Recent trends in regional integration and the Indian experience

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Available at: https://works.bepress.com/haokip/10/
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Abstract
The post-Cold War period witnessed a spurt in regional integration and regional trading arrangements. India’s attempt at regional integration with Afro-Asian countries during the early years of independence had been without much success. The economic reforms in 1991 and the resultant liberalization and opening of the economy, and the reshaping of its foreign policy have thrown open the floodgate of its Asianism. This article discusses the trend towards regional integration with the end of Cold War and argues that the Look East policy is the byproduct of India’s attempt at regional economic integration with East and Southeast Asian countries. The policy is also used by India as one of the means for solving multiple predicaments in its Northeastern region.

Keywords
Regional integration, Indian experience, India’s Look East policy, Northeast India

Introduction
The beginning of the 1990s was a turning point in international politics. Dramatic events took place at the global level that brought about one of the most significant changes in the twentieth century and subsequently transformed the nature of international politics. This period witnessed the end of Cold War between the two military blocs, which brought an end to the bipolar world based on confrontation between two politico-economic systems and their military expression. It also brought an end to the stability of the world based on mutual deterrence. The high risk–high stability situation has been replaced by a low risk–low stability situation. The end of Cold War and the collapse of the Soviet Union also brought about the reorientation of former Soviet client states, especially those in the Third World, from centralized to market economies. These global changes have precipitated two consequences in the prevailing international relations. First, there is a growing
interdependence between countries and, second, economic and trade issues are gaining vital precedence over the political and military ones (Upadhya, 1995: 47). With a shift from geo-politics and geo-strategic to geo-economics, the economic dimensions of international politics have become prominent. The world previously polarized by ideological struggle has rapidly changed into economic blocs.

With the end of Cold War and the resultant breakdown of the overarching Cold War structure that corroborated and ordered international relations, nation-states became aware of the need to re-evaluate their place in the international system. As a result they began to seek new relations with the emerging group of major powers and with their own immediate neighbours. Many states realized ‘how much their own welfare was dependent on the stability and well being of the region in which they are located’ (Stubbs, 2000: 231).

The post-Cold War phase in international relations witnessed a distinct trend towards regional integration. As a result, a large number of states from different parts of the world began to make serious attempts to constitute themselves into regions to give fresh impetus to a wide variety of cooperative ventures amongst themselves. Regional integration, in general, appeared to be an effective device to serve the economic and commercial objectives of these states. In the process, old organizations were recast and new organizations were created to suit the changing global political context (Harshe, 1999: 1100). All of these developments consequently brought about a change in world policies leading to the development of a new world order and dramatically altered the basic parameters in which the various relationships had hitherto operated (Mann, 2000: 3).

This article is broadly divided into two parts. The first discusses the concept and growth of regional integration and regionalism, the endorsement of regional integration by international organizations, especially the United Nations since its inception, and a brief sketch of some of the successful regional organizations. The second part encapsulates India’s attempts at regional integration since it achieved independence, the economic reforms in 1991 and the launch of the Look East policy, which aims to integrate its economy with the fast growing East and Southeast Asian economies. It also discusses the centrality of the Northeastern region in the second phase of India’s Look East policy.

**Regional integration: concept and growth**

The growth of regional integration has been one of the major developments in recent international relations and has become part and parcel of the present global economic order. This trend is ‘now an acknowledged future of the international scene’ and ‘has achieved a new meaning and new significance’ (Palmer and Perkins, 1953: 597). The nation-state system, which has been the predominant pattern of international relations since the Peace of Westphalia in 1648, is evolving towards a system in which regional groupings of states are becoming more important than sovereign states. Lippmann believes that, ‘the true constituent members of the international order of the future are communities of states’.¹ Carr shares Lippmann’s view about the rise of regionalism and regional arrangements and conceives that the concept of sovereignty is likely to become even more blurred in the future than it is at present (Carl, 1946: 203). The process of regional integration has increasingly affected and even shaped international relations. Trade, economic cooperation and many trans-border problems are increasingly being dealt with at regional supranational level. It is this development of increasing regional cooperation in economic, political and security issues that has gathered momentum in recent years. These integration projects are an increasingly growing phenomenon and occur simultaneously with globalization.
Regional integration has been defined as ‘an association of states based upon location in a given geographical area, for the safeguarding or promotion of the participants’, an association whose terms are ‘fixed by a treaty or other arrangements’ (Padelford, 1954: 203–216). De Lombaerde and van Langenhove (2004) define regional integration as ‘a worldwide phenomenon of territorial systems that increase the interactions between their components and create new forms of organisation, co-existing with traditional forms of state-led organisation at the national level’. According to van Ginkel, regional integration refers to the process by which states within a particular region increase their level of interaction with regard to economic, security, political, and also social and cultural issues (van Ginkel, 2004). In the present age of economic globalization, integration is generally defined as ‘the voluntary linking in the economic domain of two or more formerly independent states to the extent that authority over key areas of domestic regulation and policy is shifted to the supranational level’ (Mattli, 1999: 41). In short, regional integration is the joining of individual states within a region into a larger whole. The degree of integration depends upon the willingness and commitment of independent sovereign states to share their sovereignty.

Regional integration initiatives, according to van Langenhove (2003), should promote:

- the strengthening of trade integration in the region;
- the creation of an appropriate enabling environment for private sector development;
- the development of infrastructure programmes in support of economic growth and regional integration;
- the development of strong public sector institutions and good governance;
- the reduction of social exclusion and the development of an inclusive civil society;
- contribution to peace and security in the region;
- the building of environment programmes at the regional level; and
- the strengthening of the region’s interaction with other regions of the world.

Regional integration arrangements are primarily the outcome of necessity felt by nation-states to integrate their economies so as to attain rapid economic development and reduce conflict between the integrated units by building mutual trust. Integration is not an end in itself, but a process to support economic growth strategies, greater social equality and democratization. This desire for closer integration denotes the desire for opening to the outside world. Regional integration is being used as a means to boost development by promoting efficiency, rather than disadvantaging others. The members of these arrangements believe that their regional initiative will result in a freer and open global environment for trade and investment.

Regional integration or regionalism is not a recent phenomenon. In the past two centuries four waves of regionalism have occurred. The first wave started in the mid-nineteenth century and continued until the beginning of the First World War. It was basically a European phenomenon and the conclusion of a number of bilateral and regional trading agreements contributed to the growth of regionalism in Europe. The First World War disrupted this first wave of regional trade arrangements. The second wave began soon after the end of the War and was highly protectionist and often associated with ‘beggar-thy-neighbour’ policies and substantial trade diversion, as well as heightened political conflict. Some were created to consolidate the empires of major powers; however, most were formed among sovereign states (Mansfield and Milner, 1999: 597).

The third wave of regionalism occurred soon after the end of the Second World War and took place from the later part of the 1950s to the 1970s. During this episode a number of regional trading blocs were formed by developed countries in Western Europe, the Soviet Union and its allies, and less developed countries as against the backdrop of Cold War and decolonization. Thus, all regional integration projects during the Cold War period were ‘built on the Westphalian state system and were to serve economic growth as well as security motives in their assistance to state building
goals’ (Hrem, 2000: 70). However, the present wave of regionalism relies on high levels of economic interdependence, a willingness by the major economic actors to mediate trade disputes and a multilateral framework that assists them in doing so (Mansfield and Milner 1999: 601). In the words of Lawrence (1996: 6):

The forces driving the current developments differ radically from those driving previous waves of regionalism in this century. Unlike the episode of the 1930s, the current initiatives represent efforts to facilitate their members’ participation in the world economy rather than their withdrawal from it. Unlike those in the 1950s and 1960s, the initiatives involving developing countries are part of a strategy to liberalize and open their economies to implement export and foreign investment-led policies rather than to promote import substitution.

As such, regional integration provides an opportunity for the constituent units to increasingly react and settle trans-border disputes within the framework of their regional organization. Nation-states, especially developing countries, prefer interaction with states outside their region, not as a single entity but as a region or regional organization so that they can maximize their bargaining power. Therefore, the formation of an organization based on region for trade, economic, security and political cooperation is on the rise. These countries which venture upon regional integration are usually close neighbours and, to a certain extent, share a common past and thus common history. Common history, in turn, leads them to share common problems and an intensified perception of those problems.

The recent surge of regionalism can thus be attributed to the increasing force of globalization, which in turn is the result of the end of Cold War. Globalization has resulted in the growth of world markets and increased penetration and domination of national economies, which causes nation-states to lose some of their ‘nationness’. This dominance of the world market over structures of local production has resulted in the emergence of a political will to halt or to reverse the process of globalization (Phillips, 2000: 286), in order to safeguard some degree of territorial control and cultural diversity (Hettne, 1996). One way of achieving such a change has been through regional cooperation. Regional cooperation, therefore, is seen as a natural response to the forces of globalization and part of states’ effort to cope with a pervasive globalization. In many regions, regional integration has become an important answer to the challenges of the management of globalization. Regional arrangements do not infringe the barrier of the sovereign state system, but rather provide an impetus and the machinery for much closer cooperation of states on the regional level. In recent years, regional integration projects have become a focal point of discussions as developing countries are turning to regionalism as a tool for development. Almost all countries are now members of at least one project, and may belong to more than one.

Regional integration and regionalism are often used synonymously in international relations. Regionalism may be simply defined as loyalty to the interests of a particular region. It may also be defined as a policy whereby the interests of a nation in world affairs are defined in terms of particular countries or regions. In the economic sphere regionalism can be defined as ‘an agreement among a certain number of states on preferential trade’ (Bhagwati, 1992: 535–556). Much of the literature on regionalism focuses on the welfare implications of preferential trading agreements, both for members and the world as a whole (Mansfield and Milner, 1999: 592). In broader terms, regionalism stands for the integration of economies and political systems on a smaller, regional scale, encompassing a few states that are located near to each other, with many such regional cooperation or integration processes taking place simultaneously. Regionalism, therefore, promotes regional integration of closely knit neighbouring countries.
International organizations and regional integration

The end of Cold War brought about significant changes in the political, economic and strategic environment. The issues in this new environment are so vast and complex that global cooperation and action are required to tackle them. Nation-states realized that these issues can be best addressed at multilateral agencies and therefore multilateralism is being espoused by the United Nations and is increasingly regarded as the *modus operandi* in world politics today. However, the multilateral system is facing increasing challenges. Owing to its repeated failure, developing countries have lost confidence in the global multilateral institutions to provide equitable development rules, and to give them ownership of development policies. Since multilateralism, the first best option, is not attainable, many countries, both developed and developing, are pursuing the second-best option – regionalism. Regionalism is then considered to be an alternative, at least, for countries geographically close to one another, especially for countries with close economic interests and exchanges. The desire for regional integration evolves as a result of environmental development, the need to solve common problems and experiences gained from the draw-backs and inadequacies of the existing larger international organizations (Umar, 1988: 5).

The idea of regional arrangements has gained support from many international organizations. Since its inception, the United Nations has recognized regional arrangements. In its Charter, the United Nations has one entire chapter (Chapter VIII, Articles 52–54) entitled ‘Regional Arrangements’ fully devoted to the subject of regional arrangements. Observing the consistency of regionalism and regional arrangements with the principles of the United Nations, Article 52(1) of the Charter states that:

> Nothing in the present charter precludes the existence of regional arrangements or agencies for dealing with such matters relating to the maintenance of international peace and security as are appropriate for regional action provided that such arrangements or agencies and their activities are consistent with the Purposes and Principles of the United Nations.

Clauses 2 and 3 of Article 52 also encourage regional arrangements for pacific settlement of local disputes before referring them to the Security Council. In addition to Chapter VIII, Article 33 calls upon the parties to any disputes, the continuance of which is likely to endanger the maintenance of international peace and security, to seek a solution through regional agencies or arrangements. Article 51 of the Charter also provides for an unrestricted regional security arrangements outside its effective control.

The Charter of the United Nations, however, does not define ‘regional arrangements’ or ‘regional agencies’ and its relationship with such arrangements or agencies. All references relating to regional arrangements are confined to the field of security. It is silent on the possible economic, social, cultural and other potentialities of such groupings. The institutional approach to regionalism and regional cooperation that was incorporated in the United Nations Charter was founded on the clashing power politics of the two power blocs in the post-war years.

With the end of Cold War, the main focus of regional organizations has shifted from security to economic cooperation. As it encouraged regional agencies and arrangements for the pacific settlement of disputes during the Cold War periods, the United Nations now encourages regional integration. The United Nations also recognized that a ‘relative cultural, economic, political and geographic affinity within a region lends itself to more effective organisation’ (Couloumbis and Wolfe, 1978: 294), and these more effective regional organizations are more supportive of its multilateral objectives. United Nations Economic and Social Council (ECOSOC), which facilitate
international cooperation on standards-making and problem-solving in economic and social issues, promotes regional integration as a prerequisite for globalization. Globalization not only widened the opportunities for national development but also brought risks. Danuta Huebner, former Executive Secretary of the Economic Commission for Europe, observes that the best response from the European continent to global challenges was its integration since ‘integration and international cooperation were guarantors of peace and stability’.3 The United Nations now has increasingly felt that the regional perspective is necessary for global action.

The United Nation has five Regional Commissions that provide inter-governmental frameworks for regional cooperation to assist countries in addressing sustainable development issues. These Regional Commissions have unique convening power in organizing ministerial conferences and high-level meetings to further the implementation of regional and global sustainable development action plans through policy dialogues. The United Nations Conference on Trade and Development-III (UNCTD-III) emphasizes various aspects of regional cooperation. The Doha declaration of World Trade Organization in 2001 recognizes the fundamental role regional trade agreements can play in fostering the liberalization and expansion of trade and, thus, helping development. Apart from the United Nations, other international organizations also support regional integration for economic development, peace and security of the world. The Non Alignment Movement Summit held in Algeria in September 1973 also emphasizes the need for maximization of trade and economic cooperation among poor countries.

**New wave of regional integration**

There has been a new wave of economic regionalism since the mid 1980s, which reached its peak during the 1990s.4 The United States, which was the main proponent of multilateralism, was disappointed with the lack of progress at the world trading negotiations. It decided to switch course and concluded the Canada–US Free Trade Agreement and is now going ahead with the North America Free Trade Area (de Melo and Panagariya, 1996: 5). The United States has also announced its intention to negotiate free trade agreements with other countries. Alongside this, the European Union continues to widen and deepen its integration. These developments have, in turn, led other countries to reconsider the regional option. East Asia, in particular, is convinced that a regional bloc may be the only way to meet the challenges posed by developments in America and Europe. Even developing countries are beginning to fear that their access to world markets may be curtailed significantly if trading blocs become a reality and they are left out. Hence, throughout Asia, Africa and Latin America, old arrangements are being revived and new ones created with a fresh objective of serving the economic interests of the participating countries. Therefore, this new economic regionalism is manifested by recasting old organizations and forming new economic organizations to suit the changing global context and the deepening of the existing arrangements. This surge can be attributed to the new environment created by the end of Cold War and military alliances, and the resulting emphasis of nation-states towards development through mutual economic cooperation with neighbouring states.

**Regional organizations**

The European Union is the first regional organization of the post-war period. The formation of the European Community was critical in triggering integration projects in the 1960s, while the recent deepening and enlargement of the European Union has been a key factor in triggering the latest wave of integration (Mattli, 1999: 139). A good example of new regionalism is the development of
a model of integration that incorporates political elements in deep economic integration. It has come a long way through the decades, during which the redefining of objectives, priorities, adaptations and institutional changes have been the secrets of its survival and prosperity. The European Union was originally created by the six founding states – France, Italy, Belgium, West Germany, Luxembourg and the Netherlands – in 1957 by the Treaties of Rome, which established the European Economic Community (ECC) following the earlier establishment of the European Coal and Steel Community in 1952 by the same six states. The Single European Act in 1986 introduced measures aimed at achieving an internal market and greater political cooperation. The Treaty on European Union, which was signed on 7 February 1992 in Maastricht, Netherlands renamed the ECC the European Union. The Amsterdam Treaty (1997) introduced measures to reinforce political union and prepare for enlargement towards the East, and the Nice Treaty (2001) defined the institutional changes necessary for enlargement. Now in Europe there is a complex multi-level governance system with deep cooperation between states, with firm devolution of power within states and a strong international legal framework. This has created a political model that challenges assumptions about governance all over the world.

The most comprehensive economic integration project undertaken since the new wave of regionalism emerged in the middle of 1980s is the regional trade and investment agreement between the United States, Canada and Mexico, the North American Free Trade Agreement (NAFTA). NAFTA, which is an expanded version of the Canada–United States Free Trade Agreement of 1988, came into being on 17 December 1992. The agreement came into force on 1 January 1994, and implemented a free trade area. The declared aims of NAFTA are primarily the strengthening of economic growth in the territories of the three NAFTA members by phased elimination of tariff and most non-tariff barriers on regional trade; facilitation of the cross-border movement of goods and services between the territories of the parties; and establishment of a framework for international cooperation, including most-favoured-nation treatment and transparency. It also aims to promote conditions of fair competition in the free trade area and substantially increase investment opportunities in the territories of the parties. Through this regional cooperation NAFTA countries are expecting a positive impact on their nation’s economies by way of the creation of new jobs and enhanced living standards.

The core of the latest wave of regionalism in Latin America is Mercado Comun del Sur (MERCOSUR). MERCOSUR is a regional trade agreement which was established by the Treaty of Asuncion, signed by Brazil, Argentina, Uruguay and Paraguay in March 1991. It has Chile and Bolivia as associate members. The formation of MERCOSUR was triggered by external events that threatened to inflict severe damage on the economies of the Latin American region (Mattli, 1999: 152). The primary objective of the formation of MERCOSUR was to create a single market in goods, capital and people. In other words, MERCOSUR’s purpose is to facilitate the free movement of goods, services, capital and people among the four member countries. MERCOSUR has become a successful market of about 200 million people, representing about US$1 trillion of gross domestic product (GDP) and US$190 billion of trade. It is the fourth largest integrated market after the European Union, NAFTA and Association of South East Asian Nations.

The Association of South East Asian Nations (ASEAN), which is one of the successful examples of regionalism, was formed in 1967 with the signing of the Bangkok Declaration by the five original member countries – Malaysia, Indonesia, Thailand, Philippines and Singapore. The remaining Southeast Asian countries – Brunei, Darussalam, Vietnam, Laos, Myanmar and Cambodia, joined the regional group during the 1980s and the 1990s. The ASEAN Declaration states the aims and purposes of the association, which are: (1) to accelerate economic growth, social progress and cultural development in the region; and (2) to promote regional peace and
stability through abiding respect for justice and the rule of law in the relationship among countries in the region and adherence to the principles of the United Nations Charter. The formation of ASEAN was to promote regional peace, stability and security, and the prevention of balkanization. It was primarily driven by political and security concerns rather than the desire to benefit from economic integration. However, with the end of Cold War and the increasing wave of globalization, the association has reoriented its objectives.

In 2003, the ASEAN leaders established the ASEAN Community, which comprises three pillars, namely, the ASEAN Security Community, the ASEAN Economic Community and the ASEAN Socio-Cultural Community. Through the ASEAN Economic Community, ASEAN members pursue the end-goal of economic integration. Its goal is to create a stable, prosperous and highly competitive ASEAN economic region in which there is a free flow of goods, services and investment, a freer flow of capital, equitable economic development and reduced poverty and socio-economic disparities by the year 2020. With the aim of creating a Free Trade Area in the region, it formed the ASEAN Free Trade Area (AFTA) in January 1993. ASEAN has come a long way since its formation and has survived over time through reorientation of its goals. The rise of Southeast Asian regionalism can be seen as a response to the larger changes occurring at the global level, like the politico-economic integration of Western Europe into the European Union.

India’s attempts at regional integration

India’s efforts toward regional integration can be traced back to the pre-independence period. The leaders of the Indian independence movement were conscious of the need to develop cooperation among fellow Asians and closer collaboration with them was one of the main objectives. Indian leaders foresaw the inevitable trend towards regional integration in the post-war period. Jawaharlal Nehru, during his prison days in 1944, said in reference to imminent changes in the structure of world politics that, ‘It is possible, of course, that large federations or group of nations may emerge in Europe or elsewhere in the Pacific and form huge multi-national States’ (Nehru, 1945: 569).

Even before formal independence, Indian leaders convened the Asian Relations Conference from 23 March to 2 April 1947 in New Delhi, which was attended by 25 Asian countries including Egypt. In his inaugural address, Nehru reiterated the need for greater regional cooperation and asserted that, ‘There was a widespread urge and an awareness that the time had come for us, peoples of Asia, to meet together, hold together and advance together. It was not only a vague desire but the compulsions of events which forced all of us to think along these lines’ (Publications Division, GOI 1949: 300). There was an expression of great enthusiasm for regional cooperation from countries like Sri Lanka and Burma. However, the conference that marked the apex of Asian solidarity also marked the beginning of its decline. The underlying causes of failure were the intense rivalry between India and China in the conference and the common distrust of the two Asian giants among the smaller countries of the region’ (Levi, 1952: 39). William Henderson observes that, ‘Neither the Indians nor the Chinese were prepared to concede leadership to the other, the Arabs were uninterested and the South-East Asians frankly afraid that such an arrangement would mean the end of their freedom, almost before it had been won’ (Henderson, 1955: 463–476).

The next attempt towards regional integration by India was the Conference on Indonesia. It was organized to express support for the Sukarno-led armed struggle against the Dutch attempt to reimpose colonial rule in Indonesia in December 1947. The conference was held in New Delhi on 20 January 1949, and attended by 15 Asian nation-states. Apart from the Indonesian issue, Nehru made an open appeal for regional integration, where he said that, ‘We see creative and cooperative
impulses seeking a new integration and new unity. New problems arise from day to day which concern all of us or many of us’ (Publications Division GOI, 1949: 329). The conference passed three resolutions where the third resolution called for regional integration of the participating nations. It urged the participating governments to ‘consult among themselves in order to explore ways and means of establishing suitable machinery … for promoting consultation and cooperation within the framework of the United Nations’ (Manserch, 1953: 1179).

The attempts at regional cooperation continued from 1949 to 1955, where many conferences were organized and attended by India to find the possibilities of such cooperation. A major step towards cooperation of the Asian and African countries was taken in the Bandung Conference in April 1955 to develop a policy and common approach to their problems. In the economic sphere the conference underscored the need for economic cooperation in the region, for providing mutual technical assistance, for the establishment of regional training institutes, and for intra-regional trade. The proposals for regional economic cooperation and intra-regional cooperation in Asia and Africa in the Bandung Conference were not materialized. These earlier attempts by India, since independence, towards regional integration in Asia failed. There were a number of reasons for the failure of these attempts. The inter-state disputes, tensions, distrusts and apprehensions among the individual countries were the main factors (Upreti, 2000: 9).

The South Asian subcontinent experienced a changing political environment during the later part of the 1970s. The Janata Party came into power in India, Zia took over Pakistan, Zia-ur-Rehman consolidated his power in Bangladesh and Jayawardene took over Sri Lanka. The Janata government did not abandon the main tenets of the Indian foreign policy, followed since 1947, but took a more conciliatory approach towards its immediate neighbours. The new leaders, in contrast to their predecessors, wanted closer relationship and cooperation within the region. The deepening of economic crisis, unemployment, poverty and declining growth rates compelled these countries to think about regional cooperation.

The smaller countries in South Asia, like Nepal, Sri Lanka and Bangladesh, were very enthusiastic about regional cooperation. The idea of regional cooperation in South Asia was first mooted by the then President of Bangladesh, Zia-ur-Rehman. During his visit to India, Pakistan, Nepal and Sri Lanka, Rehman tried to convince the heads of states regarding the prospective future of his proposed regional cooperation. In May 1980 Zia-ur-Rehman sent a formal letter to all South Asian countries, proposing the establishment of regional organization in South Asia followed by a ‘Bangladesh Working Paper’ sent to all countries on 25 November 1980.

The proposal for regional cooperation came from smaller countries as they felt that it could serve two objectives: it could provide cover against India’s domination and it could accelerate the pace of economic development (Upreti, 2000: 10). With initial reservations India accepted the proposal in principle, but decided to scrutinize it carefully. It is often argued that any attempt towards regional cooperation in the South Asian region is inconceivable without India’s active participation as South Asia is predominantly an Indo-centric region.

After several rounds of meetings and discussions among South Asian countries, the idea of establishing a regional cooperation took a final shape in December 1985. The South Asian Association for Regional Cooperation (SAARC) was formally established when its Charter was adopted on 8 December 1985 by the governments of India, Pakistan, Bangladesh, Sri Lanka, Bhutan, Maldives and Nepal. It provides a platform for the people of South Asia to work together in a spirit of friendship, trust and understanding. The main emphasis of SAARC is to:

- promote welfare of the people in the region;
- accelerate economic growth, social progress and cultural development;
promote and strengthen collective self-reliance among members;
• contribute to mutual trust, understanding and appreciation of one another’s problems;
• develop mutual dependence among member states;
• strengthen cooperation with other developing countries;
• strengthen cooperation among themselves in international forums on matters of common interests; and
• cooperate with international and regional organizations with similar aims and purposes.  

Over time, it is becoming clear that there is tremendous potential for regional economic cooperation and a number of such areas can be explored for economic development. In addition, the association attached high priority to the promotion of people-to-people contact in the region to strengthen mutual understanding and goodwill among the people of South Asia.

The coming of a new wave of regionalism in the early 1990s, the creation of new trade blocs and deepening of the existing ones raised fears of protectionism among SAARC countries. The smaller members put forward the proposal for a preferential trading regime, namely, the South Asian Preferential Trading Agreement (SAPTA). The SAPTA was created in 1993 at the Dacca Summit and it became operational in December 1995. However, the commodities under SAPTA constitute a fraction of the commodities traded. Therefore, a SAPTA fast-track is being proposed to extend higher tariff concessions. SAARC also decided to create a free trade area (SAFTA) during the Sixteenth session of the Council of Ministers at New Delhi on 18–19 December 1995. To this end an Inter-Governmental Expert Group was set up in 1996 to identify the necessary steps for progressing to a free trade area. The Tenth SAARC Summit at Colombo in July 1998 decided to set up a Committee of Experts to draft a comprehensive treaty framework for creating a free trade area within the region. The SAFTA Agreement was finally signed on 6 January 2004 during the Twelfth SAARC Summit held in Islamabad. The Agreement came into force on 1 January 2006 and the Trade Liberalization Programme commenced from 1 July 2006. The keen interest shown by the member countries since its inception in 1985 shows that there is vast scope for success for the association. South Asia has good reasons to promote cooperation in the region. The entire region is unified by a common cultural and ethnic outlook and geographical proximity coupled with overlapping historical experiences, traditions and common problems underlining the need to pool resources. Although the inception of SAARC was for non-political purposes, the member countries have not refrained from their mutual political conflicts (Maadan, 2000: 165). According to Rao, the objective factors required for the promotion of regional cooperation are very poorly prevalent in South Asia. Lack of economic complementarity, unequal levels of development, economic nationalism, over-regulated trade practices, mutual and external suspicion and external intrusion are the major constraints on cooperation (Rao, 2000: 34). The problems posed by ethno-national tensions as well as inter-state borders within the region are stumbling blocks in promoting any cooperative venture. Even though India is attempting a greater regional integration in Asia and the world at large, she faces many local regional forces that, at times, are responsible for instability in the country. Since independence, India has witnessed a surge in internal regional forces that manifest themselves in the form of ethnic, cultural, political and economic regionalism.

Therefore, India’s effort towards regional economic cooperation in its own neighbourhood encounters inherent difficulties, which are often political in nature and involve the pre-occupation with India’s dominance. Economic fears and political hostility have constrained the growth of trade and these obstacles have not been confined to ties between India and Pakistan. As India has
not been able to forge successful regional economic cooperation in its own neighbourhood, it has become imperative for her to look for a region where she can forge intensive economic cooperation.

**The East Asian miracle**

The East Asian countries witnessed a remarkable record of high and sustained economic growth from 1965 to 1990 and their economies grew faster than all other regions of the world during this period. This rapid economic growth of the eight East Asian economies – Japan, the four Asian tigers (Hong Kong, Singapore, South Korea and Taiwan) and three newly industrializing economies (Indonesia, Malaysia and Thailand) – has been termed as the ‘East Asian miracle’. In these eight countries the real per capita GDP rose twice as fast as in any other regional grouping between 1965 and 1990. With sustained high growth rates, these countries also simultaneously reduced poverty and income inequality.

The success of the East and Southeast Asian countries is attributed to economic policies made favourable to the business communities and citizens by the leaders of these countries. The economic dynamism displayed by these economies was attributed to their outward looking development strategies. Their growth performance has been far higher than that of the most developed regions, including North America, European Union and other European countries. Yi Shen labelled the East Asian economies ‘relation-based capitalism’, which is characterized by personal and implicit agreements that are governed by second-party enforcement and widely based on mutual trust between transaction parties (Shen, 1999).

The East and Southeast Asian countries have been one of India’s priority areas of cooperation under the framework of economic diplomacy. However, India’s economic ties with these regions were underdeveloped because of its friendship with the Soviet Union. India neglected the Southeast Asian region and regarded ASEAN as a ‘Trojan Horse’ of the United States and cultivated close ties with socialist Vietnam (Saint-Mezard, 2003: 25). Southeast Asian countries too have negative perceptions about India. They regarded the Indian decision-making process as very slow, cumbersome and too bureaucratic, hampering development in the country, and consider Indians as too ideologically oriented and less pragmatic in their foreign and economic policies, resulting in a divergence of approach between Southeast Asian countries and India. Southeast Asian countries also avoided becoming entangled with India as they felt that inclusion of India in any of the institutional arrangements would bring the South Asian conflicts into their own region, which in turn would complicate their own security rather than solving its problems (Ghosal, 1996: 12.).

During 1990–1991 India was internally faced with social tensions and unrest, political instability and poor economic performance. The external environment was also not conducive to its interests with the fall of India’s major economic partner and its closet strategic ally – the Soviet Union. The subsequent breakdown of ideological barriers owing to the end of the Cold War has led India to follow a more pragmatic approach. Admiration for the economic achievements of East and Southeast Asian countries coupled with the changing global environment caused New Delhi to pay more attention to the rapidly growing economies of East and Southeast Asia (Gordon, 1995: 299). To the Indian liberalizers, East and Southeast Asian countries appeared to be a model of success, and Asianism could be revived under a different garb to serve new purposes (Jaffrelot, 2003: 44). As a matter of fact, East and Southeast Asia became a model for the Indian reform process.
India’s Look East policy

The collapse of the Soviet system deprived India not only of a valuable economic and strategic partner but also of an important model of centralized economic planning. The Indian predicament was further accentuated as globalization made headway during the early 1990s and the world economic system rapidly turned towards the capitalistic mode of development. The globalization of world economies greatly intensified international competition and has, at the same time, given rise to a new wave of regionalism (Harshe, 1999: 1999). This ‘new world’ order of globalization and regionalism has to be accepted and embraced by the developing countries in order to survive.

The success story of ASEAN, the resumption of the integration process of the European Union and the negotiations for NAFTA and APEC gave India the impression that it was in danger of isolation from the dynamics pushing the global economy (Saint-Mezard, 2003: 21–22). Being aware of the growing trend towards regionalism and its possible marginalization in the global economy and faced with a serious balance of payments crisis, the Narasimha Rao government in June 1991 liberalized India’s economy under the directives of the World Bank and International Monetary Fund. The liberalization process and the opening up to world economy have led to a reshaping of the role of the Indian state, not only in economic management but also in foreign policy.

According to C. Raja Mohan, there are five structural changes in India, where these ‘changes stand out and are unlikely to be reversed’. They are: the transition from the national consensus on building a ‘socialist society’ to building a ‘modern capitalist’ one; the transition from the past emphasis on politics to a new stress on economics in the making of foreign policy; the shift from being a leader of the ‘Third World’ to the recognition of the potential that India could emerge as a great power in its own right; rejection of the ‘anti-Western’ mode of thinking; and the transition from idealism to realism (Mohan, 2006).

In India’s drive towards globalization, the primary task of diplomacy is to contribute directly to economic development. For that matter, New Delhi has sought to improve the functioning and efficiency of its economic diplomacy. The new emphasis on economic diplomacy has induced some reorientation in the role and functioning of the Ministry of External Affairs. By the end of 1991, Narasimha Rao had issued a note asking the Foreign Office and its diplomats posted abroad to focus more on the economic aspects of India’s external relations (Dixit, 1996: 58). As the Indian establishment and the members of the intelligentsia wanted to escape westernization, they then became favourably inclined toward Asianism as an alternative to the American capitalist mode (Jaffrelot, 2003: 44). Under the framework of economic diplomacy, the East and Southeast Asian region has been seen as a priority area of cooperation. With high economic achievements, the Indian leadership became eager to cooperate with the East and Southeast Asian region.

As a result of many internal and external forces, the Indian leaders rethought the basic parameters of its foreign policy. Therefore, the Look East policy was officially launched in the year 1991 by the then Prime Minister Narasimha Rao, with the aim of developing multifaceted relations with countries of East and Southeast Asia. The Look East policy was the first and foremost product of the liberalization process of India. Its main aims include: renewing political contacts with the ASEAN member nations; increasing economic interaction with Southeast Asia (trade, investments, science and technology, tourism, etc.,); and forging defence links with several countries of this region as a means to strengthen political understanding (Naidu, 1996: 82). The policy underlines the renewed thrust towards the Asianist perspective of cooperation and development which was undertaken during Nehru’s era. The first phase of India’s Look East policy was ASEAN-centred and focused primarily on trade and investment linkages. The second phase, which began in 2003,
is more comprehensive in its coverage, extending from Australia to East Asia, with ASEAN as its core (Sinha, 2003). The new phase thus marks a shift in focus from trade to wider economic and security cooperation, political partnerships and physical connectivity through road and rail links. Following the announcement of the Look East policy, India started to give priority to Southeast Asia in its foreign and economic policies. The ASEAN member states were supportive of the measures adopted by the Narasimha Rao government. After the Bandung Conference in 1955, it took nearly four decades for India and Southeast Asia to rediscover each other.

In India’s effort to look east, the Northeastern region has become a significant owing to its geographical proximity to Southeast Asia and China. In the second phase, the Look East policy has been given a new dimension wherein India is now looking towards partnership with ASEAN countries, integrally linked to the economic and security interests of the Northeastern region. India’s search for a new economic relationship with Southeast Asia is now driven by the domestic imperative of developing the Northeast by increasing its connectivity to the outside world. Instead of consciously trying to isolate the Northeast from external influences, as it had done in the past, New Delhi has now recognized the importance of opening it up for commercial linkages with Southeast Asia. In its effort to look east, India has a vision for the Northeast as the gateway to the East and a springboard for launching intense economic integration with Southeast Asia.

**Northeast India and the Look East policy**

The Northeastern region of India, popularly known as the ‘seven sister states’, comprises Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. The region covers an area of 200,062 square kilometres and accounts for 7.9% of the total geographical area of the country. The region is physically isolated from the rest of India with a tenuous connection through a 21-kilometere-long landmass, known as the ‘Siliguri corridor’, which is less than 2% of the 5000 kilometere combined perimeter formed by the seven Northeastern states. The remainder borders China, Myanmar, Bhutan, Bangladesh and Nepal. Recently Sikkim has been added as the eight state of the Northeastern region. Northeast India, as B.G. Verghese lucidly describes, is ‘another India, the most diverse part of the most diverse country, very difficult, relatively little known and certainly not too well understood, once coy but now turbulent and in transition within the Indian transition’ (Verghese, 1996: 280). The people of the region have distinct ethnic and cultural identities, which are more similar to the people of Southeast Asia and China than mainland India, and interacted mostly with the present day Myanmar and Southwest China during the pre-colonial period. Many communities in Northeast India trace their origin to Southeast Asia.

The Northeastern region was known for its natural resources and maintained active trans-border trade with its neighbours during the pre-independence period. The region is on the southern trails of the silk route. Pommaret reviewed the historical literature on ancient trade between Bhutan, Cooch Bihar and Assam, revealing Northeast India’s place in these trade routes: ‘Kamrupa (which denotes almost the whole of the present day Northeast India) was on the trading route between Southwest China and India’ (Pommaret, 2000). Captain Welsh, who led a British military expedition to Assam between 1792 and 1794, reported that regional trade was very active. Apart from silk and other goods, the Silk Road also carried ideas, art and culture, thereby facilitating the spread of Buddhism across Asia. The marginalization of Northeast India was mainly due to colonial and post-colonial geopolitics. The Partition of India in 1947, which marginalized the Northeastern region, has not been conducive to the region’s economic and political well-being. Thus, Northeast India’s pre-colonial and colonial experiences show that the marginalization of the region as a
remote, underdeveloped and troubled hinterland can be overturned with the deepening of the regional integration process.

The regional economic integration policy of India with its eastern neighbours, which has been implemented in the form of the Look East policy and the softening of national borders, can reduce the marginalization and alienation of the people of Northeast India. In the second phase of the Look East policy the government of India declared its commitment to develop the Northeastern region by forging intense regional cooperation with its eastern neighbours. Taking into account its geographical proximity, its historical and cultural linkage with Southeast Asia and China and the primary objective of the Look East policy, it is being widely stated that the Look East policy will result in rapid development of the region as it promises increased trade contacts between the Northeastern region and Myanmar, China and Bangladesh. The policy also has the potential to solve the problem of insurgency, migration and drug trafficking in the region through regional cooperation. However, the continuation of certain colonial acts and regulations, like the Inner Line Regulation, which is meant to protect the hill people, may hinder the implementation of the Look East policy. The concerns of the tribal people in the region, like protecting identity, culture and land, can be met in other ways without restricting the movement of people across state borders (Haokip, 2010: 97).

Concluding remarks

Regional integration has been a strategy for economic development through international trade in the post-war period and with renewed vigour since the late 1980s. With a huge range of potential benefits, regional integration is regarded as a panacea for solving multiple predicaments. The formation of regional integration has been greatly successful in bringing historically hostile countries together. In some countries it has also been a tool to cement peace on borders and create a network of solidarity to preserve young democracies.

The Indian predicament of the early 1990s, the slow pace of economic integration within South Asia, the focus on the economic content of international relations, the emergence of regional economic groupings and the forces of globalization, coupled with the fears of being marginalized in the post-Cold War international system, forced India to liberalize its economy and embark on the path of regionalism. The Look East policy has thus become India’s effort to regionally integrate its economy with the fast growing East and Southeast Asian economies. The policy has been successful in improving relations with its immediate eastern neighbours such as Myanmar and Bangladesh. Since 2004, the focus of the policy has been directed towards the developmental needs of its Northeastern region through cross-border trade, tourism and human resource development, investment and improvement of transport and infrastructure. This new dimension of the Look East policy seeks to address the feeling of alienation and neglect among the Northeastern people through economic development by forging regional economic cooperation with the country’s eastern neighbours. It is expected to reduce the manifestations of discontentment through armed struggles which have been ravaging the region since the early years of India’s independence. India also seeks to take advantage of this enhanced cooperation as a means to convince countries neighbouring the Northeastern region to drive out the insurgent groups taking shelter in their territories.

Thus, the Look East policy has been one of the major products of India’s economic reforms and the resultant drive for regional economic integration. As the policy matures and reaps economic benefits, it is being deployed as one of the means of solving multiple socio-economic and political predicaments in its Northeastern region.
Funding

This research received no specific grant from any funding agency in the public, commercial or not-for-profit sectors.

Notes

2. All references relating to the Charter of the United Nations are taken from its official website, http://www.un.org/aboutun/charter
4. Jagdish Bhagwati identifies two waves of regionalism after the Second World War. To him the first wave began in the late 1950s and lasted until the 1970s, while the second wave began in the mid-1980s (Bhagwati 1993).
5. Overview of Association of Southeast Asian Nation, http://www.aseansec.org/64.htm
8. For areas of SAARC cooperation, see the SAARC website, http://www.saarc-sec.org/?t=2

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