CHAPTER IV

REGIONAL CO-OPERATION AND INDIA’S FOREIGN POLICY.
Globalisation and the rapid emergence of market economies all over the world, from South-east Asia to Latin America have resulted in the spectacular emergence of regional cooperation and integration. There is increasing realisation by nations that it is no longer possible for single countries to envisage a process of modernisation as self-contain unit. It is not feasible either, to plan national growth without taking into account the changing backdrop of the international economic system.

India has become a part of the inevitable process of globalisation and integration. India’s economic diplomacy has to focus today on a new scenario where trade investment and technology take priority. The most important task for India would be to understand the nature and content of the far reaching changes in the international economic environment. India would have to increasingly cope with the demands of a complex and competitive world.

Even as the world is moving towards greater globalisation and integration, major economic powers are rapidly consolidating themselves into mega-regional groups like NAFTA and EU. The reason for this is the perception that a major preoccupation in the coming years would relate to
consolidation of national markets, their expansion and their medium and long term integration with the regional groupings.

The process of regional cooperation has also benfitted South Asia, which was perhaps one of the east areas to accede to this process of interaction.

South Asian Association For Regional Cooperation (SAARC)

The South Asian Nations made history by committing themselves to regional cooperation for Regional Cooperation (SAARC). Since that movement, the region has not been the same. National governments, who traditionally remained suspicious of each other's motives, have demonstrated an eagerness to explore new possibilities both for furthering their own development prospects and initiating a confidence-building process which might ultimately have salutary political effects. The people of South Asia, increasingly exposed to the concept of regionalism, remain eager to savor its benefits. Although the pace of cooperation and the mechanism used for achieving it remain a subject of debate, the basic philosophy is beyond contention. Moreover, with the structural changes taking place within the global system in the post-cold war era, there is also a growing realism among the regional countries that the best

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possibility of maximising the benefits for individual countries would be through a collective regional endeavour.

In its first decade, SAARC has gone through a slow, but steady, acclimatisation process. It has made innumerable achievements in laying the foundation of cooperation, but remains susceptible to criticism that it has not moved fast enough in core areas by overcoming some of the hurdles.\textsuperscript{2}

While experiments in regional cooperation in other parts of the world were being carried out to husband resources-material, economic and political, in order to strengthen their bargaining power vis-à-vis other groupings and to optimise the social well being of their citizens, the countries of South Asia were still grouping to embroiled in mutual suspicion. Far from providing a basis for cooperation, their shared history which, by and large, was common to most, if not all South Asian peoples, gave rise to further dissention among them, due to differences in religion, sub-cultures, political systems and leaning, and economic inequalities.

Each of the South Asian nations contains something of India and as pointed out by S.D. Muni and Anuradha Muni, if this element were removed, nothing significantly common would be left between one

neighbour and the other. But this very Indo-centricity, together with the
callous attitude of India's political elite, has prevented her smaller
neighbours from becoming amenable to cooperation on a regional basis.

The decade completed by the South Asian Association for Regional
Cooperation (SAARC) in December 1995 represents an uncertain period,
during which faltering steps were taken by the countries of the region,
with minimum conviction and subdued enthusiasm. These ten years,
plagued by bilateral tensions and personality clashes, called into question
the usefulness of the organisation. Yet, on the eve of the eighth SAARC
Summit in New Delhi in December 1995 some positive signs begun to
appear and hope for an effective SAARC in the future rekindled. The
coming in to force of the SAARC Preferential Trading Agreement (SAPTA)
on December 7, 1995 and the talk of an early South Asian Free Trade Area
(SAFTA), as well as the establishment of the SAARC Chamber of
Commerce and Industry (SCCI) are likely to provide impetus to increased
volumes of trade within the SAARC region.

India has been more enthusiastic than some of the other South
Asian States in promoting regional cooperation. Unfortunately, some of
them are more eager to internationalize strictly bilateral matters or to bring
up such matters before the SAARC, than to seek to solve them directly

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3 B.A. Prasad, "India's Role in the Future of SAARC", Strategic Analysis, February 1995,
Vol. XVII, No.11, pp.1353-75.
with each other - as Pakistan, Bangladesh and Sri Lanka have done in the post. The Gujral Doctrine is a calculated effort to appease smaller neighbours by seeking pragmatic solutions to long-standing bilateral issues and devising novel building blocks of sub-regional cooperation.

At the same time, India has agreed to create sub-regional geo-economic blocs among South Asian neighbours. Segments of North East India, Bhutan, Nepal along with parts of Bangladesh formed the “growth quadrangle.” The four countries are already engaged in exploring integrated development, and new cross border transport and trade links. In accordance a proposal submitted by Nepal, development of Brahmaputra basin and the Bangladesh port of Chittagong could be the pillars of this quadangular arrangement. Similarly, Maldives, Sri Lanka and parts of South India have been collectively designated as a “growth triangle” within sub-regional ambit of SAARC.

At the same time, India pursued the Gujral doctrine and sub-regional cooperation even beyond the South Asian region. The creation of the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) in March 1997 and the adoption of the charter, for which India worked hard, are considered an affirmation of the Afro-Asian partnership dreamt of by Jawaharlal Nehru. Recently, India has become a member of another sub-regional grouping, the Bangladesh, India, Sri Lanka, Thailand and Economic
Cooperation (BIST-EC) forum, with Myanmar as an observer. The idea of BIST-EC was first mooted by Thailand in 1996 when India was cool towards the inclusion of Bangladesh because of bilateral problems at the time. With many of these issues successfully resolved in the meantime, India found no objection in joining the forum together with Bangladesh.

The Ninth SAARC summit and the preparatory meeting of foreign ministers took place in May 1997 in the Maldives in a refreshing positive atmosphere, holding out promise for a revitalised regional organisation. Although the ninth summit meeting in Male was dominated by the summit meeting between Prime Minister I.K. Gujral and his Pakistani counterpart, the summit was able to achieve several important milestones. First, the acceptance of advancing the target for SAFTA from 2001 to 2005 was hailed as a major step forward. With the operationalisation of SAFTA, experts believe that the present low volume of intra-SAARC trade which hovers at 3 per cent could be dramatically booster to over 10 percent in the next five years. The second high light was the acceptance of sub-regional cooperation. This had become a sticking point with Pakistan objecting to such a scheme claiming the ulterior motive was to "isolate Pakistan".

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4 Strategic Analysis, July 1997, Vol. XX, No.4, p.567
A landmark step by the SAARC Heads of State and Government was their recognition of the usefulness of informal political consultation among the seven member states - Bangladesh, India, the Maldives, Nepal, Pakistan and Sri Lanka, in order to promote mutual trust by fostering good-neighbourly relations, reliving tensions and building confidence. India, though traditionally opposed to SAARC assuming a political role, took the pragmatic attitude to go along with the final declaration. To other memberstates, particularly the smaller ones like the Maldives and Sri Lanka, it was a movement of triumph since they have tried all along to use the SAARC forum to air and resolve thorny bilateral differences especially with India.

Nevertheless, efforts to create the link between political, security and economic issues have been attempted in the past by several countries in the region. India has been till now a notable exception. The late Prime Minister Rajiv Gandhi has stated at the first summit meeting itself that SAARC was evolved keeping in mind the realities of the region and was not a means of merging the bilateral relationships into a “common regional entity”. But rather to fit South Asian Cooperation into each state’s foreign policy as “an additional dimension.”

The Indian refusal to allow for a widening of the SAARC agenda was the result of a comprehensive strategy that it had thought out in the early 1980s. This strategy had five components:
a) pursue regional cooperation in trade, manufacturing, finance, energy, planning, Good and agriculture, environment;
b) initiate and expand people-to-people contact to enhance cultural identities and civilisational consciousness through which it hoped to break mental barriers of division and divergence imposed and nursed by narrow political vested interests of the state structure.
c) evolve regional consensus to the extent possible on important global strategic and economic issues like disarmament, non-interference, international trade, investment, development assistance, transfer of technology, sustainable development.
d) Keep bilateral conflicts out of the regional agenda; and
e) Keep regional affairs as far as possible from the undesirable and division extra-regional influence as possible.

India's fear of bilateral and controversial issues derailing the already hesitant and slow moving SAARC process are real. It is also true that no other regional forum has been able to resolve the bilateral problems of its member countries. All that has been possible is to moderate and soften such problems and that is being done informally in SAARC as well.

As the largest country in the region, with a dominant economy, the Indian government should now become the engine for economic
development of the region. Greater Indian participation in SAARC activities is recommended because two major suspicious of the first decade have been washed away viz., that smaller countries want to use SAARC to going up against India. The second fallacy harboured by the smaller powers was that their own economies would be swamped by the Indian juggernaut. This has not true and curiously, the smaller states, with the exception of Pakistan, have become enthusiastic about the possibilities of profiting from interaction with the larger Indian economy.

It is time that India must actively work for a region-wide acceptable of the vision of a South Asian community based on peaceful coexistence, economic cooperation, religious tolerance and cultural understanding.

The Indian Ocean Rim - Association For Regional Cooperation

The 14-nation Indian Ocean Rim-Association for Regional Cooperation (IOR-ARC) is the latest, and possibly the east, of the major regional economic groupings to be formed in the world. Formally launched in March 1997 in Mauritius, it takes its place amidst powerful economic bodies such as the three-nation North American Free Trade Area (NAFTA), the 15 - nation European Union (EU), and the 18- nation Asia-Pacific Economic Community (APEC).

The rationale for the formation of IOR-ARC lies in the ascendancy of economic issues, and the trend towards regional economic cooperation and
integration in the post-Cold War world. The fear of being economically marginalised, and an attempt to wield greater influence through collective action, lent urgency to the Association. The ongoing liberalisation and globalisation of the Indian economy complemented this approach.

The establishment of IOR-ARC was initiated as early as March 1995, when representatives of seven countries - Australia, India, Kenya, Mauritius, Oman, Singapore and South Africa - perceived to present their respective areas, attended an international meeting of exports in Port Louis, at the behest of the government of Mauritius. Within five months it was decided to double the membership of the forthcoming association to fourteen states, one from each of the seven areas of the rim. The additional seven member-states are Indonesia, Madagascar, Malaysia, Mozambique, Sri Lanka, Tanzania and Yemen.

Of these 10 work programmes, four are to be coordinated by India. The Federation of Indian Chambers of Commerce and Industry (FICCI), a leading Indian business chamber, had already set up the IORBC at its headquarters in New Delhi. The IORBC will identify potential trade and investment complementarities within the rim, and assist in match-making between potential buyers and suppliers, as well as potential joint venture partners.

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5 "Resolution On the Adoption of the Charter of the Indian Ocean Rim Association for Regional Cooperation", Strategic Digest, April 1997, pp. 417-419.
Clearly, IOR-ARC lays more stress on greater economic cooperation among member-states than on economic integration. Although it is far too easy to spell out a goal for economic cooperation, the Association does not envisage itself as an economic bloc, such as the European Union, in the future. The prospects and opportunities for regional economic cooperation are considerable, but clearly so are the various challenges and problems, which need to be faced and overcome.

**India and ASEAN**

India has managed to establish friendly relations with the ASEAN countries. India’s ties with South-East Asia received an impetus as a new strategic and economic scenario evolved in the post-Cold War era.

If anything made a difference toward greater cooperation between India and ASEAN, it was the new “move eastwards” policy of the Narasimha Rao government. Of course, opening up the economy and entry into free market, inherent in the unleashing of the economic liberalisation process, created a new image for India and introduced an element of commonality in the policy orientation of the South-east Asian countries and India. Secondly, the collapse of the cold war and improved India. United States relations helped the process of bettering India - ASEAN understanding. Thirdly, the breakthrough in the Sino-Indian loggam and the

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*World Focus, November-December 1994.*
improvement in relations between India and China made a positive impact in Southeast Asia.

ASEAN has economic and strategic importance for India. In the autumn of 1998, India joined the Jakarta session of ASEAN foreign ministers and the meeting of the Asian Security Forum as a full dialogue partner for the first time. These meetings were followed by several India-ASEAN interfores at Singapore, Bangkok and New Delhi leading to a wide-ranging engagement in economic, security and social issues.7

In our own region, SAARC seeks to promote sub-regional economic and trade cooperation through SAPTA and SAFTA, but clearly, these countries sub-region will have to look beyond to make full use of the emerging opportunities in their vicinity. It is with this purpose that India, even as we build and strengthen SAARC, will continue to need to consolidate and evolve a special relationship with ASEAN and seek an entry into APEC on the eastern side; the Indian Ocean Rim initiative would need to be fully explored.

With the 1993 visit of India’s then Prime Minister Narasimha Rao to some countries of Southeast Asia and the exposition of a new “look East” policy in his much published and well received “Singapore lecture” at the

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prestigious institute of Southeast Asian Studied, India is once again seeking closer relationship with the countries of ASEAN. "The Asia Pacific would be the springboard for our leap into the global market place," Rao declared in Singapore.

India has now realised that it is in India's interest to move energetically and imaginatively to utilise the window of opportunity rather that awaiting initiatives from the side of Southeast Asian Countries. It is in the economic field that the most significant opportunities are emerging.

India's newly acquired status of dialogue partnership of ASEAN and the commencement of that dialogue is an important step towards greater economic interactions and eventual integration with the ASEAN. While the major role in promoting economic relations in the changed environment rests with business and industry, both in public and private sectors, the governments of India and the various Southeast Asian countries will continue to have an important role to play.

After the liberalisation of Indian economy, the primary task of our economic policy, in the coming years, would be to help mould a predictable international environment and take full advantage of emerging international economic scenario to further our national efforts with the aim of making India economically strong, influential and less vulnerable to international 'pressures', both political and economic. Like through the
regional groups ASEAN, India has established good relationship with the European Union. India's economic policy, will have to alert and alive to the changes that are underway in the international economic scenario so as to react them and recommend Policy Courses appropriate to the evolving situations. The challenge of our economic diplomacy will be to reconcile both the trends towards inevitable long-term globalisation and the consolidation of regionalism and sub-regional cooperation in such a manner that we are able to take advantage of both at the same time.