

**NON-RECIPROCAL RELATIONS AMONG STATES:
A STUDY OF THE GUJRAL DOCTRINE**

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Certified that the dissertation entitled **Non-Reciprocal Relations Among States: A Study of The Gujral Doctrine**, submitted by **Dimpi-V-Divakaran** in partial fulfilment of the requirements for the award of the degree of **Master of Philosophy** of this University, is his original work. This dissertation has not been submitted for any other degree of this or any other University.

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PREFACE

The end of the Cold War made long lasting impacts all over the world. The ideology of free marketism and liberal democracy dominated the post Cold War period. The erstwhile pro Soviet states were with no options but to adopt with the changes in the new era. India being no exception in to this, adopted the new economic policy in 1990s. Indian foreign policy orientations also underwent subsequent alterations. The reoriented policy give much more emphasis on economic diplomacy. The new orientations in Indian neighbourhood policy is part of this whole change in the post Cold War era. So the Gujral Doctrine should be seen as a part of Indian efforts to adapt its self to the entirely new situations. It also gives clue about India's urge to find out new beneficial areas in a difficult time. This study intended to shed light on the pertinence of non reciprocity in improving is Indian relationship with its neighbours, strengthening the regional cooperation and enhancing peace and development in South Asia.

Reciprocity is a usual and important principle in international relations, international trade and commerce. Relationships among states are usually build up on the basis of mutual benefits and accommodations. It is often evoked as an appropriate stand and behavior which can produce cooperation among the sates. From 1930s this principle is an important part of United States' foreign policy. In multilateral agreements like GATT and

SAPTA also accounts on overall reciprocity. But relevance of reciprocity seems to be less applicable when it is between unequal states. This work, in its first part, try to trace the nature of relationship existed among unequal states during the Cold War.

South Asia is a region where mutual animosity and distrust dominated in the last fifty years. The worst hostile relationship in South Asia is between India and Pakistan. India's relationship with other countries, especially with Sri Lanka, Nepal and Bangladesh also have been marked ~~waged~~ by occasional wrangles. India's explicitly superior stature was perceived by the smaller states as a security threat, striking an imbalance in the power asymmetry of the area. India is the pivotal figure in the region, and it is India's relationship with other countries determine the political atmosphere of the region. It is in this context that India's initiative to improve its relationship with its neighbours assumes importance. One important inquiry going to be made in this study is to analyse how far the new neighbourhood policy will be instrumental to change the mutually suspicious atmosphere in the region and whether the new approach will be successful in solving the contentious issues in the region.

Post Cold War brought new equations all over the world. Along with global changes, countries in the area also reform their economies. The success of new economic policy heavily depends on the promotion of

exports. Now the international scene does not look very favourable. The prices of traditional exports of South Asia has been coming down for the last few years. Regional groupings, which are very influential in the present international scenario, work as a protective covers by making access of products from outside region very difficult. In this new context, as different from past, utilization of potentialities of the neighbourhood became inevitable to all South Asian States, especially to India. But in South Asia political differences were limiting the prospects of an effective regional cooperation. This dissertation also analyses the contribution of the Gujral Doctrine in generating a friendly atmosphere in South Asia and its impact on enhancing the spirit of regional cooperation in the region which is absent in South Asia in the past period.

Even fifty years after decolonization, South Asia is one of the poorest regions in the world. The region is still riddled with large scale poverty, unemployment, illiteracy etc. Ability of individual states to solve these issues is doubtful. Many of these hazards could be dissolved more efficiently and speedily by cooperative efforts. But political differences in the last half a century limited the possibilities for such a united action. Added to this is the heavy expenditure for security purposes, which again is a fall out of hostile relationships that limits the allocation towards social development programmes. This work also discusses the Gujral Doctrine's

prospects in bringing peace and cooperation in the region and the contributions that a cooperative move can provide in the development of the South Asia.

The organization of the dissertation is as follows - Chapter I of the dissertation provides an analysis of relationship among unequal states during the Cold War. It was a typical period when powerful states entered in to relationship with a large number of underdeveloped countries. The chapter is mainly analyzing whether there can be elements of non reciprocity in relationship among unequal states.

Chapter II is describing the post Cold War compulsions which forced India to reorient its foreign and neighbourhood policy. The chapter also gives a brief description of causes which keeps the South Asia as a divided region for such a long time.

Chapter III discusses the Gujral Doctrine. The chapter also gives an account of the achievements and the threats India was able to dissolve with in a short period after the adoption of the new policy and possible diplomatic and other benefits India can achieve if it is able to continue the policy.

Chapter IV is an account of the possible benefits which can be achieved in the South Asia through regional cooperation. The final chapter

is conclusion. The study follows a historical and analytical perspective in discussing elements of reciprocity in the Cold War international relations, Post Cold War developments and prospects of the Gujral Doctrine. The primary sources consulted include various bilateral agreements which signed among countries of South Asia and documents related to the SAARC. The study mainly relies on secondary sources such as books articles and news papers.

For the successful fulfilment of this study, I am deeply indebted to my supervisor, Prof. Sushil Kumar. His valuable guidance has been instrumental in moulding this work to its perfection, inspite of my own personal limitations.

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Dimpi V. Divakaran

Chapter - I

INTERNATIONAL RELATIONS AMONG UNEQUAL STATES DURING THE COLD WAR

The post war international system was more peculiar in many ways than the earlier system. Cold war was the most dominant feature of the period. The ideological, political, economic and military competition between the superpowers became the source of many new developments in world politics. The peculiar relationship among unequal states is one of them. It was a period just after the Second World War. It was also the period of decolonization. The war torn and newly independent states were looking for external help for the reconstruction of their economies. The official development programme, which was not familiar till then, began in this context. This chapter tries to give a picture of international relations among unequal states during the cold war. The main thrust of the chapter is to analyse, whether the relationship was non reciprocal or was it a part of the Cold War foreign policy strategy.

The post war international system has changed remarkably from the pre war period. The old multipolar system was replaced by the bi-polar system. The pre-war powers like the United Kingdom, France, and Germany lost their past importance, and the post war period saw the emergence of the Cold War between the two super powers. Literally the

world engaged itself in a political debate on the contending political ideas of free enterprise market economy and centrally planned socialist economy.

World War II brought about a startling transformation in the structure of world power. The axis states, Germany, Italy and Japan, were temporarily eliminated from the equation. Most of the countries of Europe were militarily and economically exhausted. The European overseas empires were in the process of disintegration. The ex-colonial world was in tumult and confusion. The war thus left a series of power vacuum around the planet.¹

The vacuum that emerged was filled by the two new powers, The United States and the Soviet Union. The history of international relations after the second World War period was determined by these two super powers.

In contradistinction to the earlier conflicts between the superpowers on economic basis, the key differences between the United States and the Soviet Union in the post second World War scenario was guided by ideological differences, the United States being the articulator of neo-liberalism and free market and the Soviet Union being the embodiment of

¹ Author Schlesinger, "The Origin of the Cold War", in Morgenthau and others eds., The Origins of the Cold War" (Waltham, 1970), p.113.

socialist ideas.

After the second World War, both the super powers were trying to build a world in their own image. Even before the end of the second World War the American policy makers had outlined the nature of the political and economic order that they wished to establish once victory would be achieved. It would be a world wide system of independent nation states willing and able to respect one another's freedom, to settle disputes by peaceful means, and carry on economic relations with only moderate, if any barriers to flow of goods, services and financial resources between them, which would be applied to all members.² The nature of the post-war international economic order was discussed in detail at the 1944 conference which was held at Bretton Woods. The conference foresaw a free, multilateral, non-discriminatory and increasingly competitive international economic system. The same conference also decided to form two institutions, the International Monetary Fund (IMF) and the World Bank, (WB) to implement the decisions of the conference and supervise the post-war economic behaviour. The Bretton Woods conference, which outlined the blueprint of the post war economic order, was dominated by the United States. The Soviet Union had not participated in the conference. Even though a few Third World states, including India, participated, their

² Theodore Geiger, Future of International System, (Boston, 1988), p.9.

influence was negligible. The institutions which formed to implement the decisions of the conference was dominated by the United States by 'undemocratic' weighted voting system. "The creation of the Bretton Woods institutions were the efforts of the US to perform its leadership role in world capitalism and diminishing capitalist anarchy by further centralisation of monopoly capital."³ American economy, being the most powerful economy in the world, was also very sure about the benefits from a free and open economic order. But it made the Soviet Union suspicious about that order. "As the United States was superior economically, Soviet Union felt the ideology of free trade as false consciousness to serve the increasing interests of the United States' ruling class which was discriminatory against Soviet Union's interest."⁴ It was this difference between the super powers which spread in the areas of ideological, political and economic spheres which was the single most important factor which decided the nature of the post war international politics. This difference soon grew into military competition which led to the formation of two military alliances. Both the alliances were trying to attract as many states into their camps. The newly independent countries with a history, till the near past, of colonisation and destruction were keen on rebuilding of their nations. It is in this context of competition and reconstruction that the

³ C.P. Bhambhri, World Bank and India, (New Delhi, 1980), p.14.

⁴ Author Schlesinger, n.1, p.46.

relationship between unequal states developed.

The economies of most of the European states after Second World War were in shambles. The only state, whose economy was affected in the least in the course of the World War was the United States. Never before had the world witnessed the simultaneous emergence of such a large number of new, and by and large poor, nation states, all clamouring for a measure of economic independence, so as to assert their newly acquired political independence. The attention of virtually all the government's of Asia and Africa had been for economic development. So, the Cold War began in an era when most of the states were looking for additional resources for their reconstruction.

The post-World War international relations was characterised by the flow of official development assistance to other sovereign nations, with a view to promote economic growth. The motivations of both donors and recipients was vividly clear in the emerging international scenario, to engage them selves in a process of mutual co-operation. This unprecedented move obviously carried along with it ulterior political motives. As a dominant power the United States was central to the origin and development of official development programmes on subsidised terms.

The large scale American aid to other states began with Truman Doctrine. On March 12, 1947, President Truman appealed to the United States Congress to allow \$ 400 million to help Greece and Turkey. In his address he made it clear that, "It must be the policy of The United States to support free people who are resisting attempted subjugation by armed minorities or by outside pressures"⁵. Truman doctrine was the first official development assistance given by the United States. It was a clear cut strategy to curb the emergence of communist movements in Turkey and Greece. The event also points out the emergence of the United State as the leader of world capitalism.

The next step taken by the United States to assist needy states was the Marshall Plan. It was an exclusive plan to give assistance towards the reconstruction of Western Europe. On 5th June 1947, in his address to Harvard University, George. C. Marshall announced the United States' assistance to Europe, against hunger, poverty, depression and chaos. And on March 31st 1948, the The United States congress passed an assistance of US \$17 billion over four years ending 1952. "Marshall Plan, with a longer range vision than most other aid programmes, was conceived with its own end in sight, it would help Western Europe rebuild the industrial

⁵ Stephen, J. Valone, Two Centuries of US Foreign Policy The Documentary Record, (West Port, 1995), p.111.

base that was the key to European prosperity, eventually obviating the need for further American assistance”⁶. The two important functions of the aid was to fill the dollar gap for import and increase the savings. The restoration of European productivity and trade required, on the supply side, seemingly limitless amount of food, raw material, capital goods and technology. The United States could meet that need in sufficient volume at acceptable prices. But Europe had limited means to pay for these imported factors of production. To make up this gap was first goal of Marshall Plan. It also included enough technical and administrative help.

The success of Marshall Plan was a boost to the United States policy of foreign assistance. After the reconstruction of Western Europe and Japan the American policy makers shifted their focus to newly independent countries. President Harry S. Truman in 1950 inaugurated the four point programme. Mutual Security Agency (MSA) was formed to co-ordinate the American assistance to developing countries. The assistance programmes included economic, technical and military aspects under MSA.

The rationale for foreign assistance was that domestic savings in some developing countries was too low to meet the investment requirements for growth, and as funds from private international sources

⁶ Diane B. Kunz, “Marshall Plan Re-considered”, Foreign Affairs (New York), vol.76, no.3, May-June 1997, p.164.

were not available in sufficient amounts to make the difference. To fill this gap it was argued that inflows of capital on concessional terms would be necessary before developing countries - would achieve self sustaining growth.⁷

This was a shift from the earlier ideological position held by the United States about the development of the Third World. ^{Early} ~~Later~~ in the post-war period, the United States held the conviction, which was reinforced by European aid experience, that developing countries by adopting export promotion strategies could better realise economic growth through domestic capital accumulated through in expanded trade in a liberalised world economy. Rather than external capital inflows, trade and suitable domestic policy environment would be sufficient to stimulate domestic investment and attract foreign funds. Whenever loans were necessary from international sources they should be made available on strictly commercial terms.⁸

The official assistance policies of the United States which began by Truman Doctrine continued through Marshall Plan, four point programme PL.480 etc. Till early 1990s the The United States continued to be the largest donor of development assistance. The United States transferred

⁷ Seiji Naya, Role of US Economic Aid in Promoting Development (Honolulu, 1988), p.88.

⁸ Marvin G. Weinbaum, Egypt and Politics of US Economic Aid, (Boulder, 1986), p.12.

almost \$ 400 billion to more than 120 states during the first forty five years after, Second World War.⁹ But its percentage in total assistance has declined throughout the period. It was more than 90 per cent in the immediate post war years dipped to 60 per cent in 1960s and fall below 20 per cent by 1990s.¹⁰ But still the US continues as the second largest donor after Japan.

Apart from the United States, the Soviet Union too delivered its assistance to the development of newly independent countries. During the early post war years, the Soviet Union burdened with the reconstruction of its own economy and that of Eastern Europe, had deliberately distanced itself from newly independent states. The ideological position of the Soviet Union during this era was to help local communist parties rather than those governments whom they considered as imperialist collaborators and counter revolutionaries. But after the death of Stalin, Soviet Union turned its ideological position, adopted the policy of Peaceful Coexistence and began its efforts to develop economic and political relations with newly independent states.

In 1954 Moscow offered its first development assistance to Afghanistan. From 1955 Moscow began its development assistance

⁹ Steven W. Hook, National Interest and Foreign Aid, (Boulder, 1995), p.28.

¹⁰ *ibid.*

relations to countries like India, Indonesia, Egypt etc. Between January 1955 and December 31, 1968, the USSR extended approximately \$ 62.66 billion worth of economic assistance in form of long-term credits and grants to 37 of least developed countries.¹¹ During the Asian tour of Bulgarin's and Krushchev's in 1955, which took them to India, Afghanistan, and Burma, they continuously raised their offer to share experience in outright readiness to assist.¹²

During the early stages, major shares of Soviet aid was going to radical anti-Western regimes in the Third World. This was according to the ideology of Soviet Union, forging an alliance between the socialist camp and the former colonies. The aims and terms of Soviet assistance had its difference from Western assistance. "Credits were earmarked to support import-substitution, industrialisation and expansion of the state sector, both goals being conceived in the framework of the highly emotional vocabulary of 'economic liberalisation' rather than in the more neutral matrise of economic development per se".¹³ Industrialisation was represented as an economic lever for transforming developing countries into independent actors in the world market and for ending western domination which

¹¹ James Richood Carter, Net Lost of Soviet Aid, (New York, 1964), p.12.

¹² Elizabeth Kridl Walkenier, Soviet Union and Third World-The Economic Bind (The New York, 1983), p.2.

¹³ *ibid.*, p.7.

relegated them to the role of the production of raw material. The public sector was perceived as an institutional lever towards eliminating the exploitative Western presence as well as the retrogressive elements of private business within the country.

The Soviet assistance was concentrated in the areas of infrastructure and basic industrial development. Loans at small interest rates repayable over a period of eight to fifteen years, beginning from one year of completion of the project were envisaged. Moreover, repayments could be made in local currencies or in the form of traditional exports, a feature which was especially welcome to developing countries due to their severe balance of payment deficits.

It was not only the superpowers that acted sensitively to the development needs of the newly independent states. The other developed states also provided economic and technical assistance to developing countries. After the reconstruction of its own economies the states like the United Kingdom, France, Germany, Japan and many other European countries offered their support to the developing countries.

When we analyse the relationship between unequal states during Cold War era, it is very clear that economically stronger states had shown interest in the development of the war torn and newly independent

countries. Many states, through this help, were able to overcome their troublesome period. The West European countries and Japan reconstructed their economies with help of Marshall Plan. The developing countries like South Korea, Taiwan and Israel also made use of this help effectively. But the pertinent question about development assistance was, as to, whether this could be seen as humanitarian or non-reciprocal assistance or was it intended as new methods in foreign policy implementation.

A close watch of the foreign assistance programme the during the Cold War takes us to the condition that in most of the cases, foreign assistance programme cannot be separated from the objectives of foreign policy. Most of the observers of the United States' foreign aid share the opinion that it was foreign policy interest that dominated the American assistance policies. Morgenthau describes the American assistance programmeme as "more baffling than any other innovation in the practice of foreign policy"¹⁴. The perception of the realist school is that the foreign assistance should primarily, if not exclusively, be designed to facilitate donor interest. The sole test of foreign aid is national interest of The United States. Foreign aid is not something to be done as a government enterprise for its own sake or for the sake of others. The United States government is

¹⁴ H. Morgenthau, "A Political Theory of Foreign Aid", American Political Science Review vol.,56, no.2, 1962, p.301.

not a charitable institution, nor is an appropriate outlet for the charitable spirit of American people.¹⁵

From the very beginning of foreign assistance, which started soon after Second World War, it was tied with goals of the United States' foreign policy. All types of national interest, political, economic and security had its influence over it. The Marshall Plan is born from the United States' interest in building a liberal international economic order due to the Cold War political compulsions and domestic economic pressures.

The United States had strongly desired to build the free liberal economic system which was approved in Bretton Woods Conference. But it was obvious that the free and open economic order, which was beneficial to The United States than any one else, is not possible when Europe was facing serious economic troubles. United State also feared permanent trade restriction from Europe because of their dollar gap. The main objective of Marshall Plan was to help Europe to regenerate its war loin economies. "It became clear, however, early in the post war period that the Bretton Woods policies and institutions were not going to work unless and until the trade and payment positions of Western European countries were brought into

¹⁵ George Liska, The New State-Craft - Foreign Aid in Americans Foreign Policy (Chicago, 1960), p.127.

better balance than the devastation of the war permitted. One of the important objectives of Marshall plan was undoubtedly to bring this about."¹⁶

Among other economic interests that forced the The United States to continue the assistance programme was the slight domestic recession in the United States in 1947. To find markets for its industrial products and the disposal of surplus agricultural products, so as to maintain full employment in The United States--all these compulsions had its influence in the origin and evolution of foreign assistance regimes. "Among primary objectives, the Truman administration attempted to establish a post-war political and economic order that would emerge (and reward) democratic governments that pressed liberal macro economic policies. Secondly the objectives included re establishing markets for exports from the United States and Western Europe, helping domestic manufactures and framers to dispose of surplus stocks, bolstering allies who had liquidated their overseas investments during the war and faced the impending loss of colonial possessions and preserving the good will of developing countries as sources of raw materials and potential markets needed by the United States and other industrial states..."¹⁷

¹⁶ Edward S. Manson, "The United States Interest in Foreign Economic Assistance" in Gustav Rains ed., The United States and Developing Economics, (New York, 1964), p.17.

¹⁷ Dean Acheson Present at the Creation (New York, 1969), p.24.

With the ascendancy of the United States as the leaders of capitalist world and the hegemonic role of dollar with the commencement of gold exchange standard since the Bretton Woods, the United States could facilitate purchases from all over the world merely by domestic liabilities to the federal reserve system. This was primarily behind the post war boom that United States economy experienced which continued still the oil shock in the early 1970s. The particular feature of international monetary system with regard to the United States' government specifically was that during the period an expansionary macro economic policy involving monetary and fiscal instruments could be utilised without being threatened by any constraints like foreign exchange, wage goods, height international rates etc.

The most important motivation of the United States for the economic assistance programme was Cold War political and security objectives. It was the emergence of communist parties in Greece and Turkey which forced the The United States to announce its first assistance programme, Truman Doctrine. Marshall Plan also contained strong anti-Communist sentiments. Communist parties in some west European states, especially in Italy and France, were very influential during the immediate years of Second World War. The United States believed that continuance of aimed economic situation may give proper opportunity to communist

parties to win over the support of the people. "Economic mal-adjustment makes European society vulnerable to exploitation by any and all totalitarian movements"¹⁸. It means that a hungry and suffering electorate might vote a communist government in to power. The main objective of Marshall Plan was to throttle this possibility. Thus "Marshall Plan served as the economic and political foundation for Western alliance that waged cold war"¹⁹

The United States' aid to help the developing countries was also part of its Cold War strategy. "Economic assistance programmes were also regarded as a major instrument in the geo-political cold war, and even today they retain priority as a national security measure."²⁰ The fear of communist take-over of Third World countries was the main motive behind the offering of assistance. The Soviet assistance programme to the Third World states also influenced the nature of the United States aid policies. "The United States programme expanded largely as a response to growing Soviet aid programme and to a fear that the desperate masses of many developing countries would turn to the Soviet camp for relief from their

¹⁸ Anna Kasten Nelson ed., *The Department of Policy Planning Staff Papers - 1947-49*, (New York, 1983), p.1.

¹⁹ Diane B. Kuuz, n.6, p.162.

²⁰ Saiji Naya n.7, p.x.

poverty".²¹ The Chairman of the Senate Foreign Relations Committee, Alexander Wiley described foreign aid as probably the single most anti-communist Programme.²² The volume of aid is normally determined by the importance of recipients in the Cold War power equations. Another important motivation to the United States was commerce with developing countries which was vital for supply of both strategic and non-strategic goods.

The overall picture of American assistance to other states indicates that American national interest was behind their development assistance. R.D. McKinley and R. Little (1979), in a study conducted on American aid relationship observe that the interest of the donor is evident in the foreign assistance. "Our findings do not support the recipient need model, and therefore, disconfirm a humanitarian or economic assistance interpretation of the United States aid relationship. They do, however, support the donor interest model and therefore, confirm the foreign policy interpretation.... It is the power political and security interest of the US which consistently prove to be the central criteria underlying the distribution of aid over the period 1960-70."²³

²¹ James M. Hagan and Vernon W. Ruttan, "Development Policy Under Eisenhower and Kennedy", Journal of Development Areas, (Illinois) vol.23, no.1, 23 October, 1988, p.2.

²² *ibid.*, p.5.

²³ R.D. McKinlay and R. Little, "US Aid Relationship - A Test of the Recipient Need and Donor Interest Model," Political Studies, (Cambridge), vol.27, no.2, 1979, p.247.

Another important point which support the United States' national interest in foreign assistance was that most of the United States' assistance was given to the Soviet peripheries or states which were strategically important in Cold War. And the least developed states do not get importance in the distribution of assistance. Between 1979 and 1990, 50 per cent of the United States' assistance was disbursed to the Middle East and North Africa, particularly Egypt and Israel. Sub-Saharan Africa, the poorest region in the world got just less than fifteen per cent for most of these years.²⁴ One of the idealist criticisms to foreign assistance policies is that the transfer of assistance is not reaching needy or less developed countries. During Reagans term the American government even tied development assistance to voting of United Nations. In 1985 the United States cut fifty per cent of its aid to Zimbabwe as a result of that country abstention in the UN Security Council vote on the shooting down of a Korean airliner.²⁵ All these facts point out that the United States consistently identified national interest as a primary criteria for transfer of development assistance.

Economic assistance of Soviet Union also contained its ideological and political dimension. The aid programme of Soviet Union was originating from its longing for allies during the Cold War. Krushchev in

²⁴ Steven W. Hook, n.9, p.131.

²⁵ Alfred Maizels and Machiko, K. Nissanke, "Motivations for Aid to Developing Countries", World Development , (Oxford) vol.12, no.2, 1984, p.892.

his response to western countries answered that "perhaps you wish to compete with us in establishing friendship with Indians, let us compete."²⁶

The early Soviet economic assistance given to radical anti-western regimes like Egypt, India and Indonesia was not an accident. It was part of a conscious policy of the socialist regime to help such regimes to be more independent in the international arena.

Another important mission contained in the Soviet aid policies were to contest the domination of Western countries in world market. This was intended to be achieved by making developing countries more powerful and by diverting some of their trade towards the socialist camp. Eventhough the Soviet help contained their political and ideological dimensions, many Third World states might admit the fact that Soviet assistance was more beneficial. Their low interest rates and their position on repayment through local currency or products, were more acceptable to developing countries because of their balance of payment problems. The revisionist position of the Soviet Union towards the capitalist international economic order was accepted by most of the Third World countries also because they also shared the exploitative burden imposed by it.

²⁶ Pravda, (Moscow), 22 November, 1995.

But Soviet policies also changed by mid 1960s in response to its national interest. In 1966 Leonid Breshnev asserted that successful build up of the Soviet economy is the chief international duty of the Soviet Union. Even though economic assistance doubled after mid 1960s, they were apportioned to make economic relations with developing countries less of drain on the Soviet economy.²⁷ In the case of the Soviet Union also the major part of their development assistance was going to their allies. By 1964 the USSR was extending credits to some thirty countries. But eight states received about eighty per cent of total.²⁸

Foreign assistance programmes of other states, during Cold War, were also related to their national interest. The case of France, who was the third largest donor till 1990s, also proved this point. Nearly 50 per cent of French foreign assistance goes to its former colonies. "France directs her aid primarily to the former French colonies, which are also generally speaking, those developing countries with which France has closest trading links."²⁹ But like the United States and the Soviet Unions, France does not appear to have global political and security interests. But it was closely associated with protection of its influence, political, economic and cultural,

²⁷ Elizabeth Kridl Valkenier, n.11, p.13.

²⁸ *ibid.*, p.21.

²⁹ Alfred Maizels and Machiko Nissanke, n.25, p.887.

in its former colonies. The other important donor countries were also influenced by national interest in giving assistance. "The distribution of British aid among recipients is sufficiently influenced by trading ties and by British interest in maintaining aspirations of influence in former colonies".³⁰ Half of the Japanese aid is directed to its neighbours in East Asia. A real exception to this national interest dominated model of foreign aid is the Nordic model, which is followed by countries like Finland, Norway, Holland etc. This model focuses on the poorest regions of the world and its aid contains 95 per cent grants on terms requiring least amount of reciprocity.

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The above description of relationship between unequal states during the Cold War does not give much evidence to non-reciprocity. It was true that major powers were liberal to needy states during the Cold War. The American aid played a major role in the reconstruction of Western Europe, Japan and the development of South Korea, Israel and Taiwan. Soviet aid was vital in infrastructure development of many Third World countries, including India. But these acts cannot be seen divorced from the cold war compulsions of major powers.

³⁰ *ibid.*, p.888.



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In the post war international system, the most prominent feature was the Cold War, the political, economic ideological and military competition between the two super powers. Both the super powers were trying to build a world in its own image. The containment of other block, getting as much as states as allies, forcing other states to adopt similar ideologies were the objectives of paramount importance to both the superpowers. So any analysis of relationship of unequal states should consider these specifically ideological and political interests of superpowers.

To the United States national interest always has been a key factor in its foreign assistance programme. Building up of a liberal world economic order, keeping communists out of power, getting allies in Cold War and expansion of markets for the United States products were key factors influencing the United States' foreign assistance programme. A good chunk of the total the United States' aid was directed to its allies, the United States even tried to tie its aid with the United Nation voting. The Soviet assistance programmes were also dominated by its national interest. Helping the revisionist Third World states like India and Egypt, giving emphasis on state owned infrastructure development programmes really reflects the ideological, political contents colour of the Soviet aid. The other major donors-France, UK, and Japan also give much in prominence to the preservation of their national interest in their assistance programme.

So actual thrust of relationship between unequal states during the Cold War was not non reciprocal. Non - reciprocity was there, to a certain extent, but only in material terms. But major states stress on alignment with them in the Cold War and direct recipients to build national economies on their ideological view, which benefit ultimately the donors. Most importantly, the superpowers used this as a method towards generating political and ideological support in the Cold War, which was most important to them. So liberal approach of major powers can be seen only as a foreign policy strategy. Through their economic power they were trying to build an alliance, an international system to serve their national interest. So international relations among unequal states during the Cold War gives a picture of reciprocity, but at different levels, that is relationship can be described as exchanges of mutually valued but non-comparable goods and services.

Chapter -II

COMPULSIONS BEHIND INDIA'S NEW APPROACH IN FOREIGN POLICY AND IN NEIGHBOURLY RELATIONS

In the wider perspective of strengthening the South Asian relationships, the Gujral Doctrine has to be seen as a genuine attempt made by India. South Asia has been a divided region for a long time because of deep distrust and suspicion among the countries in the region. Being the most prominent state in the region, India had a central role in constructing its political atmosphere. But India has made very few attempts to look into the factors generating mutual animosity in the region. A marked shift from this past trend, the Gujral Doctrine, was a new move to build confidence and co-operation in the region. This chapter looks into the compulsions behind this new approach. This chapter also tries to look into the main causes which hinder an effective regional co-operation in South Asia.

The idea of a regional association in South Asia was put forward by Zia-ur-Rehman of Bangladesh way back in 1979. From the beginning, India and Pakistan viewed the concept with suspicion. India thought that the SAARC would be a platform for its small neighbours to gang up against

India.¹ Due to this suspicion, India insisted on keeping bilateral issues out of the association. India was also concerned about its neighbours ganging up against the Soviet Union with the help of extra regional powers.² Pakistan was against the concept as that country perceived in such regional association in South Asia a direct threat of the region being brought under Indian leadership.³ The SAARC was formed in 1985. But its progress was very slow. It is the political differences in the region which hindered the possibility of greater co-operation. Let us glimpse through these problems in South Asia which makes it a divided region.

South Asia has been a divided region throughout the last fifty years. The specific set up of this region characterised by a single large state had an important role in this peculiar atmosphere. The region comprises seven states. But India accounts for 77 per cent of the population of the region 73 per cent of the total area and 77 per cent of the total GDP.⁴ India shares land boundaries with all states other than Sri Lanka and Maldives. The region is India centric. India leads over the other countries in South Asia in

¹ Aabha Dixit, "SAARC: Toward Greater Co-operation" Strategic Analysis, (New Delhi), vol.20, no.4, August 1997, p.562.

² *ibid.*, p.562.

³ *ibid.*, p.563.

⁴ Bipattaran Ghosh, "SAARC: Some Major Impediments to its Success", Asian Studies, (Calcutta), vol.8, no.1, 1995, p.36.

size, population, economic and military power and capacity for resource mobilisation.⁵

Being in a strategically central location, India's relations with its neighbours play a crucial role in determining the nature of political atmosphere in the region. India has bilateral problems with almost all states except Maldives and Bhutan. There exist very few problems between others states like Nepal and Bhutan. Indo-Pak relationship is the most hostile one in the region, to the extend of armed conflicts between two countries. Even though there have been attempts towards amicable settlement of issues like the water disputes with Pakistan, relationship between Pakistan and India remained as antagonistic. The most trouble some issue in the region is the Kashmir problem.

The real issue behind the mutual distrust and suspicion is the power asymmetry in the region. When this power asymmetry along with geographic proximity India has with its neighbours really generates an India phobia among the neighbouring countries.

This perceived threat of India compels other South Asian states to take some measures to counter India. This also leads other states to ^{look at} all the

⁵ Bhabani Sen Gupta, "Regionalism in South Asia Rules and Behaviour", In Bhabani Sen Gupta ed., Regional Co-operation and Development in South Asia (New Delhi, 1986), p.18.

Indian positions in a suspicious way. The Indian position on 'South Asianess' is one of them. When India always emphasises about similarities, other South Asian states stress on differences, not only from India but also from the region. They always try to present themselves off and beyond the region. They really feel New Delhi's insistence on some inherent South Asianess as intentional and motivated towards denying them legitimacy as separate states and to holding them at bay as outsiders lest they might balance against India.⁶ The Indian position against the intervention of extra regional force in the region also is seen as an underlying Indian ambition to dominate the region.

According SD Muni (1995) there are to five relevant contentious issues in South Asia.⁷ The partition of the Indian subcontinent is the most pertinent one. The issues like poverty and literacy are also manifestations of the erstwhile colonial rule.⁸ It was into a possible state of statelessness, that a number of persons in the subcontinent were diffused into following the British retreat. This issue created a lot of problems between India and Sri Lanka in 1960's. Yet another type of issues are political and ideological

⁶ Kanti P. Bajpai, "Regionalism, Regional Politics and Security in South Asia," In Marvin G. Weinbaum ed., South Asia Approaches the Millennium, (Boulder, 1995), p.208.

⁷ S.D. Muni, "Coping With Contentions Issues in South Asia", In LL Mehrotra and others eds., SAARC 2000 and Beyond (New Delhi,1995), p.579.

⁸ Nikhil Chakravarty, "South Asia-Looking beyond SAARC", World Focus, (New Delhi), vol.12, no.8, August, 1991, .4.

in character. Many political forces in South Asia seek India's support in their struggle against their repressive Governments. The explicit support offered by India to Nepali Congress, Awami League, and Tamils in Sri Lanka led to the deterioration of India's relations with these states. Comments from Pakistan patronising the Indian Muslims cause draw the ire of the Indian Government. With the democratisation of the region these types of issues are decreasing now.

Another issue is related to strategic conflicts and military balance. The India-Pakistan rivalry has led to conventional and nuclear arms race in the region. The differences of opinion about the intervention of outside forces in the region also creates problems among India and its neighbours. India is concerned more with the security challenges coming from the outside region and always emphasise the geo-strategic unity of the subcontinent. But other states in the region feel threat to their security and freedom of action been posed from within the region, from India. It lead them to seek the help of extra regional powers in order to protect their security. This different perspectives keep the relationship between India and small neighbours always in tension.

The fourth contentious issue arise from the spillover of internal conflicts and turmoil in a given country to its neighbours, refugees problem

is example for this. The fifth kind of issues arise from resources and development conflicts. Water disputes are example of this kind of issues.

A very important question raised by many is why South Asia is not able to resolve their differences for such a long time. One of the explanation is that the region is very poor. So no state in the region is in a position to be generous and accommodative to others at the cost of themselves. This poverty also makes these countries extremely hard and tough in negotiations with its neighbours.

A very important factor which played an important role in deepening the differences is the impact of extra regional powers. The Cold War and Sino-Soviet conflict had its role in deteriorating political differences in the region. The Western countries' strategy of cooption of Pakistan to their anti-Soviet alliance and the Chinese help to Pakistan to contain the pro Soviet India, only deteriorated in political atmosphere in South Asia.

Absence of two important developments also caused badly in regional co-operation. Firstly, South Asia did not have region wide regimes, i.e. norms principles rules and decision making procedures in a issue area. Main reason's for this is that South Asia is a relatively new sub-system and its diplomatic recentness has constrained the regime construction. Being colonies for a long time it has not inherited regimes

from older times. Another problems is the absence of the knowledge that regime can enhance trust, help police cheating, and are cost saving investments in information and knowledge. Absence of regimes really constraint the regional co-operation in South Asia.⁹

The second reason is the absence of epistemic communities in South Asia.¹⁰ The transitional epistemic communities is able to, other wise recalcitrant or ignorant political bureaucratic actors into co-operative ventures. The lack of such communities may have resulted in non-co-operation in South Asia.

Another issue is the fear about the relative gains. The countries in South Asia, especially Pakistan fears that the relative gain which India gets in an increase in regional trade will make India it more powerful. But many observers feel that the power differential between India and its neighbours, including Pakistan would seem to be so great that any further deterioration in the terms of power would seem to be irrelevant.¹¹ But many South Asian experts believe that India also failed to have a broad and beneficial economic diplomacy in South Asia. "The Indian economic diplomacy in South Asia reflects a marwari psyche where it shows concern for nervously

⁹ Kanti P. Bajpai, no.6, p.24.

¹⁰ Kanti P. Bajpai, "Discord and Collaboration: Domestic Politics and Indian Diplomacy in SAARC", in Baladas Ghoshal ed., Diplomacy and Domestic Politics in South Asia. (New Delhi: 1996), p.74.

¹¹ Kant P. Bajpai, n.10,p.74.

selfish and short term gains at the cost of border and long term region building perspective.”¹² The policy of the Janata Government based on mutually beneficial bilaterism has been as viewed weakness by the later Governments.

Another reason is that all the South Asian States including India, failed to reconcile with the power asymmetry of the region. This lead India’s neighbours to seek the help of extra regional forces to balance against the power which is otherwise tilted in favour of India, worsen the situation most of India’s South Asian neighbours seem to be obsessed with India’s pre-eminence and power potentiality region neglecting its positive elements.¹³ At same time, India also failed to remove the threat perception cast among its neighbours, while India failed to understand and accommodate in the sensitiveness and complexes of its neighbours, the later too in their part have not been able to find out the best way to interact with their neighbour. In the consequent confusion contentious issues have persisted in their relations.¹⁴

¹² S.D. Muni, n.7, p.84.

¹³ M.S. Rajan, and P. Shahadevan “Problems of Asymmetry. Between India and Other Asian States, The Positive Aspects”. In M.S. Rajan ed., Recent Essays on Indian Foreign Policy, (New Delhi, 1997), pp.61.

¹⁴ S.D. Muni, n.7, p.83.

Result of all these factors, South Asia continued as a divided region in the last half a century. No state in the region has made any genuine attempt to break this ice of mutual mistrust and suspicion. Because of the insignificant place which South Asia have in their development strategies hold them back from such a move. But in the post Cold War era every thing was altered. In the new context priorities of the South Asian states also have changed. A strong regional grouping occupies very important place in the new context. Let us check what are the compulsions forced to reorient the priorities.

The most important development which had tremendous impact on the international system was the sudden, and unexpected fall of the Soviet Union and the socialist regimes in Eastern Europe. This event lead to the fundamental restructuring of the world system. During the first forty years after independence, Indian Foreign Policy evolved under relatively stable constellation of circumstances. The most fixed and dominant structure was the Cold War between the two super powers. Suddenly one block became non-existent. And the world system took a unipolar dimension after the fall of one of the two superpowers.

As this implosion was unexpected, it was a shock to India. Stephen P. Cohen describes the Indian response as “The break down of bipolarity, and the collapse of the Soviet Union came as a shock to the Indians, and

their reassessment of the changing international order has been slower than that of other major powers".¹⁵

The change in international power structure was really a major blow to India. The Soviet Union was an ally, which could be counted as a source of diplomatic support, and much beyond that, it provided the supply of arms and a good market for Indian goods. The relationship with the Soviet Union also provided a near guarantee of Soviet assistance in case of armed conflict.¹⁶ It is observed that, There was a time when India was secure as its friendship with the Soviet Union would give it a clout in global scenario and would offset the designs of the Western powers. Today, deprived of a strong friend and ally in the global area, we are so much more vulnerable to the power plays that unfold in the world.¹⁷

The new international system has many peculiarities. The scholars generally agree that it is a unipolar system. Many scholars believe that this unipolar stage is a transitional period between by polarity and multipolarity. The hegemony of United States in this unipolar world stands uncontested. But the most important point about the new international

¹⁵ Stephen P. Cohen, "Regional Impact of Reforming India," *Adelphi Papers*, (London), no.276, 1992, p.83.

¹⁶ G.P. Ramachandra, "Indian Foreign Policy in Post Cold War Era", in K. Raman Pillai ed., *Indian Foreign Policy in 1990s*, (New Delhi, 1997), p.26.

¹⁷ Neera Chandhoke, "The New World Order: Implications for India's Domestic and Foreign Policy" in Lalith Mansing and others, eds., *Indian Foreign Policy Agenda for 21st Century* (New Delhi, 1997), p.81.

system is that powerful states form a group, as G.8 under United States for the furthering their interests. This G.8 now constitutes the power centre of the world. "The United States in the maintenance of its dominance has the support of industrially advanced countries of the world, and together they control the political and military power structure in the Cold War international system."¹⁸ The existence of expanded NATO now not only works as a security umbrella to the United States and its allies but also as a world police force. The basic objectives of this block is to maintain status-quo of the existing world capitalist system. The objective of the American lead Northern block is explained as -"The shared aims will fundamentally emphasise the historical status-quo global capitalism and free trade, Euro-North American international law and rules and an inequality in wealth privilege, power and benefit favourable to the North."¹⁹

One of the very dynamic developments that has emerged with the new international system is the outright political delegitimization of alternative ideologies. Ideology of a society plays a vital role in deciding its destiny. In foreign policy making also it is highly important. The post Cold War scenario witness the triumph of global capitalism. It is the triumph of

¹⁸ Satish Kumar, "Post-Cold War International System: An Indian Perspective", Strategic Analysis, vol.21, no.6, September 1997, p.829.

¹⁹ Tom A. Travis, India, Pakistan and Third World in the Post Cold War System, (New Delhi, 1997), p.31.

market, globalization, liberalisation, deregularization and privatisation of economics. In German ideology Marx says, "The ideas of ruling class are in every epoch the ruling ideas: i.e. the class which is ruling material force of society is at the same time its intellectual force."²⁰ So in this era of global capitalism, success of liberal democracy is no surprise. But a very undesirable fact is that there exists no serious alternative to this ideology of global capitalism. It is even described as 'end of history'. As a result of all this, all societies in the world force to accept the one and only development model. "The Western countries which have been the vanguard open economic system, political liberalism and social change become compulsive models for these developing countries in 1990s in the absence of the third alternative politico-economic model for development."²¹ This process will force individual societies to halt their own ways of development. It modifies and subverts any national, people oriented development plans which does not fit into its network.²² In other words, the dominant powers have ample resources and technology to undercut the national policies pursued by developing countries. The internationalisation

²⁰ Karl Marx, The German Ideology (Moscow, Progress Publishers, 1976). P67.

²¹ S.H. Patil, Collapse of Communism and Emergence of Global Economy: Indian Experiment with New Economic Policy," India Quarterly, (New Delhi), vol. 10, no.4, October-December, 1993, p.17.

²² Dilip S.Swamy, "Alternative to Globalization", Mainstream, (New Delhi) vol. 33, no.20, 1998, p.15.

of capital erects effective constraints on the macro-economic policies of definitionally autonomous states.

Many social scientists believe that this will create new problems to many states. "As alternatives available to a society shrink radically, the adoption of hegemonic ideologies can result in disastrous consequences for the social structure of the country"²³ An important point is that this hegemony of American ideology influences almost all spheres of life. Democracy is just its political form. The American values of consumerism, individual materialism also spread throughout the world. The developed countries find in the information buzz as opportunity to impose its dominating culture; an effective medium to marginalise and eliminate cultures, languages and customs of the Third World. Now elite's of the whole world has assimilated the same values, attitudes and customs.

A very important element which decides the nature of the international system is the structure of the world economy. By 1990s, international capitalist system spread across the globe. This project became possible by globalisation of production, capital, trade, market and finance. This project started earlier with the fast growth of Transnational Corporations and finance capitalism. Technological revolution in 1980s

²³ Neera Chundhoke, n.17, p.74.

helped metropolises to integrate the whole world in to their control easily. Many observers see this as a new stage of capitalism, where the world word economy would look, “Increasingly complex, interdependent, integrated and transnational as linkages among national economies, regional coalitions, transitional business firms and financial organisations expand throughout the globe.”²⁴ But in this integrated world, the North enjoys a lion’s share of world economy, with just 6 per cent of the globe’s population in the advanced countries account for 79 per cent of the world economic output and 78 per cent of the global trade.²⁵ This points out the this integrated and interdependent word economy is highly asymmetrical with privilege, power and benefits concentrated in the western part of the world.

There are many entities and developments which become very influential in world economy along with globalization process. TNCs, finance capital, technological revolution and multilateral institutions are the important among them. TNCs became very important actors by 1980s. Their influence had qualitative impact on the global economy which accelerated the globalization process. They played a major role in technological progress, lowering of barriers to the flow of goods, services

²⁴ Tom A. Travis, n.19, p.37.

²⁵ *ibid.*

and factors of production. Now with their oligarchic control over finance, capital, trade, services and technologies, the TNC's the individual states to make decisions in their favour.

A very important development which speeds up the globalization process is the free flow of finance capital across the boundaries. Paul Sweezy describe this new situation as triumph finance capital. Today the daily global transactions are over one billion US dollar. But today most of the transactions are not related to international trade. They are speculative movements of financing in the ownership of various forms of existing paper assets somewhat similar to the operation of the stock markets.²⁶ Through this mechanism the global players are in a position to dump individual countries. The 1994 crisis in Mexico and the 1997 crisis in South East Asia bear testimony to the problems posed by the operation of free market in the international well economy. To prevent such problems the states are compelled to keep its interest rate high, which costs too much to the Third World states, in the front of employment opportunities and industrialisation.

²⁶ Amit Badhuri and Deepak Nayyar, The Intelligent Persons Guide to Liberlization. (New Delhi, 1996) p.75.

Technological revolution had a very vital role in the globalization process. It not only stimulated the globalization of capital, production and market, but also helped to develop a single elite consumer culture all over the world. Now the most advanced and key technologies are hegemonized by few advanced countries and TNCs. And transfer of technology has become increasingly costly and conditional. So this development also results in further marginalisation of the South. "The regime for technological transfers has tended to grow more and more restrictive. Consequently, there is a widening technological gap today which tends to aggravate the general economic gap between developed and developing countries. Side by side with globalization there is thus the trend of marginalization of the developing countries."²⁷

During the post Cold War era the multilateral institutions, the World Bank, International Monetary Funds (IMF), World Trade Organisation (WTO) etc., have become very powerful. These institutions now work as instruments of global capital. Their main objective is the implementation of rules of the North smoothly. After the debt crisis the hold of these institutions over the economies of Third World has increased. Structural adjustment policies were introduced in many states demanding reduction of

²⁷ Muhchkund Dubey, "Indian Foreign Policy in the Evolving Global Order," International Studies, (New Delhi), vol. 30, no.2, 1993, p.120.

fiscal and current account deficits. This new model has definite ideological bias towards the political philosophy of free market economy. It underlines the pertinence of the retreat of state from its central role in the making of a developmentalist state.²⁸ The objectives of the North in establishing and maintaining of these institutions are described as, “They have established three economic international organisations, the IMF, World Bank and WTO, which serve as their agents to help supervise the world market economy and to compensate for the capitalist systems symptomatic problems of balance of payment deficits, poverty, under development, debt and trade barriers”.²⁹

Emergence of New Industrial Countries (NIC) had significant influences in 1990s in legitimising the development model of the capitalist economy. Much of their economic growth in the last few decades was attributed to their export oriented strategies. The NICs were projected as a proof of the effectiveness of the free market logic towards ushering in into the Third World. But to attribute all merits of the NICs to the free market growth strategy is unwarranted. The introduction of large scale land reforms, agricultural development, investment in human resource development, strategic location in the Cold War, and Government’s heavy

²⁸ C.P. Bhambhri, Indian State 50 Years (New Delhi, 1997) p.212.

²⁹ Tom A Travis, n.19, p.38.

intervention in the economy etc. played vital roles in the success of the NICs.

The highly volatile nature of the East Asian economies was exposed by the recent South East Asian debacle. So, it could be said that the strategy and sustainability of a growth trajectory which is over excessively dependent on the world economy is problematic. And on the other hand export-orientation which is unlimitedly persuade by the small-nation states as an economic strategy, would spell doom if for by large nation states with high level of population and natural resources.

Along with globalization, the sovereignty of state got reduced. Sovereignty is considered as one of the basic tenets of the state. But it faces attack from below and above. The cross border finance information due to technological advances, and the operational of information institutions like WTO, World Bank and IMF, really constrains the decision making power of states. This erosion of power varies from state to state. Susan Strange comments that, "while the United State government may have suffered some loss of authority, the loss has been to the markets, not to other states, where as to other states, their vulnerability is not only to the forces of world markets but also to the greater global reach of the US authority has

markedly increased.”³⁰ Because of this erosion of decision making power, states in the South were pressurised to suspend their priorities and models of development and adopt policies imposed by world bodies. The GATT agreement which covers a wide range of areas like agriculture, investment, TRIPS, TRIMS, public distribution systems, subsidies etc. is now imposing the economic agenda by the North on the South. In this context an important question is, “If a nation state is not responsible for the basic decisions of economy why should citizens owe it any loyalty.”³¹ Now states also faces serious challenges from sub-national, ethnic, linguistic and local identities. So the sovereignty, legitimacy and identity of nation state faces serious challenges in this era of globalization. And this development causes more problems in the South than to the North.

The post Cold War period witnesses further fragmentation and marginalization of the Third World. The fall of Soviet Union and the Eastern block was a diplomatic and strategic blow to the Third World. The 1960s and 70s witnessed the unity of the Third World to protect their fragile independence and to create a non-exploitative international economic order. Serious discussions and debates around the concept and

³⁰ Susan Strange, “The Defective States”, Dedalus, (Cambridge), vol.124, no.2, Spring 1995 p.63.

³¹ C.P. Bhambhri, n.28, p.198.

meaning of development was in full swing, the power blocks were out competing each other to prove their political legitimacy and ideological sharpness.

The Cold War gave them some strategic importance also. But from 1980s world began to witness the fragmentation of this group. The North's intrusion through TNCs, foreign aid, World Bank and IMF give them considerable say in the economies of these countries. The collaboration of national bourgeoisie class for capital, technology and market made them almost completely comprador. The strong politico-bureaucratic middle class in the Third World has become the supporters of market oriented policies. All these developments dismantled the unity of the Third World in its many key issues. Their common organisations, like Non Alignment Movement, G-15, G-77 were also ineffective and failed to take common positions in conferences like GATT, Rio, CTBT etc. It is pointed that "The leading countries Latin America, Africa and Asia allowed themselves to be subjected to politico-economic pressures from the industrialised North and were dissuade from adopting unified positions on critical global issues."³² This disunity culminated in the bargaining power of the Third World deteriorating badly. Third World countries still continue to have many

³² Satish Kumar, n.18, p.830.

similarities. They are still poor, exploited and under developed. But they fail to organise themselves as a group now. After adopting the free market logic these countries now compete with each other to attract capital, technology and to enter the global market place.

In this post Cold War system, regional groupings have become prominent actors in the world economy. They have been viewed as mediators between nationalism and transnationalism. European Union now has become a single market, Association of South East Asian Nations (ASEAN), North American Free Trade Association (NAFTA), and Asia Pacific Economic Co-operation (APEC) also are moving in the same direction. The intra and inter trade of these powerful regional groupings now comprise a good chunk of the total world trade. Today regionalism has been described as more outward oriented than inward oriented. It is said that we are living in a world of trans-regional rather than regional systems.³³ This process also result in market denials and putting conditions on other countries, which ultimately affects more badly those countries in the South.

³³ Rahul Mukherji "The Global Political Economy, Regionalism and South Asia", Man and Development, vol. 12, no. 1, June 1992, p.124.

The series of new developments which came with the post Cold War period does not promise much to India. The fall of South Union and Eastern Europe caused sudden fall of diplomatic and strategic power. The new world order led by the United States was not favourable to India. The globalization of economy, the entities like TNCs, finance capital, multilateral institutions substantially reduced state control over economic and political decision making. This development culminated in a situation wherein India was forced to adopt their agenda as its policy. The fragmentation and marginalization of the South and inefficiency of their organisations, the NAM, G.15, G.77 resulted in further weakening of the bargaining power in the world politics. The emergence of regional groupings as powerful economic entities and the fact that India is not a member of any of this important groupings make the situation worse for it.

Altogether, in this post Cold War international system India faces a completely new and unfriendly development. Adjusting with the new situation is hardly an easier task, policies which India followed for a long time suddenly became less relevant. The countries which are following the state controlled economic models were compelled to dump it and forced to adopt new ones which are suitable to Western capitalist model.

India is not an exception to this trend. Indian government adopted the new economic policy in 1991. This policy was a real farewell from the Nehru model. "The Nehru model of economic development of India was based on relative self-reliance, import substitution, industrialization and bargaining with powerful industrial countries on terms and conditions for foreign assistance in India's economic development."³⁴ The new economic policy was a retreat from these goals and is based on globalisation, liberalisation, regularisation and privatisation of the Indian economy.

The changes in the economic policy had its impact on foreign policy orientations. "The most important corner stones of Indian foreign policy in the past were, first, the special friendship with the Soviet Union and, second, India's leading role in the non aligned movement. Both corner stones enabled India to operate with relative autonomy in the international bodies. Both corner stones, however, collapsed at the end of 1980s."³⁵

In the new context the foreign policy of India has been reoriented in favour of the economic diplomacy. The use of diplomacy as an instrument to subserve economic interest was not new. But in post Cold War period, unlike earlier, the economic interest have acquired unprecedented

³⁴ C.P. Bhambhri, n.28, p.211.

³⁵ Chitha D. Mass, "Reorientation of Indian Foreign Policy After the Cold War", Aussen Politik, (Hamburg). vol.44, no.1, 1993, p.37-38.

importance in foreign policy. The export promotion, attraction of foreign investment, technology supply have become areas of interest.³⁶ The basic aim of foreign policy is to ensure maximum benefits from a relatively unfriendly world.

In the new context India's relationship with other states and organizations also has been by marked some changes. India wishes to have a good relationship with the United States in the new context. Importance of Japan and western Industrial states also have increased. There are remarkable improvement in the relationship with China. One of the strong attempts made by India during this time was to build up special relationship with the regional groupings. It is already mentioned that the regional arrangements have become very influential entities in the new international economic order. India's efforts to have good relations with the EU, ASEAN, APEC etc. have progressed to a certain extent. India also adopted the policy of 'Look East', which stresses India's strong wish to have close relationship with South East Asia. In ASEAN, India now has become a full dialogue partner. India have also taken took an important role in the formation of the Indian Ocean Rim:

³⁶ Lakhan Mehrotra, "India's Foreign Policy Options in a Changing World," World Affairs, (New Delhi) vol.1 no1. June, 1992, p.22.

In spite of all these developments the regional association in South Asia still continues as an ineffective one. Improvements towards a free trade area in the region is very slow. It is the political differences which stands on the way of effective co-operation.

But in this changed context, an effective and strong regional association becomes very important and is beneficial to India as well as all the South Asian states. It surely gives them a larger market to do business than the one already existed at home. An effective functioning of a regional arrangement and standing as a unit with unanimous opinion in world bodies certainly will give South Asia a tremendous bargaining power. It will reduce their vulnerability to world powers considerably. To India being the natural leader of such a group, it will have more say and prestige in world affairs. An Issue-less and peaceful South Asia will also allow India to play global role more effectively. But to change the SAARC from its weak and ineffective form to an effective regional group is not easy, as the region is obsessed with mutual distrust and suspicion for a long time. It is to change this mistrust and suspicion that India offered a new approach towards its neighbours. The basic compulsion behind the formulation of the Gujral Doctrine was to remove the enmity and create an atmosphere of mutual trust which will naturally lead to healthy regional co-operation.

Chapter - III

THE GUJRAL DOCTRINE

The changes occurred in the international system during the last decade had its impacts on the foreign policy orientations of many countries. Many old priorities became meaningless in the new situation. It was not an easy task to adjust to a completely new situation. The options available in the new order was also limited. This chapter discusses India's new foreign policy approach in South Asia, the Gujral Doctrine and its achievements in the short period and its prospects in the long run.

During the cold war period India was one of the champions of the Third World. But, through out the period, India's relations with its neighbours were not very friendly. India's has been seen as a giant and hegemonic neighbour by its smaller neighbours. There was no real attempt on part of India or its neighbours to solve the mutual suspicion in each others mind. This distrust and prevented the possible cooperation among South Asian states in many areas.

The post cold war equations were very different from those of the cold war period. Economic considerations became more important which left political considerations behind. This changes influenced the South Asian states also. The emergence of regional blocks as very important

actors in world economy also had its impacts in the South Asia region. Apart from India, other South Asian States also made changes in their economic policies in tune with the global changes. The realization that the region needed a common approach to solve the basic issues faced by its states, was also growing.

In this changed conditions and priorities, South Asian cooperation become an important agenda in the economic and foreign policies of most of the states in the region, especially in that of India. But, when mutual distrust and misunderstanding continued in the region, it was not easy to gear up regional cooperation. The first pre-condition was to create an atmosphere of mutual trust and friendship. It is in this context that Indian Government took a new initiative, The Gujral Doctrine, to enhance confidence and cooperation in the region.

The new approach in India's neighbourhood policy came in to being after the formation of the United Front (UF) Government in May 1996. The new neighbourhood policy was named The 'Gujral Doctrine', after the then Foreign Minister of UF Government, Mr. I.K. Gujral. It is Bhabani Sen Gupta who called the new policy so for the first time in November 1996.¹

¹ Bhabani Sen Gupta, "India in the Twenty First Century," *International Affaris*, (London), vol.73, no.2, April 1997, p.309.

The Gujral Doctrine includes five principles. Firstly, with neighbours like Bangladesh, Bhutan, Maldives, Nepal and Sri Lanka, India will not ask for reciprocity, but will give what it can in good faith. Secondly, no South Asian country should allow its territory to be used against other countries of the region. Thirdly, no one will interfere in the internal affairs of another. Fourthly, all the South Asian countries must respect each others territorial integrity and sovereignty. And finally, they will settle all their disputes through peaceful bilateral negotiations.²

The most important and genuine principle of the Gujral Doctrine is its first principle, i.e. non reciprocity towards the small neighbours in the region. The other four principles only emphasise the long standing Indian, foreign policy positions. Insistence on not allowing South Asian territory against other countries in the region, non-interference of internal affairs of other states, and respect of territorial integrity and sovereignty are the principles that India stressed in Panchsheel and also what is embodied in the preamble of the SAARC charter. The fifth principle, the settlement of disputes through peaceful and bilateral negotiations again, reemphasises the long standing Indian position of bilateralism in the settlement of its

² I.K. Gujral, "Essential Tenents of Indian Foreign Policy-Mainstream, (New Delhi) vol. 35, no.7-8, 25 January 1997, p.13.

disputes with its neighbours. It is one of the basic principles of the Simla Agreement also.

Eventhough other four principles in the Gujral Doctrine is a continuation of India's earlier foreign policy positions, the first principle, non reciprocity, as mentioned earlier, is a deviation from the earlier Indian positions in the regional politics. In spite of India's emphasis on non interference on internal affairs, respect of other states territorial integrity and sovereignty, India was seen an a hegemonic expansionist state by its smaller neighbours. The small neighbors has been feeling that the powerful Indian state is a threat to their individual identify. And the Indian regional policy had failed to eradicate this fear in the region. But, the Gujral Doctrine really reflects changes in India's understanding of its position in the region.

After the adoption of the new approach, there were some significant improvements in India's relation with its neighbours. India's new approach helped to reduce the discontent which other South Asian states had towards India. After this policy India was also able to settle some key long standing disputes with its neighbours.

One of the significant achievements of the new approach is India's new, improved relations with Bangladesh. There has been many ups and

downs in Indo-Bangladesh relations during the last twenty five years. The major differences between the two states were over the sharing of river waters, refugee problems, fishing rights and on Bangladesh becoming a sanctuary to anti-Indian insurgents. Most important disputes between them was on the water sharing. And the Farakka treaty was a milestone on the way to a new friendly Indo- Bangladesh relations.

Right from the formation of Bangladesh, Indo-Bangladesh relations were always affected by problems of water sharing. For both the countries water from the river Ganga was very important. The agriculture in Bangladesh is heavily depends on water from Ganga. To the function of Calcutta port also, the continuous flow of Ganga water was essential. There were some short time agreements between India and Bangladesh over the sharing of Ganga water. After the independence of Bangladesh, a Joint River Commission was constituted to find out a viable solution. And, in 1974, a short term agreement also was signed.³ But, following the assassination of Mujib ur Rehman, India withdrew from the accord. A five year agreement on sharing of Ganga water was reached in 1977. After the lapse of this agreement, there was only a memorandum of understanding to regulate the water sharing process. For a long period after 1988, no

³ Sumita Sen, "The Ganga Water Treaty - From Uncertainty Towards Stability," Asian Studies, (Calcutta), vol.16, no.1, 1997, p.22.

agreement prevailed between India and Bangladesh on the issue.⁴ Meanwhile, Bangladesh had tried to internationalise the issue on many occasions. In 1976 Bangladesh Government referred this issue to the UN. These attempts helped only to worsen the relationship. The completion of Farakka dam in 1975, a few kilometers upstream the border, created considerable doubts in Bangladesh about the availability of adequate flow of water.

The Ganga water treaty was signed in New Delhi on December 12, 1996. The agreement reflected of New Delhi's new approach to the region. The new Government in Dhaka under Sheikh Hasina also took a positive stand towards India. Indian Foreign Minister I.K. Gujral's visit to Bangladesh in September 1996 boosted the move towards the solution. The inclusion of West Bengal Chief Minister Joti Basu in the talks and his visit to Dhaka gave a new fillip to the discussions. The final treaty on Ganga water sharing for thirty years was signed Delhi.

The present treaty contains twelve Articles. It is the Article two that gives the details of water sharing on the basis of the formula given in

⁴ *ibid.*, p.23.

Annexure 1 of the treaty. The sharing of water as enunciated in the treaty was to take place during 1 January to May ten every year.⁵

Annexure-I of the Treaty

Availability at Farakka	Share of India	Share of Bangladesh
70,000 cusecs or less	50 percent	50 percent
70,000-75,000 cusecs	Balance of flow	35,000 cusecs
75,000 cusecs or more	40,000 cusecs	Balance of flow

Source: India-Bangladesh water-sharing agreement, 1996.

An alternative three 10 day period formula was adopted for sharing of water during the lean season. Both the countries recognised the critical lean period as between March and May-10. According to the provisions of Annexure II of the treaty, the actual availability at Farakka often falls below 70,000 cusecs from March 11 to May 10. In such situations, the treaty ensures that each side still gets 35,000 cusecs at least once in three 10 day cycles.⁶

⁵ India-Bangladesh Agreement on Sharing of Ganga Waters at Farakka - 1996.

⁶ *ibid.*

Annexure II of the Treaty

Period	Average of total flow 1949-88 (cusecs)	India's Share (cusecs)	Bangladesh's Share (cusecs)
March 11-20	68,931	39,931	35,000
21-31	64,688	35,000	29,688
April 1-10	61,180	28,180	35,000
1-20	62,633	35,000	27,633
21-30	60,992	25,992	35,000
May 1-10	67-351	35,000	32,351

Source: Same above.

Article four states that it has been agreed to set up a joint committee consisting of the representatives of the two Governments in equal numbers at Farakka barrage and Hardinge Bridge to observe and record the daily flow below Farakka, in Feeder canal, navigation lock and Hardings bridge.⁷ This committee is responsible for the implementation of the treaty and solving the problems arising hence forth, and if unsuccessful, then the matter would be referred to the Joint Commission, and if that also can not resolve the dispute arising out of the implementation of the treaty, then the matter would be referred to the two Governments (Article -VII)⁸ Both the

⁷ *ibid.*

⁸ *ibid.*

Governments have agreed to have water sharing treaties on other common rivers also (Artcl. IX).⁹ The treaty provides a clause for the review of the treaty. It is stipulated that there should be a review conference in every five year. Any of the parties may also seek a first review after two years, if the situation so require.¹⁰ (Article X)

The treaty is a historical achievement. It has been welcomed all over South Asia with much warmth, as it expresses South Asia's ability to solve its disputes bilaterally. It also points out that if political will is there, it is possible to find solutions to disputes in South Asia. But the treaty is not free of criticisms. Both in India and Bangladesh many people oppose the treaty. In Bangladesh National Party even accused that, the treaty is unequal and it is a clear sell out to India. But inspite of all these, India has won a lot of good will in Bangladesh and in the region after the treaty. India's new approach which is not stressing on other demands like transit facility to North East India through Bangladesh, return of refugees and curbing of anti-Indian activity in Bangladesh, as a reciprocal demand has also helped moulding, this new found good will.

The signing of the Ganga water treaty and the friendly relationship developed between the two countries resulted in solving other disputes

⁹ *ibid.*

¹⁰ *ibid.*

also. Another landmark agreement to be signed between two countries was over the repatriation of Chakma refugees. This time it was also agreed that the 1991 agreement over the handling of illegal migrants would be implemented too.¹¹ The agreement on repatriation of Chakma refugees should be considered as a big achievement. The presence of large number of refugees has been creating much disturbance and law and order problems to in bordering states.

The assurance of Bangladesh Prime Minister regarding the removal of ULFA and NSCN training camps operating from Bangladesh, close to Indo-Bangladesh border, which for first time was acknowledged by a Bangladesh Prime Minister, was another major achievement.¹² Bangladesh later, agreed to give increasing transit facilities through its territory to north eastern parts of India.

Thus the Gujral Doctrine has been very successful as far as the relations with Bangladesh is concerned. Within a brief period this new approach has reduced the irritations existed between the two countries. Agreements on some long standing issues has been reached and it has been agreed to consider each others other demands seriously. Moreover, the new approach helped in dispelling the big brother image India had in the

¹¹ Sreeradha Datta, "India and its Neighbours" Strategic Bulletin, (New Delhi), vol.2, 199, p.19.

¹² *ibid.*

neighbourhood and enabled India a good friend to work together for mutual benefit.

In indo-Nepal relations also has improved commendably after the inception of India's new neighbourhood policy. Nepal is a small land locked country which heavily depends on India for its developments. Nepal's all export and import pass through India. The 1980s witnessed much trouble in Indo- Nepal relations related to trade and transit issues.

The new neighbourhood policy of India has enabled it to brake the ice in the relationship to reach on certain agreements. Prominent among them is the ratification of Mahakali treaty. This mega project is beneficial to both the partners. The treaty ensure availability of hydral power at minimum cost and enough water for the agricultural basin.¹³

After the adoption of the new neighbourhood policy India has been behaving very sensitively to the demands of Nepal. During Indian Prime Minister I.K. Gujral's visit to Nepal, India conceded to Nepal's long standing demand for transit facilities through Indian territory, linking Kakarbita in Nepal with Banglabandh in Bangladesh.¹⁴ This decision was taken even neglecting the objection of the Indian security forces.

¹³ *ibid.*, p.20.

¹⁴ *ibid.*

The most important step on behalf of the Indian Government was I.K. Gujral's response to the Nepalese demand to re-negotiate and revise the Indo-Nepal Treaty of Peace and Friendship-1950.¹⁵ For a long time Nepal had reservations about Article two, five, six and seven of the treaty. Article - two stipulates that the Governments^{of} India and Nepal should keep each other informed of any serious friction or mis-understanding with any other neighbouring state.¹⁶ Article five deals with consulation between the two Government on import of arms and ammunition.¹⁷ Article six and seven of the 1950 treaty stipulated that the Nepalese and the Indian nationals would be given the same privilege as far as about economic activity, employment residence and ownership of property rights in each others territory are concerned.¹⁸

Nepal's strongest disagreements is with articles two and five of the treaty. They feel that these articles contradict Nepal's rights as a sovereign state. They have reservations about the Article six also. Being a small country Nepal find it difficult to allow the free flow of Indians for employment and other economic activities. This provision is misused by terrorists and criminals also. Earlier, India's consistent position on the

¹⁵ J.N. Dixit, "Poor Return on Investment", India Express, (New Delhi), 3 September, 1997.

¹⁶ India-Nepal Treaty of Peace and Friendship 1950.

¹⁷ *ibid.*

¹⁸ Sreeradha Dutta, n.11, p.21.

treaty was that there was no provision for modification of the treaty. It could be either scrapped or retained as it is.¹⁹ The changed position of I.K. Gujral, was that India would accommodate the Nepal's viewpoint on the issue, which make the relations much cordial. From Nepal, side, they assured the Indian Prime Minister that no anti Indian activity, either by terrorists or ISI would be allowed from Nepal's soil. Nepal's Government also officially discarded the concept of Greater Nepal claims of Gorkhaland National Liberation Front that Darjeeling is a part of Nepal.²⁰ So the Gujral Doctrine worked effectively to sort out some long standing disputes with Nepal. Above all, the new approach brought normalcy in the relationship between the two countries.

The new neighbourhood policy had its impact on India's relations with other neighbours also. Eventhough there was not much breakthrough, India's relations with Sri Lanka become more cordial. The assurance made by I.K. Gujral that India will not interfere in the internal matters of Sri Lanka, during his visit to Sri Lanka early in 1997, was received with great relief in that state.²¹ For a long time the Tamil minority problem had been an arena of dispute between the two countries. Sri Lankan Government had

¹⁹ *ibid.*

²⁰ *ibid.*

²¹ J.N. Dixit, n.15.

always feared the possible Indian intervention in the issue. Gujral's declaration of non-intervention in the internal affairs of Sri Lanka came when that Government was engaged in a strong offensive against Tamil militants. This assurance suspended all the suspicions about India and brought the two countries closer. Now Sri Lanka is a good friend of India in the region. India's more liberal attitude on economic assistance and bilateral cooperation have strengthened its relations with Maldives and Bhutan also.

The new approach in neighbourly relations have even influenced Indo-Pak relations. It is true that there were no significant changes, but both the countries were able to resume bilateral dialogue after two and half years. To improve the relations, India took some unilateral decisions. One very important decision was to extend Most Favoured Nation (MFN) treatment to Pakistani imports. India also liberalized visa provisions for Pakistani visitors and allowed free flow of books and publications. And most importantly, I.K. Gujral indicated India's willingness to discuss the Kashmir issue without procedural conditionalities.²² But the secretary level dialogue fell into a dead lock after the third meeting on the issue of a working group on Kashmir. Even though much didn't happen between

²² *ibid.*

the two countries, the relationship became comparatively normal during the period.

There were many criticisms against Gujral Doctrine. One of them is that all the provisions of Gujral Doctrine, except the one on non reciprocity, is unnecessary and repetitive.²³ The respect for other states territorial integrity, non interference, not allowing territory to use against other South Asian state's interest and bilateralism were long standing positions of India and stressed in SAARC charter and Simla agreement.

The principle of non reciprocity also was received with doubts by many quarters. It is said to be inherently unreal as states neither owe nor provide one another a living²⁴. Another criticism of the policy is that it is forgetting the interest of India, and is giving unilateral concessions to its neighbours. India, the critics say, didn't get enough benefits from the new approach. Though the Ganga water treaty came into existence, Bangladesh has not yet given transits facilities to the North Eastern states of India through its territory. Bangladesh had rejected to extradite Anup Chetia, the detained General Secretary of ULFA and the critic point out that, there is no positive change in Bangladesh's position on Kashmir issue. Dhaka still

²³ A.G. Noorani, 'Gujral Doctrine', Statesman, (New Delhi), 22 September, 1997.

²⁴ A.G. Noorani, 'Gujral Doctrine' Statesman, (New Delhi), 23 September, 1997.

issues passports to ULFA militants.²⁵ In Nepal there are still reservations about the Mahakali project. And inspite of India's MFN treatment to Pakistan, it is rejecting the same to India.

Inspite of all the criticisms when we analyse the net result of the new approach, it is clear that there were significant developments favourable to India. It is true that India has differences on some key issues with its neighbours. And the mindset of neighbourhood is still hunted by the India phobia to a certain extent. But inspite of all these, the new approach brought the confidence that the region can amicably solve its disputes. It also helps to cultivate a feeling that the differences should not stand against the economic cooperation in the region.

There are many diplomatic and other gains to India from new approach. One of them is that the Gujral Doctrine helps India to get out of South Asia and makes it player in other regions. "It is freeing India strategically from South Asia. It has, helped India to resolve key disputes in the region and has reassured new parameters that India is not a bully, it will allow New Delhi to play greater role in near by regions, especially South East Asia and Central Asia."²⁶ Another important achievement of the Gujral Doctrine is that it saved India's South Asia diplomacy from being

²⁵ J.N. Dixit, n.15.

²⁶ Kanti P. Bajpai, "After Life of a Doctrine", Telegraph, (Calcutta), 8, December, 1997.

Pakistan oriented.²⁷ The crucial breakthroughs India made in its relations with its other neighbours has helped to change their positions in favour of India and isolate Pakistan in the region. This has helped India to increase diplomatic pressure on Pakistan²⁸

The assurance given by Governments of Nepal and Bangladesh that they would not allow anti-Indian activity from their territory is an achievement of the new approach in a very sensitive issue for India. The new friendly relations are likely to influence Nepal and Bangladesh to take effective measures against anti-India activities by militants operating in their territory. It will considerably reduce law and order problems in many Indian states.

It was always feared that the smaller states in the region would invite outsiders in to the region as a balance against India. But the Gandhian Doctrine has succeeded to a certain extent to present India as a friend rather than an expansionist hegemonic power. This new image seems to reduce their urge for an external balancing. "Agreements with small states, the Doctrine has reduced their resentments towards India. It has reduced their desire for

²⁷ K.K. Katyal, *Hindu*, 10 January, 1997.

²⁸ Kanti P. Bajpai, n.26.

external reassurance and balance. In effect the Doctrine shut doors or opportunities for meddlesome outsiders”.²⁹

The new policy has also influenced general political atmosphere of the region. The nations have begun to think move seriously about the regional cooperation. The new enthusiasm was evident in the ninth SAARC summit in Maldives in early 1997. The summit decided to advance the target date of SAFTA from 2005 to 2001, giving a clear evidence that the improvements in political relations will also enhance regional cooperation.³⁰ The desire for subregional cooperation and growth quadrangle also become very serious “one of the major political brake throughs in the Gujral period was the new interest in sub-regional cooperation in the eastern part of sub-continent, involving India, Bangladesh, Nepal and Bhutan”.³¹ So within a short period after its inception the new approach has become really successful in creating a mood for economic cooperation in the region. If Gujral doctrine leads to economic development of neighbouring states, it may also decrease migration flows to India.

²⁹ *ibid.*

³⁰ Aabba Dixit, SAARC Toward Greater Cooperation”. *Strategic Analysis*, (New Delhi), vol.20, no.4, July 1997. P.568

³¹ C. Raja Mohan, “Beyond Gujral Doctrine”, *Hindu*, (New Delhi), 2 April, 1998.

The policy in fact was not introduced as a short time policy. And, it was not a policy which expect results or benefits in a short period. It was a policy with a vision of building peace and development in South Asia by enhancing regional cooperation. The promoters of the new policy was well aware of the fact that now economics occupies the central point of world politics, and regional cooperation has a big say in the economic development of the region. In South Asia political differences were blocking greater cooperation among the states. The basic aim of Nehru Doctrine was to change this political atmosphere of mistrust and suspicion and create an atmosphere which enhance confidence and cooperation in South Asia.

Even though the new policy introduced as a policy which would favour results in the long run it has made some significant achievements within a short time. The Ganga water treaty, repatriation of Chakma's and ratification of Mahakali treaty could not have been possible but for this new approach. India's relations with all neighbours even with Pakistan improved after new neighborhood policy.

But most significant achievement of the new approach is that it helped to change the opinion about India in the neighborhood. This has tremendous impact on the small states they also began to think in favour of India. This new friendly atmosphere in the region also reflected in their

position toward more economic cooperation in the region. So within the short period of operation the new policy also able to develop a spirit for cooperation in South Asia which is the ultimate aim of the policy. The policy also increase India's image in international level. So Gujral Doctrine worked as a strong weapon which pushes India ahead in regional and international level. So, "Gujral Doctrine is not a panacea. But it is a powerful diplomatic tool in India's hand,if New Delhi persist with it"³²

³² Kanti Bajpai, n.26.

Chapter - IV

THE GUJRAL DOCTRINE AND SOUTH ASIA'S PEACE AND DEVELOPMENT

The new approach in India's neighbourhood policy, the Gujral Doctrine, has some significant achievements within the short period of its adoption. The attempt is significant for India as it is bringing to generate friendly relationships with neighbouring states rather than continuing with its, 'big brother' image. This friendly relationship has really played a role in developing a spirit of regional cooperation in the region. The policy is successful in developing a new friendly atmosphere in the region, which will eventually lead to an effective regional cooperation in the region, which is in the vision of the new policy. This chapter is trying to analyse the possible benefits to the region from such a cooperation.

South Asia is one of the poorest regions in the world. The region faces problems of poverty, unemployment and underemployment, illiteracy and high rate of population increase. In the spheres of per-capita income, human resource developments, South Asia occupies lower positions in the world.

Table 4 (1)

Human Development Index Ranking of South Asian Countries.

	HDI Value	HDI Rank	GNP - Per Capita Rank
Bangladesh	0.309	146	159
Bhutan	0.247	162	165
India	0.382	135	147
Maldives	0.511	118	132
Nepal	0.289	149	146
Pakistan	0.393	132	140
Sri Lanka	0.665	90	128

Source: UNDP, Human Development Report, 1994, pp-93-94.

Mortality rates - infant mortality, under five mortality and maternal mortality remain unacceptably high. Large numbers continue to suffer from malnutrition. About 125 million children of school age are not in primary or secondary schools, of adults, 375 million are illiterate. About 316 million people do not have access to safe drinking water. Only 16 per cent have access to sanitation.¹ The percentage of poverty unemployment and under employment rate are also very high in South Asia.

¹ Mahendra P. Lama and Prabhakar Leav J. Larkare, "Technology Missions for South Asia: Cooperation in the High Tech Domin in," in LL. Mehrotra and others eds., SAARC 2000 and Beyond (Delhi, 1995), p.168.

The pathetic conditions which exist in South Asia point out that South Asian Governments were not successful in meeting the basic needs of their population. Even though almost all the South Asian states face similar kind of problems they fail to cooperate with each other in finding solutions to these problems. It is the political differences among the states which impede the combined efforts to overcome these problems in South Asia. Net result is that whatever development could have been possible through cooperation was not happening and the region lost heavily due to non-cooperation. Due to the political differences large expenditure was incurred in the defence sector, eventually reducing the allocation for the human development programmes.

The vision of a new approach in India's neighborhood policy is intended to overcome the suspicion and distrust in the region and create an atmosphere of cooperation in the region. There are many areas which can contribute considerably to the region by cooperation. Vast potential of cooperation in sectors of trade, energy and technology remain untapped. The Gaur Doctrine with a long term vision on the crucial problems in the region is nevertheless a good beginning.

Trade is one area which reflects the degree of economic interaction in a region. It is also one of the areas where regional cooperation can intervene effectively. The economic development of the South Asian region

could be made better through the improvement of trade and commerce within the region.

It is widely agreed that opening up of regional trade will help to expand production and employment in all countries and bring down cost of living and help to reap the benefits of larger market. But intra-regional trade in South Asia is in a pathetic condition. The present diversion of possible intra-regional trade through conscious policies results in big losses to all the states in the region. Let us examine the present conditions, hindrances and possible benefits of intra-regional trade.

The potentialities of intra-regional trade was not exploited to the maximum by these countries. From 1980 to 1994, intra-regional trade among South Asian countries compared to their world trade, has remained low and stagnant at little over 3 per cent. During 1980-94 intra-regional export of SAARC countries in relation to their global exports shows a declining trend from about 5 per cent in 1980 to less than 4 per cent in 1994. (see table below) During the same period intra-regional imports hardly exceeded 3.5 per cent of global imports of South Asian countries.²

² Kishore C. Das, 'The Political Economy of Regional Cooperation in South Asia', Pacific Affairs, (Colombia), vol. 69, no.2, 1996, p.202.

The table shows that from 1980-94 except for Maldives and Nepal, the intra-regional imports and exports of all South Asian countries remained very low. Sri Lanka and Bangladesh improved their import from the region during the period. But at the same time their exports to the region had declined. The export and import percentage of Pakistan and India continues as low during the period

Table 4 (2)
Intra-Regional Imports and Exports of SAARC Countries in
Relation to their Total Imports and Exports
(In Percentage)

	INTRAREGIONAL IMPORTS				INTRAREGIONAL EXPORTS			
	1980	1985	1990	1994	1980	1984	1990	1994
Bangladesh	3.6	3.4	6.8	12.8	8.6	7.6	3.6	2.2
Bhutan	-	-	-	-	-	-	-	-
India	0.9	0.7	0.4	0.5	3.6	2.2	2.7	4.1
Maldives	23.3	9.1	11.4	17.5	26.5	17.0	14.0	-
Nepal	47.9	34.1	11.7	19.3	37.8	34.4	7.1	5.4
Pakistan	2.3	1.5	1.6	1.9	6.3	5.2	3.9	3.2
Sri Lanka	5.1	6.4	7.0	9.2	7.0	4.2	3.6	2.6
South Asia	2.2	1.8	1.9	3.4	4.9	3.6	3.1	3.7

Source: Direction of Trade Statistics Yearbook 1985, 1992, 1995, International Monetary Fund, Washington, D.C., Taken from Kishore C. Dash

The important trade destinations of SAARC countries are Europe and USA. The countries in the region still focus upon the market

opportunities in the USA and Europe rather than exploring the market potential of the neighbouring countries.

Table 4 (3)
Important Trade Destinations of South Asian States

	US	UK	Germany	Japan	Other Countries
India (94)	19.8 %	7.1%	7.1%	8.4%	Hongkong 5.6%
Bangladesh (94)	34.4%	9.1%	6.0%	-	Italy 6%, France 6%
Nepal (94)	33.6	-	42.5%	-	India 4.6%, Swiss 4.0%
Pakistan (94)	15%	7.7%	7.4%	7.3%	Hongkong 7.7%
Sri Lanka (94)	74.4%	7.8%	8.8%	5.1%	Belgium - Luxemburg, 5.9%

Source: Vijaya Katti, 1996.

It is not due to the lack of possibilities of export among South-Asian states lead to the low-level of intra regional trade. The unofficial trade between South Asian states, especially India and Nepal and India and Bangladesh is very active. The unrecorded trade is supposed to be 8-10 times higher than recorded trade.³ It is observed that "Unofficial trade can be attributed to a certain extent to disparity in tariff structure, various tariffs and non tariff barriers and restrictive trade policies followed by SAARC member nations".⁴

³ Vijaya Katti, "Intra Regional Trade in SAARAC: Current Status and Future Strategy for Select Items," Paper Presented in Seminar Towards SAPTA, (New Delhi, IIFD, 1996), p.9.

⁴ *ibid.*

Now the expansion of trade in their region is very important to all South Asian states as the South Asian states introduced economic reforms during the post Cold War period. The success of new policies depend on the promotion and diversification of trade to larger number of markets. But certain developments in international arena makes prospects of South Asian exports less promising.

The prospects of South Asian trade expansion in the current period, characterized by low rates of growth in the world economy, stands very black. The demand from the industrialized countries is not forthcoming due to the recessionary trends prevalent there.⁵ Secondly, with formation of regional economic blocks and growing protectionism in developed and developing regions, South Asian countries may find, extremely difficult to gain access to these markets.⁶ Developments in Soviet Union and Eastern Europe also the effects prospects of Indian exports.

Another adverse development is the price of the traditional exports of South Asia like rice, cotton, jute, tea, had a sharp downward trend in the real commodity prices in the world market alongwith short term price instability.⁷ All these results in substantial income loss to South Asian

⁵ Kishore C. Das, n.2, p.206

⁶ *ibid.*

⁷ S.N. Raghavan, Regional Cooperation Among SAARC Countries, (New Delhi, 1995), p.190.

countries. The shift toward free market dynamism from positive intervention effect the South Asia states badly.

There are many similarities among South Asian States. The SAARC countries are low and middle income countries whose economies share many similarities related to their geography as well as common aspects of culture, history and economic and social development.⁸ In this context the economic interaction among the states should have been higher than now. It is deliberate policies and easily avoidable hindrances which limits the intra-regional trade in South Asia.

One of very important elements which limits intra South Asian trade is similarity in exports or competitiveness. Most countries in the region being primary producers, tend to export similar items either as commodities or as their products. An examination of top ten principle exports of South Asian countries during 1980-85 reveals the importance of marine products in the exports of Bangladesh India and Sri Lanka, Jute of Bangladesh, India and Nepal, leather products with export market for Bangladesh, India, Nepal and Pakistan and cotton fabrics from India Bangladesh, Pakistan and

⁸ Nithish Sengupta and Arindam Bainik, "Regional Trade and Investment: Case of SAARC", Economic and Political Weekly, (Bombay) vol.32, no.46, 15 November, 1997, p.2930.

Sri Lanka.⁹ The important destinations of exports of the South Asian countries are also the same. Exports to the United States, the UK, Germany and Japan accounts a large chunk of total exports of the South Asian countries [see table 4(3)].

The role of restrictive trade policies in limiting intra-South Asian trade is very high. The regional markets are undermined by these policies by the South Asian states. The trading relations of the South Asian states are presently characterised by high levels of nominal tariffs and variety of non tariff barriers such as quantitative restrictions, fiscal charges and discriminatory practices. The restrictions quite often happen to cover those goods which are not only being produced within the region but also which are in surplus held in inventories or exported outside the region. The rate of tariff in South Asian countries is very high. According to Asian Development bank study based on UNCTAD source, the average and valorem tariff rate was 80.6 per cent in Pakistan, 74.7 percent in Bangladesh 71.5 percent in India and 41.2 per cent in Sri Lanka during the period of 1980-84.¹⁰ Apart from tariffs which are comparatively high,

⁹ I.N. Mukherjee, "Regional Trade, Investment and Economic Cooperation. Among South Asian Countries" in K.K. Bhargava and others ed., South Asia, Towards Dynamism and Cooperation (Bombay, 1994), p.4.

¹⁰ D. Rosa Dean A., "Trade and Protection in the Asian Development Region", Asian Development Business vol.4, no.1, 1996, p.26.

there exists a number of non tariff restrictions. "In addition to customs duty, imports subjected to defence surcharge and import licence fee. Import into India are subject not only to basic customs duty, but also auxiliary duty and additional (countervailing) duty. In Pakistan, imported products are subject to customs duty, sales tax and import surcharge. In Sri Lanka, eventhough the rate of customs duty is lower, a number of products are subject to business turnover tax".¹¹ Almost all countries in the region also keep a negative list of products which is not allowed to be import.

The progressive nature of tariffs prevalent in individual countries in their trade vis-à-vis the rest of world is not contested. But whether the applicability of the same should be on the same rates for other countries in the region should be pondered about. In spite of the adoption of economic reforms most countries continue with this restrictions. Pakistan's rejection of MFN status to India is a good example for discriminatory policies by South Asian countries. So restrictive policies plays an important role in keeping the intra-regional trade at a low rate. Eventhough restrictions were slowly coming down in recent years, its influence on intra-regional trade is still very high.

¹¹ I.N. Mukherjee, n.9, p.4.

Another important limitation for the expansion of intra-regional trade is the lack of infrastructural facilities. The fragmented nature of transport facilities prevent the South Asian region from the benefits that could have acquired due to geographical proximity. Infrastructural and transport facilities among SAARC countries are not satisfactory, eventhough the region is highly potential for the land, water and rail transports and economically viable. The expenses of such projects will not be high when compare with the benefits from such facilities. Absence of these basic facilities lead to further diversion of intra-South Asian trade. Maldives import goods from Singapore, the volume of which is around ten times that of the trade with India, only due to the low level of transport facilities between Maldives and India¹².

Almost all other infrastructural, facilities-transit facilities-communication, posts, market information - are found insufficient to meet the demand for speedy expansion of intra regional trade. A study on land transports and communication reveals that if there were full cooperation towards improving infrastructure in land transport and the communication

¹² S.N. Raghavan, n.7, p.200.

the intra regional imports would increase by 10 per cent over base period of 1988.¹³

Another important limitation to intra South Asian trade is the lacking of adequate export finance and credit arrangements with ineffective banking services. The resource constraint in the region is made worse by the under developed state of the financial systems.

The expansion of trade in the region was also constrained by India's giant status, tilting the balance of trade in the region in its favour. They also concerned about their infant industries. India enjoys trade surplus with all South Asian countries except Pakistan, which limits imports from India very rigidly. Many South Asian experts comment that the establishment of joint venture in South Asian states will reduce this problem.

The diversion of trade has been causing heavy loss to this South Asian region. Eventhough the region is very poor to afford these kind of losses the political differences not allowing the ruling elites to take bold measures for trade expansion.

¹³ Ashque H. Khan and Annie Mahobood, "Land Transport and Communication Linkages in the SAARC Countries" in Arif. A. Waqif ed., Respective on Cooperation (Islamabad, 1997), p.82.

The import of certain goods from outside the region, which is available within the region with enough exportable surpluses, causes big losses for the region. Usually the prices of many goods which are imported from outside is higher than the prices in the region. The losses incurred due to non cooperation are found to be very high with respect to the goods such as tea and sugar. The region also losses heavily due to imports of rice, pharmaceuticals, cement, tyres and tubes, vehicles etc.

The case of tea is can be cited to be a example of heavy losses incurred by the region due to non-cooperation. South Asia accounts for 42 per cent of world tea production and 39 percent of its export in 1994.¹⁴ The share of South Asia is coming down in recent years. In 1975 South Asia's share was 48 per cent and 61 per cent respectively in world tea production and export.¹⁵ Pakistan is one of important tea importers of the world. In 1994 Pakistan imported 124 million kgs. of tea, which is 11.06 per cent of world trade. But contribution of South Asia was only 17 per cent of Pakistan's import where as in 1994, it was 69 per cent in 1975¹⁶. Pakistan imported tea from outside the region inspite of availability of tea in the region. The entire Pakistan demand could have been easily met from the

¹⁴ Mahandra P. Lama, Regional Economic Cooperation In South Asia - A Commodity Approach". Occasional. Paper, SPSDS, 1997. p.5.

¹⁵ *ibid.*

¹⁶ *ibid.*, p.10.

region since it accounts only a little over 25 per cent of total tea export from India and Sri Lanka. The Pakistan at imported tea from out side the region with a much higher price. Only because of this higher price the loss to Pakistan in account of tea import is US \$ 41.8 million.¹⁷ If Pakistan its entire tea imports from South Asia in 1992-1994, it should have saved US\$110 million in those 3 years.¹⁸

The case of tea is in variably with many other commodities too. The fluctuations in the production makes sugar a commodity to be imported in some years for both Pakistan and India. In 1992 and 1993 India imported sugar from outside the region. Although Pakistan was having exportable surplus during this period, it was not willing to supply sugar to India. As a results India had huge losses of \$ 151 million in 1992 and \$215 million in 1993.¹⁹ Pakistan also can save valuable foreign exchange if it imports sugar from India during its lean years.

The losses of this kind due to non-cooperation is very heavy. There are many items like pharmaceuticals, cements, tubes and vehicles imported from other than South Asian region which incur heavy losses ultimately. Thus non-cooperation in trade among the South Asian countries results in

¹⁷ Vijaya Katti, n.3, p.12.

¹⁸ Mahandra P. Lama n.18, p.12.

¹⁹ Vijaya Katti, n.3, p.14.

tremendous losses of revenue. A regional common market in South Asia not only benefits the exporters but even the importing states.

Apart from direct losses in the monetary terms, the diversion of intra regional trade also leads to the problems like the increased and unnecessary dependence on the external markets outside the region. The higher import from other regions resulted in the deterioration of balance of payment situations in all the South Asian countries.

The fragmentation of market, which results in the production for a relatively small market increase the unit cost and prices of the goods and services in the region, along with efficiency. The increase in the size of market will also enable the producers to bring new technologies and more capital to the region. The increase in the economic and financial cooperation through such increases in intra-regional trade could also facilitate expansion of employment opportunities, greater labour absorption and more dispersed economic development in the region. The employment to output elasticity of such increases in intra-regional exports would obviously be higher than those for the regions' exports to or imports from third countries.²⁰ Thus the lack of such intra-regional trade would impose

²⁰ Arif, A. Waqif, "Costs and Benefits of Regional Cooperation in South Asia", in. Mehrotra and others eds., *SAARC 2000 and Beyond* (Delhi, 1995), p.135.

costs of non cooperation in terms of the lower pace of employment generation and poverty alleviation in the region.

The formation of South Asian preferential trade arrangements (SAPTA) is believed to be an effective step towards the expansion of intra-regional trade. SAPTA became operational on December 1995.²¹ The basic terms of SAPTA has been to make member states reduce tariffs on selected commodities within the SAARC region. The SAPTA' agreement is based on the principles of overall reciprocity and mutual advantages in such a way as to benefit equitably all the member countries. The agreement envisages to periodic reviews of trade concessions on tariffs, para-tariff and non tariff lines. The agreement states that the member countries may conduct their negotiations for trade liberalization in accordance with combination of following approaches and procedures, product by product basis, across the board tariff reductions, sectoral basis and direct trade measures.²² However the agreement point out that the member states have agreed to negotiate tariff preferences initially on product by product basis.

The initial trade concessions were made on a product-by-product basis. Under the agreement, while India extended preferential tariff rates on

²¹ Abba Dixit, "SAARC Towards Greater Cooperation" Strategic Analysis, (New Delhi), vol.20, no.4, July 1997, p.566.

106 items, Pakistan Sri Lanka started 35 and 31 respectively. Other SAARC countries extend, owing primarily to their weak manufacturing base, offered less than 20 products for concessional tariff initially.²³ It is now shows that product to product negotiations are not only time consuming, and tedious but also often becomes frustrating. This approach also makes many groups in each countries to lobby against the inclusion of some products in trade concessions. Many of the products which were included in the list of tariff reductions were ones which had virtually no trade possibility or had very limited possibilities. It is also important that the extent of tariff reduction offered under SAPTA has been relatively small. Most of the items qualify for concessions of only ten per cent of the specified tariff rates.²⁴ Inspite of all these limitations SAPTA can be a trade promoter in the region. The decision of SAARC to bringing forward the target date for SAARC Free Trade Area (SAFTA) to 2001 is also a positive step infavour of regional cooperation.

The energy problems of the South Asian countries are very large. All the countries in the region is dependent on imported energy at different

²² S.N. Raghavan, n.7, p.109.

²³ Satinder Bhatia, "SAATA-Potential Gain for the Region". Paper presented in Seminar Towards SAPTA, (New Delhi, IIFP, 1996), p.5.

²⁴ *ibid.*

degrees.²⁵ It is expected that the consumption of commercial energy by these countries will continue to increase steadily in the coming years as well, because of growth of population, industrialization and increase in economic activity. Now the burden of the balance of payments, resulting from the oil import, is very high in South Asia. At the same time the region as a whole is endowed with substantial energy development potential. In the light of the high dependence on imported energy, the alternate sources of indigenous energy can be developed and shared economically. This can reduce the high cost of energy imports and in the long run and meet the growing demand for energy in a sustained manner.

In the case of oil, the oil explorations reveal that oil resources exist in India, Pakistan and Bangladesh. It has been estimated that over 50 per cent of world's undiscovered petroleum lies in the subsurface of countries outside the centrally planned economies. Of this portion about 18 to 20 per cent is to be found in South and South East Asia alone.²⁶ But the capital intensive nature of and technical incapability stand in the way of the South Asian countries towards oil exploration. Apart from India, with its own limitations, no other South Asian state is capable of undertaking the task of

²⁵ Lokesh Misra and Charan D. Wadhva, "South Asian Cooperation in the Energy Sector", in Arif. A Waqif, ed., Regional Cooperation in Industry and Energy Prospects for South Asia, (New Delhi, 1991), p.199.

²⁶ Grossing , B.F. 'A long - Range outlook to Worlds Petroleum Prospects', paper Presented for the Sub Committee on Energy of Economic sub Committee Congress of US, 1978.

oil as well as natural gas exploration. Eventhough natural gas reserves in South Asia are poor, some reserves were found in India Pakistan and Bangladesh. Pakistan has approximately 2680 million barrels of oil and India has 1440 million barrels of oil, Bangladesh has 1680 million barrels of oil.²⁷ But very little direct exploration has been undertaken. In the case of coal apart from India other states does not have enough technological expertise. It is quite clear that no South Asian state can over come these limitations individually.

If the South Asian states could come together, garnering their mega resources, towards energy generation and utilises the best of Indian technical expertise, the region would stand to gain a lot.

Yet another potential area of cooperation is in the development of hydro-electric power. The water resources of Nepal, Bhutan, India, Pakistan and Bangladesh really present a challenging opportunity. It is estimated that the Himalayan rivers flowing through Nepal have a hydropower potential of 83,000 MW while in India, Bangladesh, Pakistan the estimated hydropower potential about 70,000 MW, 1772 MW 21,000 MW respectively.²⁸ But only a small percentage of the enormous potential

²⁷ Lokesh Misra and Chawan D. Wadhva, n.25, p.201.

²⁸ W.R.H. Parera, Perspective for Development of Himalayan Resources, (Colombo, 1984) pp.22-26.

is exploited. For example to cite Nepal, only less than 0.5 percent of economically viable hydro-electric power is so far exploited.²⁹ The small countries like Nepal and Bhutan does not have the capital and technological knowledge for the full utilization of this potential. But India can to help them in both areas. As the hydro-electric potential of Nepal and Bhutan is far in excess of their projected demand, development of such potential could greatly benefit them via possible export. Other countries in the region would also stand to gain in this regard. Eventhough India is now collaborating with Nepal and Bhutan in electricity generation programmes, the projects are well short of the potential of these countries.

Only the South Asian regional co-operations can help the small states in the region in capital formation and technical know how, especially in the energy sector. As in many other areas, the cooperation in the energy sector is also limited by political differences among the South Asian states which ultimately stipples development of the region.

Technological development is yet another avenue for regional cooperation. There is huge gap in this area between industrial countries and South Asia. There exists a huge gap among the countries in the region also. The lack of adequate knowledge often constraints the development of many

²⁹ Kishore Guru-Gharana, "Economic and Cultural Cooperation in South Asia" in the Mahashiv Hassan, ed., South Asia - Vision and Perspective (Lahore, 1994), p.208.

sectors and exploitation of resources. For the eradication of poverty and the development of important economic areas, the intervention of modern technology is unavoidable. The advancement in this area needs huge amounts which is much higher than the capacity of most of the countries in the region. But through cooperative effort South Asia can improve its technological standards. The experience of European Research Coordinating Agency (Eureka) is an example for this. It was through this joint project that European countries made up for the major technological gap between Europe and countries like the US and Japan in the mid 1980s.³⁰

A technical Committee on Scientific and Technological cooperation among South Asian countries has been set up in 1983 and meets annually. But it has not been able to make serious efforts to identify major science and technology projects involving collaborative efforts.³¹ The co-operation in technological areas is very important in South Asia because productivity can be increased in important areas only by adopting the advanced technology. Today many of labour absorbing areas in South Asia is using the age old method in their respective areas.

³⁰ Mahendra P. Lama and Prabkar J. Lavakare, n.1, p.173.

³¹ *ibid* p.176.

Agriculture is a priority where scientific knowledge can be utilized effectively. Agriculture is the backbone of South Asian economies. In Nepal, agriculture contributes 80 per cent of the GDP.³² However, in many of these countries, the growth rate has been dismal, particularly during the last few years.³³ In India, in the 1960s and 1970s, agriculture was modernized. But the distribution of the benefits was biased in favour of the big, wealthy farmers as against the small farmers. The important area of focus should be on rural and small farmers who are dependent on traditional technologies, with abysmally low productivity that are incapable of generating levels of income adequate to meet the most basic human needs.³⁴ If South Asian Governments are able to intervene here with modern technology, which can integrate the goods and aspects of traditional ways, it would reduce the unit cost and increase the quality and quantity, it will be a big leap towards reducing rural poverty and unemployment. Only through increasing the productivity in labour-absorbing sectors, the South Asian states can effectively decrease the poverty and unemployment in the region.

Apart from agriculture, there are many areas wherein modern technology results in improvements in production and through it improves

³² *ibid*, p.177.

³³ *ibid*

³⁴ *ibid*, 179.

the livelihoods of people. The dairy, textiles, numerous small scale industries, all can be modernized by this way. But the Governments in South Asia should be able to provide low cost, low risk, technology to these sectors. Many of these sectors were not in a position to improve or pay for modern technology individually. An active intervention from the Government can bring about the modernisation of technology. can we overcome this situation. But development of such ability is out of question for many South Asian countries alone. But if they begin joint technology missions in important areas that will contribute significantly a major step in the development of modern technology.

The region faces many environment problems which effect almost all the countries. Issues of deforestation, soil erosion, desertification, river water pollution, water logging coastal erosion, sanitation and unplanned urbanization are common problems in the region, if which the joint efforts only would overcome the environmental distruction.

Many of the environmental issues are inextricably linked to poverty. Being poor and over populated large number of people in South Asia depends heavily on nature. This exerts stress on the environment and its resources. The large scale poverty in rural areas also lead to migration to the urban centres. Poverty also lead to migrations, beyond ones country, which is a problem in South Asia. The current level of migration of

economic refugees, from Bangladesh to India, can be solved in the long run only if prosperity of Bangladesh is assured for which effective sharing of resources should be initiated in the region. Other problems like deforestation and water pollution etc, also become cross country problems. The South Asian cooperation both at the grassroots level and Government levels alone would be able to solve much of these problems.

The unsolved political differences in South Asia is causing heavy losses to the region not only through making cooperation impossible, but also results in the diversion of expenditure under the head of defence. Such a huge diversion for meeting defence purposes automatically reduces the spending on human development programmes of these states.

South Asia, with its low levels of living can ill-afford the escalating levels of military and defence expenditure India, Pakistan Bangladesh, Sri Lanka and Nepal spend 3.3 per cent of GDP (US \$ 8.4 billion), 6.6 per cent of GDP (or US \$ 2.4 billion), 1.6 per cent of GDP (or 0.4 billion), 4.8 per cent of GDP (or 0.4 billion), 1.7 per cent of GDP (or 50 million dollars) respectively on defence [this is based on 1990 data].³⁵ These five countries spend 3.6 per cent of combined GDP (or US \$ 11.6 billion) on defence which was 10 per cent more than their total public sector

³⁵ Kishore Guru - Gharana - n.29, p.195.

expenditure on health, slightly larger than their educational expenditure and more importantly, was about double of the total official development assistance (ODA) received from all sources.³⁶

On all accounts, this is a distorted priority of spending for a poor region like South Asia. The basic human development programmes of the a region is suffered by this. For example, Bangladesh which has a proportionately lower defence expenditure, was able to allocate proportionately higher expenditures for health and education in contrast with India and Pakistan.

Table 4 (4)

Average Government Disbursement, 1986-88		
(in per cent of total)		
	Defence	Education and Health
India	18.8	4.45
Pakistan	31.7	1.92
Bangladesh	11.2	15.2

Source - Arif A.Waqif (1995)

The political climate in South Asia is not improving even after Cold War. In other parts of the world, many states find out peaceful settlement

³⁶ *ibid.*

of disputes and reduced military expenditure. But in South Asia, conventional and nuclear arms competition is growing unabated. The net result of such a move will be further reduction of attention to social development programmes.

It is true that the diplomacy of past five decades failed to solve the bilateral issues in the region. The cost of that failure was enormous to the region. It not only hindered the regional cooperation in vital areas but also kept the region always in tension for such a long time.

The wars and the arms race in the region was held at the expenses of human development. The mistrust and the suspicion which persists in the region blocks the cooperation of South Asian states even in the non-controversial areas such as prevention of drug trafficking and drug abuses, promotion of children's welfare, environment, disaster management and provision for regional food security.

Even after nearly 50 years of development, process, South Asia continues as one of the poorest regions of the world. All the South Asian states still face problems of human and basic social development. The problems of poverty, unemployment, illiteracy is still very high in this part of the world. A big percentage of people are homeless, lack any access to

health centres, and even has no access to drinking water. Indubitably, it could be said that the South Asian states had not been successful in providing basic facilities to the people.

Many of these problems can be solved more effeciently. But cooperation among the South Asian states, even in non contraversial areas has been very limited de to the political differences, distrust and suspecion. Losses due to this uneasy relationship not only blocked the possible cooperation in many vital areas but even resulted in causing big losses through trade diversion to extra regional centers and by diversion huge amounts for defence at the expenses of other areas.

But region has enormous potential for cooperation among the states. In the areas of trade, energy, technology and environment, the joint efforts can help the region to gain considerably. The cooperation in this area is negligible, when compared with the potential of South Asia. The cooperation in energy sector really promises enormous prospects, especially in the hydro-electric power. The cooperation in technology, environment, and other areas also can give much benefits to the region. The better cooperation on the trade front would be able to boost the share of intra-regional trade and reduce the diversion of trade to other regions. The impact of this would have on the total income of the region, provide the

reduction of costs, would be definitely positive. This would ensue further improvement in the level of employment and income.

Betterment of relationship among the South Asian states can undoubtedly contribute considerably to the peace and development of the region. But the main hindrance for cooperation in South Asia in the political differences among states in the region. In South Asia, it is politics, not economics which determine the pace of cooperation. So the most important achievement in favour of cooperation is to resolve the political differences among the countries in the region, alleviate the mutual distrust and suspicion, and remove the psyche of India phobia from the minds of the neighbouring countries. The basic aims of the Gujral Doctrine is the same. It aims to resolve the political differences which stand against the cooperation of South Asia states. If the doctrine would come out with better mutual understanding, it will automatically enhance the cooperation. Such a cooperation is likely to bring development, increase the bargaining power of the region as a block, reduce the expenditure incurred on defence and lead the region towards collective self reliance.

Chapter - V

CONCLUSION

In the attempt to analyze India's new neighbourhood policy, the Gujral Doctrine, in the previous chapters, we have discussed the relationship existed among unequal states during the Cold War era, the post Cold War developments which directed India to adopt a new politico-economic model and its impact on Indian foreign policy. The effectiveness of the new policy in enhancing confidence and cooperation in South Asia, achievements of the policy fruitfulness of a cooperative effort in solving the outstanding problems in South Asia, and its success in promoting peace and development in the region have also been dealt with.

When states with totally different capacities enter into relationships, the principle of reciprocity, which is a usual practice in International relations, became less rigid. This does not mean that the powerful states offer total non-reciprocal relationship. They also receive benefits from such relationships. But what they receive is different from what they offer, i.e. the obligations of each state is different in such relationships. They exchange different but mutually valued things.

The relationship among unequal states during the Cold War, discussed in the first chapter, is an example for such relationships. World

War II distorted the economies of almost all European States. The European states were not in a position to reconstruct their economies without help from outside. The newly independent states of Asia, Africa and Latin America were also in heavy demand of external assistance to build their economies. In that period the super powers, the United States and the Soviet Union, responded very favourably to the demands of these countries. And the Cold War period witnessed a flow of foreign development assistance. These assistance programmes played a vital role in the reconstruction of Europe and Japan, and enhanced development in the many Asian and African countries.

But there are little evidences to separate these assistance programme from the Cold War foreign policy strategies of the super powers. American policies during the Cold War was directly linked with their national interest. The building up of an alliance against the Soviet Union was their prime motive. Keeping communists out of power, building up a liberal economic order, and finding markets for American products always dominated the decisions of United States' foreign assistance programmes. And the lion's share of the aid was given to countries which have strategic importance in the Cold War rather than the less developed ones. The assistance programmes of the Soviet Union also cannot be seen separately from their Cold War national interest. Most of the Soviet Assistance was

directed to countries like India and Egypt who were skeptical about the western capitalist countries. Making these countries more powerful, diverting their trade to the socialist camp and questioning the domination of western countries in world market were the important motives behind the Soviet Aid. Their emphasis on state owned infrastructure programmes also had been seen as a part of their ideological orientation. The aid programmes of the United Kingdom, France and Japan also were not different from this trend. An analysis of the relation among unequal states during the Cold War does not give much clue of non-reciprocity. The desire to assist needy states was coming from powerful states' national interest to form alliance against their contender. To build the world in their own image, which will be beneficial to themselves, was the ultimate aim of the super powers. Through assistance they were able to make the national economies of many states more depended on them. The monetary policies, consumption patterns, and export policies of the recipients became in tune with the interest of the donors. So relationship among unequal states during the Cold War were reciprocal, but without having identical obligations.

Intention to offer non-reciprocity serves some of India's interest too. It is aimed to evaporate the atmosphere of mutual suspicion in the region, and develop an affective cooperation which is supposed to be beneficial to

India. As no policy comes from the vacuum, the circumstances which give birth to such a policy reorientation is very important.

The fall of the Soviet Union and the socialist regimes in Eastern Europe was a big blow to India. Soviet Union was a friend, ally, diplomatic supporter and arms supplier to India for a long time. The order which replaced the bipolar system was a unipolar system. This unipolar system has been dominated by Western industrial states under the leadership of the United States. Free marketism and liberal democracy became the hegemonic ideology of the new era. The most undesirable development is that there exist no real alternatives to this dominant ideology. The capitalist world system has now become truly global. And it has integrated most all individual economies to the world market. In the new international system the international economic organisation's like WTO, World Bank and IMF become very powerful and now work as agents of American lead western block to supervise the world market economy. Through structural adjustment policies they divert in development model of many the Third World countries and liberalise and globalize their economies which is suitable to the world market economy. The operation of the TNC's and free flow of finance capital really question the individual states' control over their economies. The technological revolution only widens the gap in technological field between

the developed and the developing world. The emergence of the NICs in the international scene also has powerful impact. They are shown as the examples for the fruitfulness of market oriented strategies.

The post Cold War period has seen further fragmentation and marginalization of the Third World. Through the fall of the Soviet Union, Third World lost their main supporter in the international arena. Their organizations, such as the, NAM, G-77, G-15, became more and more inefficient. Most of them now adopt the economic logic of the West and liberalize and integrate their economies to the World market. With the help of the national bourgeoisie, who become comprador, and the new politico-bureaucratic middle class, the world capitalism has been able to gather enough support in the Third World to implement their programmes. The Third World still continues as poor and underdeveloped, but they have become less influential in the post Cold War world. Another important development of the Post Cold War era is the emergence of regional groupings as powerful entities.

The developments in the post cold war period was not beneficial to India in anyway. The fall of Soviet Union, the unipolar international system under the United States and the growing importance of the World Bank, IMF and WTO, the emergence of regional groupings and marginalisation the of the Third World all these developments are of bad

consequence to India also. In the new context India also began to adjust with the new world. India has adopted the new economic policy, on the line of structural adjustment policies. This change in economic policy changed the foreign policy orientation. The main task of Indian foreign policy became promotion of economic growth. India began to try for closer relationship with economic powers and regional groupings.

But, even in the post Cold War era South Asian cooperation continues to be constrained by political differences. In the new context the importance of regional groupings is very high. Apart from giving a big market, it also provides enormous bargaining power. The main political differences in South Asia, which limit cooperation in the area have been between India and other South Asian states. It was very important to put an end to the discontent in South Asia and create an atmosphere of cooperation. A bold step was necessary for such a change. The introduction of the Gujral Doctrine was intended to remove mutual suspicion and discontent among the states in the region, and to raise a spirit of cooperation among them. The new neighbourhood policy comes from the Indian understanding that the regional cooperation in South Asia depends on political decisions rather than economic dynamism. The most important and unique principle in the new neighbourhood policy, which is a departure from the past, is that it offers non-reciprocal relations to its neighbours - to

Bangladesh, Nepal, Bhutan, Sri Lanka and Maldives. As noted in previous chapters, policy the Gujral Doctrine was very successful as a new policy which was able to give results with in a short period. This new policy was received very warmly by India's neighbourhood. After the adoption of the this policy India's relations with its neighbours, especially with Sri Lanka, Nepal, Bangladesh, has improved significantly. India was also able to sign agreements on some outstanding issues. The Farakka Treaty, repatriations of Chakmas, ratification of the Mahakali, all these became possible after the introduction of the policy. Indian Government also got assurance from Bangladesh and Nepal that they would not allow anti Indian activity from their territory.

The most important achievement of the policy is that it helps to change the image of India in the neighborhood. For a long time India has been seen as a big brother, but after the adoption of this policy, neighbours began to see India as a friend who has concern over their issues also. The political atmosphere in the region dramatically changed infavour of India. This also helped to generate an enthusiasm for original cooperation among the countries of South Asia. The decision to advance the target date of SAFTA to 2001 from 2005 in the 9th SAARC, summit is a result of the emerging sprit for regional cooperation. Nepal and Bangladesh also proposed sub-regional cooperation. So, the Gujral Doctrine was successful

in creating feeling for regional cooperation among South Asian countries, which is the ultimate aim of the policy.

If there is an effective cooperation nobody doubts its ability to solve many outstanding issues faced by South Asia. Now, even fifty years after decolonization South Asia continues as one of the poorest regions of the world. Poverty, under development, illiteracy, inequality and all types of social and economic evils are still existing in the region. Many of the problems could have been solved more effectively through joint efforts. But political differences in the region does not allows the countries to act together even in non-controversial areas of eradication of poverty, illiteracy, environment problems etc.

There are many other areas in South Asia which can give benefit to the region through is cooperation. Trade in one of such areas. Now the region loses heavily due to diversion of the possible intra-regional trade. This diversion of trade happens mainly due to the lack of conscious policies and lack of easily attainable infra-structural facilities. Consumption from the expensive external market results in major losses. Absence of a common regional market, besides breeding dependence, causes higher cost of production, lower efficiency, retarded job markets and balance of trade problems. A regional market, on the other hand, could do wonders in the economic development of the region.

Energy is another sector where the region can make significant gains. Now potentials of energy sector is not fully utilized due to the lack of technological expertise and capital investment essential for that. Cooperative effort, in this area will produce enormous results. In Environmental areas also the South Asian states are facing similar problems. A joint effort is likely to produce very favourable results.

Many important sectors of the region like agriculture, diary, and small scale industries, are using age old methods, which results in lower levels of productivity. Installation of sophisticated technologies in these areas will improve productivity, there by upgrading the living standard and employment rate in rural areas. Most of joint the individual states can not afford to provide modern technology. But a joint technology mission of South Asian states can achieve this goal which will be a significant step in the regions economic development and employment generation.

If the Gujral Doctrine is able to develop confidence and cooperation in the region it will have its impacts on the defence spending also. Now the South Asian states spend huge amounts on this area mainly due to political differences among them. If the defence sector allocation is decreasing, it will have a positive impacts on social development sectors. This will also be a push for the region's living standards.

By all means, the Gujral Doctrine is a deviation from the past. The region, in earlier years, witnessed more self-centered policies pursued by each state without considering mutual benefit, or needs of others. The potentialities of neighbourhood were never explored or utilised properly. And, the relationship among South Asian states were dominated by unsolved issues, mistrust, suspicion and even armed conflicts of the past.

In the post Cold War era, economic development has become the primary motive than politics. The South Asian states also adjust themselves with the new order by reforming their economics. In the new situation regional cooperation became important to all South Asian states. But, because political differences make regional association inefficient. The possibility of a regional association was possible only through breaking the ice of political discontent in the region. The great role played by Gujral Doctrine is that, it has succeeded to a certain extent in enhancing cooperation in the region through its open and friendly offer of non-reciprocity to other South Asian Countries. The friendly atmosphere naturally leads to greater economic cooperation which was the ultimate vision of the new policy.

It is to India that the adoption of this policy became more beneficial than to any other South Asian state. The main diplomatic gain is that the new policy is able to change the perception about India, from that of a big

brother, India became a friend, with in a short period. The new friendly image of India also helps to dissolve doubts in the neighbouring about the assumed security threat from India. This is likely to decrease their desire for the presence of extra regional powers in the region to balance against India. Another positive development is India get freed from small issues in South Asia and able to play greater roles in neighbouring regions and world politics. This new image worked positively in many other areas also. When all other South Asian states became cordial to India, Pakistan became isolated in the region. This automatically increased diplomatic pressure on Pakistan.

If the Gujral Doctrine is able to change SAARC into a coherent regional grouping it will definitely work positively for India by giving larger markets for Indian producers. More over, India will be the natural leader of such a grouping which will dramatically shoot up India's influence and bargaining power in world politics.

So, the Gujral Doctrine is a policy with a vision. The most striking factor about the new policy is that it takes in to account the dynamism of our time, i.e. it recognizes economics has the central point in the new world order, and admits that in future, regional cooperation will have a great role in economic growth. If South Asia continue in their prison of political difference's they will loose heavily in the coming days. The important role

Gujral Doctrine play is to brake this dead lock of political differences and create an atmosphere for a healthy regional cooperation. And if India is going continue with the Gujral Doctrine, it will definitely play a great role in building a much prosperous and peaceful South Asia.

Appendix - I

The Treaty between the Government of the Republic of India and the Government of the People's Republic of Bangladesh on Sharing of the Ganga/Ganges Waters at Farakka.

THE GOVERNMENT OF THE REPUBLIC OF INDIA AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH,

Determined to promote and strengthen their relations of friendship and good neighbourliness. INSPIRED by the common desire of promoting the well-being of their peoples,

Being desirous of sharing by mutual agreement the waters of the international rivers flowing through the territories of the two countries and of making the optimum utilisation of the water resources of their region in the fields of flood management, irrigation, river basin development and generation of hydro-power for the mutual benefit of the peoples of the two countries.

RECOGNISING that the need for making an arrangement for sharing of the Ganga/Ganges waters at Farakka in a spirit of mutual accommodation and the need for a solution to the long-term problem of augmenting the flows of the Ganga/Ganges are in the mutual interests of the peoples of the two countries.

BEING desirous of finding a fair and just solution without affecting the rights and entitlements of either country other than those covered by this Treaty or establishing any general principles of law or precedent. Have agreed as follows:

Article - 1

The quantum of waters agreed to be released by India to Bangladesh will be at Farakka.

Article - ii

- (i) The sharing between India and Bangladesh of the Ganga/Ganges water at Farakka by ten day periods from the 1st January to the 31 May every year will be with reference to the formula at Annexure I and an

indicative schedule giving the implications of the sharing arrangement under Annexure-I is at Annexure- II.

- (ii) The indicative schedule at Annexure II, as referred to in sub para (i) above, is based on 40 years (1949-1988) 10 day period average availability of water at Farakka. Every effort would be made by the upper riparian to protect flows of water at Farakka as in the 40-years average availability as mentioned above.
- (iii) In the event flow at Farakka falls below 50,000 cusecs in any 100-day period, the two governments will enter into immediate consultations to make adjustments on an emergency basis, in accordance with the principles of equity, fair play and no harm to either party.

Article - iii

The water released to Bangladesh at Farakka under Article-I shall not be reduced below Farakka except for reasonable use of waters, not exceeding 200 cusecs, by India between Farakka and the point on the Ganga/Gangs where both its banks are in Bangladesh.

Article - iv

A committee consisting of representatives nominated by the two Governments in equal numbers (hereinafter called the Joint Committee) shall be constituted following the signing of this Treaty. The Joint Committee shall set up suitable teams at Farakka and Hardinge Bridge to observe and record at Farakka the daily flow below Farakka barrage, in the Feeder Canal, and at the Navigation Lock, as at the Hardinge Bridge.

Article - v

The Joint Committee shall decide its own procedure and method of functioning.

Article - vi

The Joint Committee shall submit to the two Governments all data collected by it and shall also submit a yearly report to both the Governments. Following submission of the report the two Governments will meet at appropriate levels to decide upon such further actions as may be needed.

Article-vii

The Joint committee shall be responsible for implementing the arrangements contained in this treaty and examining any difficulty arising out of the implementation of the above arrangements and of the operation of Farakka Barrage. Any difference or dispute arising in this regard, if not resolved by the Joint Committee, shall be referred to the Indo-Bangladesh Joint Rivers Commission. If the difference or the dispute still remains unresolved, it shall be referred to the two Governments which shall meet urgently at the appropriate level to resolve it by mutual discussion.

Article - viii

The two Governments recognise the need to cooperate with each other in finding a solution to the long-term problem of augmenting the flows of the Ganga/Ganges during the dry season.

Article - ix

Guided by the principles of equity, fairness and no harm to either party, both the Governments agree to conclude water-sharing Treaties/Agreements with regard to other common rivers.

Article - x

The sharing arrangement under his Treaty shall be reviewed by the two Governments at five years interval or earlier, as required by either party and needed adjustments, based on principles of equity, fairness and no harm to either party made thereto, if necessary. It would be open to either party to seek the first review after two years to assess the impact and working of the sharing arrangement as contained in this Treaty.

Article - xi

For the period of this Treaty, in the absence of mutual agreement on adjustments following reviews as mentioned in Article X, India shall release downstream of Farakka Barrage, water at a rate not less than 90% (ninety per cent) of Bangladesh's share according to the formula referred to in Article II, until such time as mutually agreed flows are decided upon.

Article - xii

This Treaty shall enter into force upon signatures and shall remain in force for a period of thirty years and it shall be renewable on the basis of mutual consent.

IN WITNESS WHEREOF the undersigned, being duly authorised thereto by the respective Governments, have signed this Treaty.

Done at New Delhi 12th December, 1996, in Hindi, Bangla and English languages. In the event of any conflict between the texts, the English shall prevail.

Signed
(H.D. Deve Gowda)
Prime Minister
Republic of India

Signed
(Sheikh Hasina)
Prime Minister
People's Republic of
Bangladesh

Annexure - I

Availability at Farakka	Share of India	Share of Bangladesh
70,000 cusecs of less	50%	50%
70,000-75,000 cusecs	Balance of flow	35,000 cusecs
75,000 cusecs or more	40,000 cusecs	Balance flow

Subject to the condition that India and Bangladesh each shall receive guaranteed 35,000 cusecs of water in alternate three 10-day periods during the period March 1 to May 10.

Annexure II

Schedule

(Sharing of waters at Farakka between January 01 and May 31 every year).

If actual availability corresponds to average flows of the period 1949 to 1988 the implication of the formula in Annex-I for the share of each side is as follows:

Period 1949-1988	Average actual flow	of India's share (cusecs)	Bangladesh's share (cusecs)
January			
1-10	107,561	40,000	67,516
11-20	97,673	40,000	57,673
21-31	90,154	40,000	50,154
February			
1-10	86,323	40,000	46,323
11-20	82,839	40,000	42,839
21-31	79,106	40,000	39,106
March			
1-10	74,419	39,419	35,000
11-20	68,931	33,931	35,000
21-31	64,688	35,000	29,688
April			
1-10	63,180	28,180	35,000
11-20	62,633	35,000	27,633
21-31	60,992	25,992	35,000
May			
1-10	67,251	35,000	32,351
11-20	73,590	38,590	35,000
21-30	181,834	40,000	41,854

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