



# South Asian integration: prospects and pitfalls

by Gareth Price

Narendra Modi's decision to invite leaders of all the members of the South Asian Association for Regional Cooperation (SAARC) to his May 2014 swearing-in as prime minister sparked optimism about the prospects for greater regional engagement. However, three months later India broke off dialogue with Pakistan, and it has only recently re-started talks about talks. Instead, India focused its attention on Nepal and Bangladesh. But while progress has been made with Bangladesh, what many in Nepal describe as a blockade has left that bilateral relationship at its lowest point for years.

Although South Asia is one of the least integrated regions in the world, this was not always the case: in the early years after independence, around 70% of goods produced in Pakistan were exported to India. Now that figure stands at less than 5%. And despite the widespread acceptance of the potential economic benefits that could accrue from enhanced regional trade, political differences, along with genuine fears regarding competitiveness, have delayed concrete action.

## India's approach to regionalism

Modi's enthusiasm for a more benign 'neighbourhood' policy is rooted less in sentimentality about cultural similarities – though this does play into

the worldview of his party, the Bharatiya Janata Party (BJP) – and more in his primary ambition of economic development. India is not immune from political instability in its neighbours, and recent years have witnessed instability aplenty. At the same time, as by far the largest country in the region – its population represents almost 80% of the population of the South Asian Association for Regional Cooperation (SAARC) – India is in a unique position to act as a stabilising influence.

But India's regional dominance is a double-edged sword: New Delhi would undoubtedly dominate an integrated South Asia within which, problematically, many of the other countries seek to define themselves, in part, as *not* being Indian. And given its size, India's initiatives frequently suffer because its neighbours perceive (sometimes correctly) a tendency to overbear. At the multilateral level, initiatives by SAARC have rarely come to fruition, generally undermined in the first instance by the poor bilateral relationship between India and Pakistan.

The last significant period of Indian outreach to its neighbours took place in the mid-1990s. The 'Gujral Doctrine', named after the then foreign minister Inder Kumar Gujral, espoused the policy of non-reciprocity. This meant that India would



accept that its neighbours would reap greater benefits than it would expect itself. Focused primarily on Bangladesh, Bhutan, the Maldives, Nepal and Sri Lanka, successes, though limited, were significant. Most prominently, the Ganges Water Treaty between India and Bangladesh seemingly presented what was seen, initially at least, as an equitable solution to a long-standing source of tension.

However, South Asia remained a troubled neighbourhood. Following nuclear tests in 1998, the 1999 Kargil conflict and the 2001 attack on India's parliament, India and Pakistan stood several times on the brink of war. During that period elsewhere, civil wars in Nepal and Sri Lanka escalated. Following its election in 1998, the BJP-led National Democratic Alliance government neglected regional engagement in favour of global outreach. This was linked to a narrative of economic diplomacy under the moniker of 'India Shining'.

Meanwhile, national-level politics, in particular the rise of regional parties, often undermined India's occasional regional engagement efforts. While most Indian politicians would accept the benefits of cooperation with neighbours, they had any number of (often genuine) reasons as to why engagement was unfeasible. Both the BJP and the 2004-2014 Congress-led coalitions were reliant on smaller coalition partners, and at times were held hostage to local pressures: parties from Tamil Nadu had their own views on India's relations with Sri Lanka, for example, and politicians from West Bengal scuppered a proposed treaty over the sharing of waters on the Teesta River with Bangladesh.

The importance of regional parties, however, declined substantially with the election victory of Narendra Modi, which ushered in India's first single-party majority government for 25 years. (That said, regional parties still govern some of India's states). Although Pakistan's prime minister, Nawaz Sharif, was invited to Modi's inauguration, the new government's policy seemed to be focused more on Bangladesh and Nepal. At the first excuse, New Delhi broke off relations with Pakistan following a meeting in August 2014 between Pakistan's high commissioner to India and Kashmiri separatists. India was more likely to achieve results with its non-Pakistani neighbours

– if it could demonstrate its ability to act as a benevolent hegemon.

## Modi's outreach

With Bangladesh, significant bilateral progress has been made, notably in the form of a transport agreement. As north-east India is an almost entirely landlocked, predominantly agricultural region with little market access, by the time its perishable items are driven to the capital of West Bengal, Kolkata, many have rotted. Following the signing of an agreement last year, the first successful trial run from Kolkata to Agartala (in the north-east Indian state of Tripura) through Bangladesh was held in November 2015, cutting the distance by some 1,000 km.

That Dhaka agreed to such a deal is the result of the satisfactory resolution of a dispute over various enclaves in both countries which contained around 60,000 people who had been effectively stateless since partition. Changing India's border required a change to its constitution, and that Modi succeeded where previous governments had failed demonstrated India's commitment.

With Nepal, however, India's outreach has had a less satisfactory outcome. Modi's visit to Nepal was well received, as was India's initial response to the Nepal earthquake. But subsequent over-zealous and jingoistic news-reporting by Indian journalists alienated many in Nepal. Worse was to follow. Protests in southern Nepal against the country's new constitution led to a *de facto* blockade that only recently ended.

The blockade was not total – some trucks entered Nepal, often paying fees to protestors – and the cause of the spat remains disputed. While most Nepalese believe that India imposed the blockade for political reasons (as it did in the late 1980s), India has argued that it was unsafe for trucks to transit into Nepal because of the protests.

Although both sides have pledged to put the blockade behind them, India's relations with Nepal now stand at their lowest ebb for years. That this has happened highlights a further dilemma for India: even if it believes that it is acting in the common good, its neighbours are likely – for historical reasons – to suspect a nefarious motive. And yet, despite political difficulties,

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progress on bilateral integration is continuing. In late January, for instance, India agreed to export 300 megawatts of power to Nepal over the next 18 months. Cross-border power trading is in its nascent stages in South Asia, but the Indian grid is connected with Nepal, Bangladesh and Bhutan. If there were to be a South Asian equivalent of the Coal and Steel Community (ECSC) which drove European integration, power could well be it.

Given the India-Pakistan stand-off, progress on regional (rather than bilateral) integration has been slow. The last SAARC summit, held in Kathmandu in November 2014, ostensibly focused on increasing connectivity. The main initiatives tabled for approval were the 'SAARC Regional Agreement on Railways' and the 'Regulation of Passenger and Cargo Vehicular Traffic among SAARC Member States'. These initiatives had been floated since 2008 and 2009, respectively. Pakistan scuppered both initiatives, citing its need to complete 'internal processes' beforehand. But India appeared to expect this outcome, and instead agreed similar bilateral agreements with Bangladesh, Bhutan and Nepal.

## Outreach to Pakistan

The various factors which divide India and Pakistan are well known, and could probably be resolved if both sides had the political will to do so. This is, however, rarely the case. 2007 presented one such opportunity, but by the time the broad parameters of an agreement were in place, the power of Pakistan's president, Pervez Musharraf, was on the wane and he was unable to bring other Pakistani stakeholders with him. Any attempts at *rapprochement* were then ended by the 2008 Mumbai attacks.

Since then, political will has been lacking in both India and Pakistan. Pakistan's military has justified its political role because of the supposed existential threat from India, while the relatively weak Congress-led governments in India were also poorly placed to engage with Islamabad. But over the past year, Pakistan's military appears increasingly secure in its role, with the civilian government happy to cede control over important policy areas (such as engagement with India) to the military. And it is unlikely that a civilian government will attempt to dominate the armed forces anytime soon.

Noticing these dynamics, and with its previous plan of engaging with Nepal in tatters, India has reached out to Pakistan. For once, there is a window within which the domestic politics of both

countries could lead to meaningful dialogue. The January 2016 assault on an Indian air force base in Indian Punjab – the most significant since the Mumbai attacks – would seem to suggest that those seeking to scupper any engagement also agree that a window for dialogue has opened.

While it is certainly optimistic, the possibility of a complete transformation of regional relations is not inconceivable. At the heart of tension between India and Pakistan is the issue of Kashmir. Given the unlikelihood of any territorial swaps between the two countries, resolution would almost certainly involve an acceptance of the Line of Control that divides Kashmir as a soft but recognised international border. Pakistan's recent moves to integrate Gilgit-Baltistan (part of the princely state of Jammu and Kashmir) into Pakistan proper will irritate India (ostensibly) but may suggest that this outcome is being actively considered in Islamabad.

Any *rapprochement* would also involve the unambiguous ending of Pakistan's distinction between 'good' and 'bad' Taliban (the former being those perceived to be supportive of Pakistan's foreign policy ambitions in neighbouring countries, and the latter which pose a direct threat to Pakistani state). However, genuine change will require resolution of the Kashmir dispute. Otherwise, Pakistan would continue to offer at least moral support to Kashmiri separatists on the grounds that they had justifiable grievances. India, in turn, would argue that Pakistan remains ambiguous.

These issues, in turn, play into developments in Afghanistan. Here Pakistan needs to be seen to be playing a constructive role. In the past, Pakistan has hedged on its relations with the Afghan Taliban in part because it is concerned about Afghanistan's future and wanted to retain influence. Those concerns are likely to remain but now, in addition to Western pressure (which is more limited since the troop draw down), China is offering inducements – in the form of infrastructure investment – for Pakistan to play this supportive role. With China superseding Saudi Arabia as Pakistan's lender of last resort, the chances of some kind of reconciliation in Afghanistan are higher.

But the risks are also high. Whenever positive outcomes have appeared feasible, they have been derailed, most recently with the Mumbai attacks, and earlier with attacks on India's stock exchange in 1993 and its parliament in 2001. The air force base attack was not on that scale and, most crucially, Pakistan appears to be taking action against the perpetrators.



If positive outcomes are to be met, Pakistan's military will need to have genuinely changed its outlook. If elements (rogue or otherwise) of Pakistan's army remain determinedly opposed to any *rap-prochement* with India, they have the clear capacity to do so, though at a potentially very high cost. If, however, any future attacks in India cannot be overtly linked with elements of the Pakistani state, political progress could conceivably continue.

## Beyond the region

The Indian philosopher, Kautilya, posited a world of concentric circles in which, crudely put, a neighbour is likely to be an adversary, the state beyond a friend. Whenever India's neighbourhood has proven too difficult, New Delhi has focused its foreign policy further afield. Coupled with the Nehruvian notion of 'non-interference', India has been able to balance a range of positive relationships with states at odds with one another – Israel and Palestine, the US and Iran, and so forth.

Its ability to continue doing so is, however, increasingly challenged. Turmoil in the Middle East, for instance, means that the maintenance of friendly relations with both the Gulf states and Iran is coming into question. And this is important to India not just because of energy supplies but because millions of Indian nationals work in the Middle East.

India's preference will certainly be to focus on contingency planning than on choosing sides, and its diplomats over the past decades have proven adept at avoiding such choices (often to the chagrin of the West). But as it engages more deeply with other countries around the world – seeking investment, increasing trade and even providing aid – its ability to remain neutral is coming under strain.

With these longer-term foreign policy dilemmas in the background, for now the logic that it should prioritise its region stands out. If India does manage to overcome decades of mistrust, or in the case of Pakistan outright hostility, the benefits for India in terms of economic growth and meeting its other aspirations – such as UN Security Council reform – will be manifold. But success will require sustained commitment from India and equally a willingness to engage by its neighbours.

## Future prospects

If India and Pakistan can resolve their difficulties, the prospects for broader regional integration will increase dramatically. There would still be limits

to integration: genuine concerns that both agriculture and industry may suffer in the face of Indian competition exist among India's smaller neighbours. But this would also provide opportunities for other regional institutions to engage, either at a regional level or with India's neighbours which often have lower capacity to formulate policy. Beyond trade in goods, power and water (along with road and rail connectivity) would each offer opportunities for engagement at a regional rather than bilateral level.

If this window of engagement closes, history suggests it will remain closed for years. India, in turn, would probably give up treating SAARC seriously and look east, to other emerging multilateral groupings, such as the Bangladesh Bhutan India Nepal Initiative (BBIN) or the Bangladesh–China–India–Myanmar (BCIM) Forum for Regional Cooperation.

One reason why this outcome may be less likely than the optimistic scenario is the role of China – and of economics more generally. Behind India–Pakistan tension lies Indian anxiety about China. While in the longer-term this may or may not be well placed, in the short term Indian and Chinese interests are neatly aligned. China's concerns over Islamic radicalisation in Xinjiang have, for example, led it to play a potentially constructive role in Afghanistan. Similarly, while India may be concerned about elements of China's planned infrastructure development taking place in the disputed territory of Kashmir, it is well aware of the benefits of improved connectivity. And China's aspiration to achieve 'stability' is a positive influence on Pakistan.

In 2007, then Indian prime minister, Manmohan Singh, spoke of how he dreamt "of a day, while retaining our respective national identities, one can have breakfast in Amritsar, lunch in Lahore and dinner in Kabul. That is how my forefathers lived. That is how I want our grandchildren to live." Almost living the dream, in December 2015 Prime Minister Modi awoke in Kabul, stopped over in Lahore and returned to Delhi in the evening.

The coming months will demonstrate whether regional integration can be more than a pipe dream. The potential for the region is huge. And greater regional engagement would open space for greater intra-regional engagement. The downside risks are, however, readily apparent.

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