁴² Panagariya, A., *The Regionalism Debate: An Overview* (University of Maryland: College Park, Md., 1998). See also Bergsten, C. F., 'Open regionalism', Working Paper no. 97-3, Institute for International Economics, Washington, DC, 1997, URL <<http://www.iie.com/publications/wp/wp.cfm?ResearchID=152>>.

Asian free trade area, a South Asian customs union in 2015 and a South Asian economic union in 2020. It seems that, after all, economic issues may be starting to gain prominence in South Asian politics.

The November 2005 Dhaka SAARC summit agreed to admit Afghanistan as a member and to grant observer status to China and Japan, and the August 2006 Council of Ministers meeting decided in principle to grant observer status to South Korea, the USA and the EU. The Committee of Experts on SAFTA could not, however, complete its task in time for all member countries to ratify the SAFTA Agreement by 1 January 2006. According to economic experts such as Shahid Javed Burki, Pakistan could be the patron that SAFTA desperately needs. Burki argues that active involvement in SAFTA could also serve Pakistan's political interests, since India's concern to gain transit rights through Pakistan for trade with Afghanistan and Central Asia could be traded off against Indian concessions on Kashmir. After all, Pakistan is already contemplating transit rights for Iranian and Turkmenistani gas to flow to India through Pakistan. He further suggests that, by using its presence in SAFTA to rally the smaller countries of the region, Pakistan might prevail on India to promote not only its narrow interests but also the development of the entire region.⁴³

On the sidelines of the January 2004 SAARC summit, the president of Pakistan and the prime minister of India issued a joint statement welcoming the normalization of relations between the two countries and agreeing to start a composite dialogue the next month.⁴⁴ This dialogue has made slow but steady progress in all spheres: many new CBMs have been agreed, including in the nuclear field; road and rail links have been opened between the two countries, including across the Line of Control in Kashmir; and people-to-people contacts have been enhanced. The leaders of both countries have called the peace process irreversible: indeed, the many horrendous terrorist acts in both countries have not derailed it. Both countries, and the region as a whole, face acute challenges of poverty, malnutrition, illiteracy, extremism, corruption, maladministration, gender inequality, a poor human rights record, a deficit in democracy and the rule of law, the fragility of civil societies, drugs and human trafficking, and rampant diseases such as AIDS, tuberculosis and malaria. On top of this come strategic challenges such as terrorism, energy shortage, scarcity of water for irrigation and potable water for drinking, environmental degradation, deforestation, and poor infrastructure and disaster relief. As a result of unsolved political disputes, internal disorder and national ambitions, the South Asian countries can be said to have made themselves secure states (or 'security states') at the expense of human security. If the process of composite dialogue between India and Pakistan succeeds, SAFTA could make progress and socio-economic development would be given due priority throughout

⁴³ Burki, S. J., 'SAFTA needs a patron', *Dawn* (Islamabad), 21 Feb. 2006.

⁴⁴ South Asia Terrorism Portal (SATP), 'India-Pakistan Joint Press Statement', Islamabad, 6 Jan. 2004, URL <http://www.satp.org/satporgtp/countries/India/document/papers/indo_pak-6jan04.htm>. See also chapter 2 in this paper for more on the joint statement.

the region, leading eventually to security cooperation and reduced tension, as in many other parts of the world.

Conclusions

Pakistan will probably soon grant India MFN status, as stipulated in the WTO regulations. Mutual MFN status would also commit both countries not to use non-tariff trade barriers against each other. Afghanistan's entry into SAARC is another positive step that should help to place the growing Pakistan–Afghanistan trade in a multilateral framework, protected from the tensions that occasionally arise between the two countries. The launching of SAFTA is bound to build its own momentum, thus lowering political tensions and improving the general security environment of the region. As the stakeholders in peace in the region multiply in each SAARC member state, the peace process should gain strength, as has happened elsewhere. India, Iran and Pakistan are already engaged in serious negotiations on building gas pipelines for the transport of Iranian gas to India through Pakistan and maybe to China. India is also interested in the gas pipeline being negotiated between Turkmenistan and Pakistan via Afghanistan, and an Oman–Pakistan pipeline is under consideration.

As the composite dialogue between India and Pakistan generates more CBMs and progress is made on critical issues such as Kashmir, it ought to be only a matter of time before Pakistan permits trade through its territory from South Asia to Afghanistan, Iran and the Central Asian states. When inaugurating the Pakistan–China Energy Forum on 25 April 2006, Prime Minister Aziz stated: 'Pakistan is located at the confluence of three vital regions—South, Central and West Asia—providing [the] shortest access to the sea for all landlocked Central Asian countries, as well as western China'. He invited China to invest in large refineries, storage facilities and pipelines to help develop Gwadar as an 'energy and trans-shipment port' to ensure secure and reliable supplies to these regions.⁴⁵ President Pervez Musharraf, addressing the forum on 27 April 2006, pledged to turn Pakistan into a trade, industry and energy corridor for the benefit of the two countries and the whole region, saying that, 'When the Karakoram Highway was built, the world called it the eighth wonder. We can create the ninth and tenth wonders by establishing energy pipelines and railway linkages between the two fast growing economies'. He also noted that his country offered the shortest route for import of fuel for China from the Persian Gulf region and Central Asia.⁴⁶

It is evident that there has been a sea change in Pakistan's attitude to the development of regional trade, commerce and investment. Pakistan is offering itself as a trade corridor to all the regions that it can link together. However, this can only take practical shape if there is a durable peace in the region, which—with two nuclear-armed states—cannot consider war as an option.

⁴⁵ 'Chinese investment sought in energy projects', *Dawn* (Islamabad), 26 Apr. 2006.

⁴⁶ 'Time to broaden ties with China: president', *Dawn* (Islamabad), 28 Apr. 2006.

The economic costs of conflict in South Asia have been heavy. Friendship between India and Pakistan would have added 1.5–2 per cent annual growth to the Pakistan economy; compounded over 58 years, Pakistan's GDP today would be some two to three times its present size.⁴⁷ Both countries—but Pakistan more than India—have paid a high economic price for their hostility, but that is now in the past. For the future, there is every reason to argue that it is in Pakistan's economic interests to forge a lasting peace with India. History cannot be forgotten but the right lessons should be drawn.

According to economist Akmal Hussain, there is a way out: 'change the mindset that regards an adversarial relationship with neighbouring countries as the emblem of patriotism, affluence of the few at the expense of the many as the hallmark of development, individual greed as the basis of public action, and mutual demonization as the basis of inter-state relations. We have arrived at the end of the epoch when we could hope to conduct our social, economic and political life on the basis of such a mindset'.⁴⁸ If the people of South Asia are to realize their potential for development, a sustained and rapid peace process between India and Pakistan is urgent. After all, 'peace is a state of mind. The main task of peace-making is to get the two peoples to see their own narrative in a new light, and to understand the narrative of the other side. To internalize the fact that the two narratives are two sides of the same coin, this is mainly an educational undertaking'.⁴⁹

⁴⁷ Hussain, A., 'A vision for South Asia—leading the world', *Daily Times* (Lahore), 24 May 2005.

⁴⁸ Hussain (note 47).

⁴⁹ Leading Israeli peace activist Uri Avnery, quoted in *Daily Times* (Lahore), 25 Oct. 2005.

5. Sri Lanka and regionalism

JOHN GOONERATNE

Introduction

There is no standard model for the form or content of regional groupings. The growth of a sense of South Asian regionalism was severely hindered by the independence processes in the region. Sri Lanka became independent in 1948, but India's and Pakistan's independence processes were extremely traumatic since they came as the result of the partition of British India in 1947. This left an indelible mark, which affected not only their bilateral relations but also South Asian regionalism. The disharmony and regular outbreaks of confrontation between India and Pakistan, from the time of their creation, ensured that there could be no cohesion in the region. They also affected the bilateral relations of other South Asian countries: friendly relations between any other regional player and Pakistan were viewed with suspicion by India.

For its part, Sri Lanka (called Ceylon until 1972) concluded a defence agreement with the United Kingdom on 11 November 1947 as a measure to help secure both countries' interests. Given the UK's strategic interests in the Indian Ocean region, Sri Lanka offered a vital geographical and political link for securing British ties with Australia and New Zealand. For Don Stephen Senanayake, the first post-independence Sri Lankan Prime Minister, the defence agreement offered Sri Lanka security against any possible threats from India to its independence.¹ The UK's right to have military bases in Sri Lanka, granted under the agreement, was revoked in 1957, and the agreement is no longer in force.²

Located close to India, Sri Lanka has a vision of its security that has, naturally, been influenced by its large neighbour. Their proximity—which guarantees that there will be multiple interactions and linkages—and the size difference (Sri Lanka has a population of 20 million, compared to India's 1 billion) are the key variables. It has been written that 'Few international relationships in any part of the world are quite so asymmetrical as that between India and Sri Lanka, whether one considers population or physical size . . . Linked to this issue are conflicting visions of the essentials of national security from the time these two neighbours emerged from colonial to independent status in 1947 and 1948, respectively'.³

Today, as for some time in the recent past, Sri Lanka's immediate strategic concerns (in the narrow definition of the term) are connected with the domestic security challenge it faces in combating a separatist war. The ethnic conflict there

¹ De Silva, K. M., *Regional Powers and Small State Security: India and Sri Lanka* (Vikas: New Delhi, 1996), p. 17.

² For details of the Sri Lanka–UK defence agreement see Jennings, W. I., *The Constitution of Ceylon*, 3rd edn (Oxford University Press: Bombay, 1953).

³ De Silva (note 1), p. 1.

continues to defy solution. A ceasefire agreement of February 2002 between the government and the Liberation Tigers of Tamil Eelam (LTTE) movement remains to be built on in the form of a political settlement, and the present fragile ceasefire is not conducive to any constructive moves. The conflict also has external ramifications, since war materiel for the LTTE separatist group is supplied from abroad, and the conflict has at times become intensely embroiled in Sri Lanka's relations with India in particular. In the 1980s Tamil militant groups maintained close contacts with India, from where they received training, military support and other assistance. The motives for India's actions were complex, to say the least. This phase of events culminated in the signing of the Indo-Sri Lanka Accord of July 1987,⁴ which, while providing for Indian assistance in meeting the separatist challenge, laid down several ground rules for future Sri Lankan foreign policy. India's interest in the Tamil issue waned with the assassination of former Prime Minister Rajiv Gandhi by the LTTE in May 1991. Since then, however, the trend towards centre-based coalition governments in India has ensured that the Dravida Munnetra Kazhagam or the All India Anna Dravida Munnetra Kazhagam regional political party, based in the Indian state of Tamil Nadu, will be a coalition partner and thus that India will continue to have an interest in the Tamil question.

These factors alone show why Sri Lanka would be interested in any structure that is capable of regulating and influencing relations between South Asian neighbours, and in the South Asian Association for Regional Cooperation (SAARC) in particular. The next section focuses on the background and development of SAARC in the cold war period and on its prospects in the face of new trends affecting the region. Two sections are devoted, respectively, to the specialized issue of energy supply pipelines and a discussion of various wider, or alternative, frameworks for cooperation by South Asian states. The final section presents the conclusions.

The environment for regional cooperation and the growth of SAARC

From the early 1950s, the competition between the United States and the Soviet Union (and later also with China) came to dominate the international politics of South Asia. Countries aligned themselves with one side or the other in the cold war, while certain states opted not to join either camp and formed the Non-Aligned Movement (NAM).⁵ All the South Asian states are members of NAM. In the 1950s Pakistan opted to join with the USA and became a member of the US-sponsored security alliances that were formed at the time: the South-East Asia Treaty Organization (SEATO, established in 1954) and the Central Treaty Organization (CENTO, established in 1955). Pakistan's main motivation for joining these

⁴ The accord is available at URL <<http://www.peaceinsrilanka.org/insidepages/Agreement/IndoSriLanka.asp>>.

⁵ NAM was established in 1961 as a forum for consultations and coordination of positions in the UN on political, economic and arms control issues among non-aligned states. As of Oct. 2006 it had 116 members. See URL <<http://www.e-nam.org.my/mainb.php?pg=map>>.

defence groupings was to seek alliances with countries that would provide it with a counterweight against India. India, too, resorted to alliances in pursuit of its interests. In spite of its non-aligned status, India entered into a defence agreement with the Soviet Union in 1971 in pursuance of its conflict with Pakistan.

These alignments made visible the underlying strategic configuration of South Asia—what an analyst has called the ‘hostility consensus’ between India and Pakistan.⁶ Flowing from this are very different ideas on what South Asia’s ‘natural’ or proper strategic structure should be. So long as India and Pakistan perceive each other as a major threat, there is a structural fissure that affects all the countries of the region and makes a single, all-inclusive cooperative security framework (or the alignment of the entire region with one external power) unfeasible. Nor is there agreement on a structure in which the security needs of the smaller South Asian states could coexist with a more powerful and developed India. Bangladesh, Nepal and Sri Lanka have tried to accommodate India’s power in various ways; but they have all, at different times, sought political protection by forming close relations with major powers outside the region and have supported a regional association, SAARC, that might moderate Indian power.

Another way of looking at how the South Asian countries view their security concerns is through the concept of the ‘security complex’, defined as a group of states ‘whose major security perceptions and concerns link together sufficiently closely that their national security problems cannot realistically be considered apart from one another’.⁷ At the heart of the South Asia security complex is the rivalry between India and Pakistan. The insecurities of these two large states are so deeply intertwined that their national securities, both political and military, cannot be separated. Barry Buzan describes how each views the other as a ‘tragic case of structural political threat’.⁸ A number of less powerful states—Bangladesh, Bhutan, Nepal and Sri Lanka—are bound into the complex by geography. At the same time, for nearly all these states, their own major external security problem has been India; and the principal conundrum of their foreign policy has been how to neutralize or at least cope with India’s overwhelming presence in ways that would not precipitate direct Indian action against them. Sri Lanka experienced this dilemma when India forcefully intervened in Sri Lanka over the Tamil issue in the 1980s.⁹

The South Asian security complex is further bound together by the religious, national and historical links that run across state boundaries, causing domestic problems to become interconnected with regional relationships. There are Bengalis in both Bangladesh and India, Punjabis in India and Pakistan, Tamils in India and

⁶ Cohen, S. P., ‘Conclusion’, ed. S. P. Cohen, *The Security of South Asia: American and Asian Perspectives* (Vistaar Publications: New Delhi, 1988), p. 231.

⁷ Buzan, B., ‘A framework for regional security analysis’, eds B. Buzan and G. Rizvi, *South Asian Insecurity and the Great Powers* (St Martin’s Press: New York, N.Y., 1986), pp. 3–33.

⁸ Buzan, B., *People, States and Fear: The National Security Problem in International Relations* (Transasia: New Delhi, 1987), pp. 4 ff.

⁹ Gooneratne, J., *A Decade of Confrontation: Sri Lanka and India in the 1980s* (Stamford Lake Ltd: Pannipitiya, 2000).

Sri Lanka, Nepalis of Indian origin, Bhutanese of Nepali origin, and so on. Local rivalries, linked to consequent interstate disputes, define the principal insecurities of the complex as a whole.

Among the strategies that India has adopted to maintain its de facto hegemony in South Asia has been the policy of bilateralism in its relations with its neighbours. This enables India to maximize its advantages arising both from sheer size and from the fact that all its South Asian neighbours border on India but not on each other. This helps India to avoid the internationalization of contentious issues, while Pakistan has tried to bring up the Kashmir issue at United Nations forums such as the UN Commission of Human Rights (in 2006 succeeded by the UN Human Rights Council) and at regional forums such as the Organization of the Islamic Conference (OIC).¹⁰ While India's strategy of bilateralism is not completely successful where Pakistan is concerned, it has been more successful in imposing this strategy on Bangladesh, Bhutan, the Maldives, Nepal and Sri Lanka. The implications for multilateral ventures within the region are enlarged on below.

The original limitations of SAARC

Against this background it is easy to see why—as discussed in the foregoing chapters—South Asia was so slow to form its own regional grouping and why India was suspicious from the start about the motives of the small states for wanting to establish such a multilateral framework. The story has already been told of how the agenda that SAARC should address was whittled down to a lowest common denominator, so that the SAARC Charter became an exercise not so much in describing as in circumscribing what SAARC was supposed to do.¹¹ On a realist reading of international relations, this is not surprising. The fact is that international institutions are shaped by the interests and resources of their members, and the more powerful members are privileged over the others. The stronger states in an institution commonly seek to maintain a maximum degree of flexibility of action and autonomy for themselves. For South Asia in 1985, the choice thus lay between having an organization with a limited agenda or no organization at all. In the event, other states accommodated to the realities of the situation by agreeing that the emphasis of SAARC was to be on economic and social subjects, and that bilateral matters would be excluded.

If strategic relations have consequently been kept off the formal agenda of SAARC, this has not been for want of trying. The case for discussing political subjects, especially contentious bilateral issues, has constantly been made by SAARC members: Pakistan has wanted to bring up the subject of Kashmir; Bangladesh has wanted to discuss its water-sharing problems with India; Nepal has wanted to discuss some of its own problems with India; and Sri Lanka raised the issue of India's interference in its internal relations, through military and political support to Tamil militants, in the 1980s. There have also been occasions when private

¹⁰ On the OIC and for the list of its 57 members see URL <<http://www.oic-oci.org/>>.

¹¹ The SAARC Charter is available at URL <<http://www.saarc-sec.org/main.php?id=10>>.

discussions between heads of states or government in the margins of SAARC led to fruitful outcomes: for example, when discussions at the 1986 Bangalore summit meeting led to an agreement between India and Pakistan not to attack each other's nuclear installations. Discussions at the 1985 Dhaka summit gave the impetus for the formation of working and study groups to examine questions of terrorism and narcotics, a process that culminated in the adoption of the SAARC Regional Convention on Suppression of Terrorism and the Convention on Narcotic Drugs and Psychotropic Substances.¹²

What SAARC has to show for its 21 years of activity is a rather modest, and more extensive than deep, record of achievement. As noted in chapter 2, SAARC activities cover a wide range of areas, including agriculture and rural development; health and population; women, youth and children; environment and forestry; science and technology and meteorology; human resources development; transport; information and communications technology; biotechnology; intellectual property rights; tourism; and energy. As a result, a host of activities involving both government officials and civil society groups take place among the SAARC countries. It is a slow process, but one that helps to build a sense of regional consciousness.

Current strategic realities: can SAARC cope?

South Asia has been significantly affected by its own evolution and by external events that have brought fundamental structural changes in the international system. The disintegration of the Soviet Union and the Warsaw Treaty Organization ended the cold war two-bloc confrontation. The characteristics of the global system today are not particularly clear: while there is only one superpower, the United States, the world is still in the process of trying to define the nature of the present system overall: whether unipolar (dominated by the USA), multipolar, West-centric or something else.

At the same time, economic factors have become increasingly salient in international relations. A policy of pushing for the adoption of market-oriented economic programmes by the states of South Asia has been underway since the late 1980s, spearheaded by the USA and other Western countries both directly and through institutions like the World Bank, the International Monetary Fund and the General Agreement on Tariffs and Trade and its successor, the World Trade Organization. The collapse of the Soviet Union and its economic philosophy gave strong validation to such market-oriented policies. Although not stated openly, the collapse of the only rival to the USA strengthened the latter's influence as the strongest of the free-market economy countries. This set of changes is now also much spoken of in terms of the growing globalization of markets.

In terms of strategic periods, the present one may be defined as the post-2001 period, marked by the 11 September 2001 terrorist attacks on the USA. Since then, the policies of the USA and many other states has given new primacy to the threats

¹² On both these conventions see chapter 2 in this paper.

of international terrorism and the proliferation of weapons of mass destruction, as well as to specific countries and regions associated with these threats. This has had an impact on the security agendas and alignments of all regions, not least South Asia, with its two de facto nuclear weapon states and proximity to the problem states of Afghanistan and Iran. As one author has written,

For South Asia the impact of 9/11 has altered the parameters of the region itself—which to some extent had begun altering within the strategic context after the development of medium range missiles by India, which can now target the Middle East and South Asian region also . . . And, post-9/11, it is really not feasible to talk of South Asia within the traditional boundary of the seven SAARC members, given that both Pakistan and India joined the US-led coalition to fight global terrorism, and therefore merged the politico-strategic regional bounds between South and West Asia.¹³

Meanwhile, the most important development within the region has been the rising profile of India, as a result mainly of its growing economic strength since the 1990s. Backed by this fast-growing economy, Indian business has in recent years been extending its reach globally, by making foreign investments both regionally and further afield. India's growing economy has also forced the country to concentrate on its energy requirements for the coming decades and the need to ensure new energy sources.

As an organization, SAARC will find it difficult to cope with these global and regional changes—including the new functional agendas of terrorism and proliferation, on the one hand, and the new energy and economic issues, on the other—for two basic reasons. First, the changes that are taking place are primarily of a political and strategic nature; and SAARC, by the nature of its charter, cannot address them. Second, existing political tensions among SAARC member states are not conducive to joint action in these dimensions.

Furthermore, it can be argued that the SAARC framework is both too large and too small to satisfy the main South Asian powers' requirements for addressing new challenges effectively. On the one hand, India and Pakistan, as they adjust to the changing political and economic environment of the post-cold war period, are defining economic and strategic goals that stretch far beyond the SAARC region and are therefore seeking a wider variety of tools (including different organizations) for pursuing them. As noted above, an element of competition forces each of them also to seek membership of any multilateral grouping to which its rival has been admitted. As Buzan puts it, 'There is strong reason to show that the South Asian regional level is diminishing in importance to India, and that India's significance within the Asian supercomplex is increasing'.¹⁴

¹³ Mazari, S. M., 'Regional security issues and concerns: a view from Pakistan', eds D. Banerjee, and G. W. Kueck, *South Asia and the War on Terrorism* (India Research Press: New Delhi, 2003), p. 73.

¹⁴ Buzan, B., 'South Asia moving towards transformation: emergence of India as a great power', *International Studies*, vol. 39, no. 1 (Jan.–Mar. 2002), p. 19.

On the other hand, the form and format of SAARC may be too constrictive even for handling new functional ventures in the region. Two groupings—the Indian Ocean Rim–Association for Regional Cooperation (IOR-ARC) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)—have been set up, in a sense bypassing SAARC.¹⁵ This appears to be a more efficient way of handling initiatives in which some states from both SAARC and the Association of South East Asian Nations (ASEAN) want to participate, since the different strategic environments and operating styles of these two organizations would make it hard to set up such schemes as formal joint ventures between them.

A final complication is that, while the interests of India and Pakistan now extend far beyond the immediate confines of SAARC, the interests of the other five members (Bangladesh, Bhutan, the Maldives, Nepal and Sri Lanka—i.e. excluding Afghanistan) often do not even extend that far. Given that SAARC cannot deal with strategic and political subjects that are directly relevant for the smaller states, and that India and Pakistan choose to pursue their strategic concerns with the assistance of external powers, SAARC is effectively becoming a two-tier grouping. It remains important for the five small member states—which would, indeed, have an interest in overcoming its present limitations—while the grouping is less important for the two largest states, and India would prefer to limit it to the status quo. For the five small states, which for the most part do not have access to larger Asian groupings,¹⁶ SAARC remains the prime forum to tackle trade and economic objectives and this is, in fact, the dimension where the most interesting concrete initiatives have recently been made.¹⁷ SAARC, as a group, is less able to have a role in other areas touching on its members' internal affairs: notably, in Sri Lanka's ethnic conflict, which also creates a conflict of interests for India because of the presence of the Tamil ethnic community also in southern India. This helps to explain why, although India, Pakistan, Bangladesh and Nepal participate extensively in UN peacekeeping missions, strong political inhibitions remain against performing similar tasks in the SAARC region. Any interventions that do take place are of a bilateral nature, such as India's past actions in the cases of Bangladesh, the Maldives, Nepal and Sri Lanka.

At the November 2005 SAARC summit meeting, Afghanistan was admitted as a member of the group and China and Japan were granted observer status. How SAARC will be able to handle Afghanistan, with its particular geopolitical circumstances, is not clear, and this move raised questions about the possibility of

¹⁵ For the 18 members of the IOR-ARC see chapter 4 in this paper, note 29. The 7 members of BIMSTEC, a group formed in 1997 but given its present name in 2004, are Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand, and the group's website address is URL <<http://www.bimstec.org/>>.

¹⁶ See below for 1 exception—Bangladesh's and Sri Lanka's membership of the ASEAN Regional Forum.

¹⁷ See chapter 2 in this paper on the moves towards a South Asian Free Trade Area (SAFTA).

allowing other states to become observers.¹⁸ One interpretation is that Pakistan supported China's observer status in order to balance the membership of Afghanistan, which was favoured by India.

A new field of competition: pipeline politics

While Sri Lanka's current and projected energy needs, and those of the other smaller countries of SAARC, could be managed from present sources, this is not the case with India and Pakistan. The need to tap energy sources in Central Asia (primarily oil and gas) and the various pipeline projects that are underway provide an example of how the interests of both countries are now focused more actively on their surrounding regions, beyond SAARC. The energy issue also brings into focus the complex geopolitical competition that is underway between Russia's, China's and the USA's own strategies for Central Asia.

Russia now supplies 30 per cent of Western Europe's total gas requirements. In fact, the Middle East and Russia and the Caspian Sea region account for more than two-thirds of the world's proven gas reserves.¹⁹ China has been highly dependent on the Middle East for its energy supplies but has recently been exploring the possibilities of turning to countries in its neighbourhood. With the inauguration of the Atashu–Alashankou pipeline from Kazakhstan, China has acquired its first purely regional supply route. Russia has also announced that it will build its first eastward oil pipeline from Taishet to the Pacific coast with a branch line to China.

The main pipeline projects relevant to South Asia's own needs and regional dynamics are described in this section. Particularly from the perspective of energy-hungry India, they are all fraught with political and security-related problems that have yet to be addressed satisfactorily.

The Iran–Pakistan–India (IPI) project. The transport of gas from Iran to Pakistan and India has a sound commercial basis. Iran has the world's second largest gas reserves, particularly offshore in the Persian Gulf. However, the project conceived in 1989 for a joint pipeline from Iran fell victim to differences between India and Pakistan in the 1990s and the first years of the 21st century. The stalemate ended in January 2005, when India and Iran agreed to pursue the project as a straightforward purchase of Iranian gas at the Indian border, with a supplemental agreement between Iran and Pakistan covering the supply of gas to Pakistan and the transit of gas to India. However, while there are price questions to be settled between India and Iran, the project also runs the risk of being blacklisted by US and European financiers and other companies. The USA, which has accused Iran of

¹⁸ A decision in principle to give South Korea, the USA and the European Union observer status was made in 2006. On observer status in SAARC see e.g. Kumar, A., 'Making a beeline for SAARC', South Asia Analysis Group (SAAG), Paper no. 1770, 17 Apr. 2006, URL <<http://www.saag.org/%5Cpapers18%5Cpaper1770.html>>.

¹⁹ See Proninska, K., 'Energy and security: regional and global dimensions', *SIPRI Yearbook 2007: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, forthcoming 2007).

harbouring nuclear weapon ambitions, has specifically urged Pakistan to abandon the IPI pipeline project and instead consider the alternative TAP project (see below).

The Turkmenistan–Afghanistan–Pakistan (TAP) project. This US-backed project was first envisaged in the mid-1990s, but headway could not be made because of the civil war in Afghanistan. Interest in the project was revived after the installation of President Hamid Karzai's government in Afghanistan in 2002, with the Asian Development Bank as the lead development manager and consultant. In February 2006 India was invited to join the project and on 18 May it decided to join, against the background of the difficulties over the IPI project referred to above.

The Baku–Tbilisi–Ceyhan (BTC) project. Spurred by its desire to isolate the Iranian Government, the USA has put its political and financial muscle behind the proposed BTC pipeline, which will funnel Caspian oil down to Turkey's Mediterranean coast for onward export in tankers. This project is also a key element in the US strategy to redraw the geopolitical map of the former Soviet Union and supersede Russia as the dominant force in the region. The USA has pushed through the project (in preference to more economically profitable pipelines via Russia and Iran) to create an alternative export route for oil produced in Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan, which have so far depended on Russian pipelines for export to Europe. Russia has strongly opposed the BTC pipeline, seeing it as a political rather than an economic project, and suspecting that it aims to create an alternative security structure not just to the Russian-led Cooperative Security Treaty Organization (CSTO)²⁰ but to the newer Shanghai Cooperation Organization (SCO),²¹ led by Russia and China.

The Myanmar–Bangladesh–India pipeline. The idea of a Myanmar–Bangladesh–India pipeline project was first broached at a meeting of the energy ministers of the three countries in Yangon, Myanmar, in January 2005. However, no progress was made the following year, as Bangladesh insisted on including in the proposed tripartite memorandum of understanding references to certain India-related bilateral issues that do not pertain to the project. India is therefore examining the possibilities of transporting gas from Myanmar through an overland pipeline skirting Bangladesh to the north-east and of transporting gas as compressed natural gas to receiving points on its own east coast.

²⁰ The CSTO was formed in 1992 as the Collective Security Treaty, in the framework of the Commonwealth of Independent States, and comprised Armenia, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan. Renamed in Sep. 2003 as the CSTO, it now consists of Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan. See URL <<http://www.dkb.gov.ru/start/index.htm>> (in Russian), and for the CSTO Charter see URL <http://www.dcaf.ch/_docs/peace_support_eng/File%2007.pdf>.

²¹ On the SCO see URL <<http://www.sectsc.org>> and <<http://www.fmprc.gov.cn/eng/topics/sco/t57970.htm>>, chapter 1 in this paper and further remarks in this chapter.

Other relevant regional organizations

Regional institutions reflect unique circumstances in each case, so it is not very useful to think in terms of solving SAARC's problems by following some other regional organization's example. In the case of SAARC, a particular set of circumstances led to a restricted area of operation (economic and social), with further restrictions on how the organization can operate. A contrasting example would be ASEAN, which was formed in 1967 and as early as 1976 adopted the Treaty of Amity and Cooperation in Southeast Asia, bringing in a whole new area of activity in the form of 'peaceful settlement of disputes'.²² Disputes among members are now handled through mediation and conciliation within ASEAN. The organization has also dealt with disputes involving some ASEAN members and other states, for example the Spratly Islands (sovereignty over which is contested between China and various ASEAN members), on which it adopted the ASEAN Declaration on the South China Sea in July 1992.²³

There are several reasons for ASEAN's success. There is a sense of a shared security consensus among the members, partly as a result of the successful overcoming of past hostilities between them, a factor that is absent in the case of SAARC. Although ASEAN's members are of unequal size and strength, the bigger countries (such as Indonesia) do not engage in hegemonic competition and are cautious about throwing their weight around—rather as states such as France and Germany have sought to sublimate and cloak their national ambitions in the European Union. In addition, the member states are located in a region of strategic importance to the USA and the West generally. They have made skilful use of outside investment, and the impressive growth rates registered in the ASEAN region (allowing all members to profit in a non-zero-sum way) have added to the cohesiveness of the group.

The ASEAN Regional Forum (ARF), created in 1994, now provides a setting in which members can discuss current regional security issues and develop cooperative measures to enhance peace and security in the region—thus tackling exactly those parts of the agenda that are closed to SAARC. India and Pakistan are both members, and Bangladesh participated as the 26th member of ARF at its 13th meeting, held in Kuala Lumpur in July 2006. At the same meeting, ARF agreed to admit Sri Lanka as its 27th member, to take effect in 2007.²⁴

The story of Sri Lanka's relations with ARF provides an interesting insight into the way in which intra-South Asian issues can spill over even into the politics of wider groupings. When ASEAN was established, Sri Lanka was offered but did not take up membership of the grouping. In the 1980s Sri Lanka showed fresh interest

²² For the members of ASEAN and the ASEAN Regional Forum see chapter 1 in this paper, note 10. For the text of the Treaty of Amity and Cooperation in Southeast Asia, signed on 24 Feb. 1976, see URL <<http://www.aseansec.org/1654.htm>>.

²³ For the text of the ASEAN Declaration on the South China Sea, issued on 22 July 1992, see URL <<http://www.aseansec.org/1545.htm>>.

²⁴ See 'Chairman's statement at the thirteenth ASEAN Regional Forum', Kuala Lumpur, 28 July 2006, URL <<http://www.aseansec.org/18599.htm>>.

in joining ASEAN, but India interpreted this move as being anti-Indian and added it to the long list of current bilateral grievances.²⁵ Sri Lankan membership of ARF, where India itself shares full status, now offers a way around these past difficulties; but it remains to be seen whether it can be a factor in tackling the enduring mutual tension that provoked them. In general, it seems fair to say that, to judge by media reports, India and Pakistan do not seem to have overtly imported their own conflicts into the wider groupings where both are present. They seem to be abiding by the cooperative conventions of the groups and are able to do so partly because of recent changes in Indo-Pakistani relations. It is possible that this experience of working within consensual and functional parameters can have a bearing on the two countries' interactions within SAARC.

Alternatives in the Indian Ocean area

While SAARC confines its activities to the South Asian countries, opportunities have also been seen for cooperation with countries in the wider Indian Ocean region. This has led to the formation of groups that took in some SAARC members and other states in Africa, South-West and South-East Asia, and Oceania. One example is the IOR-ARC, an international organization with 18 members, established at a meeting held in Mauritius and formally launched in March 1997.

The IOR-ARC is a relatively loose intergovernmental structure that, like SAARC, explicitly excludes problems of bilateral relations and other issues likely to generate controversy. One issue under consideration by this group is the feasibility of the Indian Ocean Tsunami Warning and Mitigation System:²⁶ the need for such a system is obvious in view of the tsunami that struck several countries in the Indian Ocean, including Sri Lanka, on 26 December 2004, and the proposal is also being discussed in several other forums, including the UN. However, it has run into the usual obstacles in trying to achieve a genuinely multilateral approach. As one report has put it: 'Initially the Indian Ocean warning system was supposed to be truly regional, with a single center processing and sending out alerts to endangered countries. But that plan collapsed as various nations balked at sharing data and responsibility; instead they competed to host the headquarters. The result is a net of national tsunami centers, hopefully sharing data but currently less integrated than the system in the Pacific'.²⁷ Given the powerful incentive for cooperation in this case, its fate shows the difficulties of making headway in any over-large, diverse and institutionally non-binding regional framework.

BIMSTEC is another such grouping. The current agenda of BIMSTEC appears to duplicate that of SAARC, with the difference that the former also extends to

²⁵ Gooneratne (note 9), pp. 103–105.

²⁶ On development of the system see Intergovernmental Oceanographic Commission of UNESCO, 'Towards the establishment of a tsunami warning and mitigation system for the Indian Ocean', URL <<http://ioc3.unesco.org/indotsunami/>>.

²⁷ Walsh, B., 'Without warning', *Time* (Asia edn), 31 July 2006, URL <<http://www.time.com/time/asia/magazine/article/0,13673,501060731-1218091,00.html>>.

two ASEAN countries. It is, however, still early days to speculate on whether BIMSTEC's new energies could allow it one day to supersede SAARC.

Conclusions

A significant feature of SAARC's activities is the deliberate avoidance, not just absence, of anything to do with security. The reasons for this have to do with the geopolitics, both regional and global, of the time when SAARC was formed. The impact of political and security issues can, nevertheless, never be excluded from any regional grouping such as this and the need for a forum where such subjects can be discussed openly will not go away.

The South Asia region and the world have changed since the formation of SAARC, above all during the post-cold war period. New influences and issues are at play, such as the globalization of the economy, energy scarcities and global terrorism. Old geopolitical entities (the Middle East and West, South, South-East and East Asia) are being shaken up and new ones are taking shape.²⁸ Some of the older groupings are weakening, melding with others or undergoing reincarnations. Asia as a whole offers many illustrations. These tides of change are affecting all the regional groupings in Asia and SAARC is no exception.

In the first chapter of this Policy Paper, Alyson Bailes makes three important points. A significant question is whether new life could be breathed into SAARC by adopting a new economic and functional agenda, including energy, infrastructure, global issues, leading to joint treatment of at least some functional security issues for the region. It is also important to ask whether bottom-up security dynamics—for example, progress on Indo-Pakistani confidence-building measures and conflict-related progress elsewhere—could be built upon in order to move towards a broader regional framework with outside powers' support (designed also to provide a stable neighbourhood for the new Afghanistan). It is also becoming increasingly obvious that India and Pakistan could gain experience through working side by side in larger Asian organizations—ARF, the East Asian Summit and the SCO—and in more specialized frameworks, thus gaining confidence (and picking up ideas on their areas of greatest common ground) which could be reimported to the narrower South Asian scene in order to reinvigorate SAARC or launch an alternative. These points all allude to the changes that are taking place and affecting the South Asian scene in particular. The question is whether SAARC will adapt to these changes or become sidelined and irrelevant.

On the first scenario, it would be easy to satirize the pace of development in SAARC as a snail's pace, but that is in the nature of the subjects that the group deals with. While it may be a worthy endeavour to try to reinvigorate the group, one should not expect great results. Above all, it is not advisable to add any

²⁸ *Shifting Sands: Instability in Undefined Asia* (Strategic Foresight Group (SFG), International Centre for Peace Initiatives: Mumbai, 2003). This study explores a new geopolitical entity, 'Undefined Asia', comprising Afghanistan, Pakistan, Iran, Saudi Arabia and Iraq. See URL <<http://www.strategicforesight.com/shiftingsands.htm>>.

security-related subjects to the SAARC agenda, as this would only raise suspicions among the members as to whose security interests such initiatives would serve.

Even so, there may be openings for including some functional security issues, especially in the area of terrorism. However one defines it, terrorism is something that all the SAARC countries confront in some form or other. SAARC has not ignored this subject, but has produced the Regional Convention on Suppression of Terrorism and the SAARC Convention on Narcotic Drugs and Psychotropic Substances.²⁹ Most SAARC members have introduced bills or laws to implement these conventions. However, there has been no recourse to these conventions by SAARC members in crises, and this is explained, as usual, by the long-standing political inhibitions among them.

Terrorist acts have nevertheless continued to take place in the SAARC countries. To take two recent cases: on 7 March 2006 explosions in the Indian temple city of Varanasi (Benares) killed at least 15 people and injured several more. The Indian authorities pointed to Bangladesh as a possible source of the group that planted the bombs. On 11 July 2006 several bombs were set off on commuter trains in Mumbai, killing more than 200 and injuring over 600 persons. In this case the Indian authorities pointed to Pakistan as the source of the group, but there was a difference in the way this case was handled. Pakistan responded by asking the Indian authorities to provide any information they had on the perpetrators of the bombing and promised cooperation in tracking them, if they were known to be from Pakistan. If this spirit could be extended as a basis for broader practical cooperation, the SAARC conventions are in place and all that remains is to use them.

Another area that could be taken up in SAARC forums is the subject of energy and energy security. In the case of 'pipeline politics', Afghanistan, Bangladesh, India and Pakistan are all involved in several ventures to transport petroleum and natural gas from different sources, within and outside the region. These ventures could also benefit other SAARC countries. Since there are no acute bilateral political sensitivities about pursuing these plans, this is a subject that could be brought into the appropriate SAARC forums.

The second option mentioned in chapter 1 of this Policy Paper, bottom-up progress, is theoretically possible. Given the fact that in SAARC countries the state and decision-making structures tend to be top-down, however, any bottom-up dynamics will have to be powerful to make a real impact at the institutional level. After previous interrupted attempts, India and Pakistan have started to facilitate cross-border travel, especially in Kashmir, for family or religious reasons. If such liberalizing measures take hold, then the resulting easier atmosphere may help in extending cooperation to other areas. Such measures can be extended to other member states, where they do not presently apply. Where enough bottom-up pressure can be built up in individual countries, this will hopefully be reflected in official bilateral relations and then at the SAARC level.

²⁹ On both these conventions see chapter 2 in this paper.

Lastly, India and Pakistan are participants, in one form or another, in several wider groupings, such as ASEAN, ARF and the SCO. While there is a competitive aspect to each country's motives for wanting to participate in these organizations, shared participation does give both states experience in the non-competitive aspects of these groups' work. It is possible that this factor may indirectly ease attempts to work together at functional levels, and thus to reinvigorate SAARC.

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