

# Liberal Peace and South Asia

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## Abstract

Following the end of the Cold War, South Asia has been in transition in a number of ways. Based on the Kantian tripod of democracy, economic interdependence and institution, this article assesses whether liberal peace has taken root in South Asia. It concludes that although an incipient liberal order may be discerned in the region, South Asia has yet to change fundamentally to become a zone of liberal peace. Particularly the Indo-Pakistani relationship remains frosty which constrains the building of a liberal order in the region.

## Introduction

South Asia is traditionally known as a region of ‘enduring rivalry’ (Paul 2005) and ‘conflict unending’ (Ganguly 2002), and is generally conceived to have a ‘fascination’ for the realist pathway to security (Chakma 2009). The reasons for viewing the region through such a prism are not very difficult to uncover. India and Pakistan, the two major states of the region, have fought four wars (1947–1948, 1965, 1971 and 1999) and weathered numerous crises, including nuclear ones, since they gained independence six and a half decades ago in 1947 (on the Indo-Pakistani crises and wars, see Chari et al. 2007; Ganguly 1995). The intense security rivalry has led the two countries to relentlessly pursue power-balancing strategies and build arms, including nuclear weapons (on South Asia’s nuclearisation, see Chakma 2004). Indeed, the security rivalry of the two countries has been so intense that they have yet to fully normalise their bilateral relationship.

The ‘realist fascination’ has not been typical to these two major states of the region; the smaller states of South Asia have also historically been attracted to the realist approach to security. They perceived that the region’s power asymmetries, the Indo-Pakistani rivalry and the security policies of the two states were key sources of their insecurity and posed grave challenges to their political survival as independent states.<sup>1</sup> Consequently, they pursued ‘power-balancing’ strategies by hedging on extra-regional powers to neutralise the perceived domination of India and Pakistan and safeguard their sovereignties (Chakma 2009).

The realist fascination of the South Asian states is also manifested in their failure to promote effective regional cooperation. Encouraged by the success of the European Union (EU) and the Association of Southeast Asian Nations (ASEAN), they launched a regional grouping—the South Asian Association for Regional Cooperation (SAARC)—in 1985. After almost three decades, it is evidenced that the

organisation has contributed little in promoting a peaceful regional environment and failed to deliver meaningful benefits to the region's population (Hussain 2014).

Notwithstanding the past emphasis of the South Asian states on the realist pathway to security, recent developments, however, manifest a subtle change in their perceptions and practice of security, which have raised intriguing questions as to whether the region is transforming and moving towards a liberal order. Democratisation has been a growing trend in the region since the end of the Cold War, and it is for the first time in the region's history that all the regional states now have democratically elected governments. This is a significant development that has the potential to transform the region to a peaceful order. Democratic trajectories in the South Asian states are positive, and it is arguable that South Asia in the long run is strongly poised to reap the benefit of 'democratic peace dividend'.

Furthermore, in the 1990s, most South Asian states (India in particular) firmly adopted economic liberalisation policies replacing the age-old import substitution model of economic growth. Consequently, economic interactions amongst the regional states have shown an upward trend. Intra-regional trade, for example, has increased from 2.7 per cent in 1990 to 4.3 per cent in 2011.<sup>2</sup> This is not a spectacular growth in intra-regional trade, but the trend, arguably, is positive. Significantly, as will be analysed in this article, some evidence of the pacifying effects of economic interdependence in the region has become apparent. Additionally, notwithstanding SAARC's failure to live up to its potential, it is point-worthy that the grouping has generated an incipient sense of regionalism within the South Asian states (Saez 2011). If the regional states, particularly India and Pakistan, can sort out their differences, SAARC can play a vital role in regional integration and in building a peaceful regional order. As the Indo-Pakistani relationship is showing signs of improvement, there are reasons to be hopeful that SAARC will play a meaningful role in the coming years.

Is a liberal order, then, emerging in South Asia? It is argued here that notwithstanding some signs of pacifying effects of growing democratisation and some increase in economic interdependence, there are significant structural challenges that are constraining the rise of liberal peace in South Asia. A fundamental transformation for a liberal regional order has yet to occur in South Asia; however, recent regional trends in the realms of democracy and economic interdependence are potentially transformative and possibly indicative of early signs of a nascent liberal order. The region appears to be at a crossroads in which realist tendencies and liberal trends are at play. What transpires in the coming years will be significant and define the character of the South Asian order.

The article is organised in the following manner. The following section builds a theoretical framework for analysing liberal peace in South Asia. Then, the article explains the challenges to a liberal order in the region. In the third section, key liberal trends in post-Cold War South Asia are examined. The fourth section analyses the implications of those trends for the South Asian regional order. Finally, key findings of the article are summarised.

## Theoretical Framework

Immanuel Kant's tripod—democracy, economic interdependence and institutions—is key to understanding the rise of a liberal regional order. Following the Kantian tradition, Russett and Oneal have developed a contemporary version of a liberal peace framework, which they have posited as 'triangulating peace'. They argue that the rise of liberal peace rests on the state of the three legs of the Kantian tripod

and their functioning in an intertwined fashion (Russett and Oneal 2001; also, see Owen IV 1997). A peaceful regional order and a pluralist regional security community, therefore, can rise if these three core liberal principles take firm root in a given region.

Democracy is the first principle of liberal peace. The argument here is that, if all the states in a region are truly democratic, they will not engage in armed conflict with one another and live in peaceful coexistence. Democratic states are inherently peaceful and pursue peaceful foreign policies. Responsible and peaceful behaviour of democratic states is derived from internal accountability, transparency, and a check-and-balance political system (on the democratic peace debate, see Brown et al. 1999; Ray 1998).

Economic interdependence is the second liberal principle in which it is argued that economic interactions promote cooperation among states and peaceful behaviour towards each other (Keohane and Nye 1978; Krasner 1983; Axelrod 1984; Keohane 1984; Oye 1986; Owen IV 2012). There are multiple ways through which economic interdependence can be promoted and deepened, which include trade in goods and services, investment, borrowing and lending, foreign aid, etc. Moravcsik asserts that economic links alter states' incentives for cooperation and, consequently, their actions and interactions are peaceful (Moravcsik 1997). When economic interdependence becomes dense, the welfare of states also becomes coupled and any disruption of that interdependence, by conflict or war, will harm all the stakeholders. Hence, the growth of economic interdependence promotes peace and helps build a liberal order in a region. Western Europe and Southeast Asia provide seminal examples in this regard. Paul argues that a key source of regional transformation since the early 1990s has been the growth of economic interdependence and the onset of increased globalisation (Paul 2012, 13).

The third principle of liberal peace is the existence of well-functioning international institutions. International institutions, liberals argue, provide institutionalised mechanisms for sustained cooperation and promote peace and order. Specifically, institutions promote order by formalising norms and rules, which, in turn, provide certainty and predictability for the actors (Martin 1999, 91). In a state of anarchy, institutions reduce the level of uncertainty and, thus, create incentives for cooperation. As Hofmann and Merand argue, a dense web of institutions 'creates differentiated multilateral cooperation, which minimizes the risk of zero-sum politics' (Hoffmann and Merand 2012, 134). Therefore, regional institutions play a crucial role in promoting peace by inducing member states to work on the basis of absolute gains.

In this article, I will use the Russett and Oneal framework to assess the state of liberal peace in South Asia and the debate about the region's order. Before I address that issue, in what follows is a brief exploration of the challenges to a liberal order in the region.

## Challenges to a Liberal Order in South Asia

The history of South Asia is replete with inter-state tension, crisis and warfare. Consequently, realist orientation, rather than the liberal approach, has traditionally dominated the security practice of the South Asian states. Given this context, four key propositions can be advanced for the absence of a liberal order in South Asia based on several key causal factors of structural and non-structural nature. They are:

- South Asian conflicts are structurally rooted.
- Asymmetric power distribution produces incongruent threat perceptions.

- Legacies of the 1947 partition continue to haunt inter-state relations in the region.
- India's and Pakistan's regional security policies pose threats to the security of the smaller states of the region.

### *Structural Roots of South Asian Conflicts*

Security rivalries and inter-state conflicts in South Asia can be explained in terms of the region's structural factors. The region's political geography, owing to historical reasons, is highly divisive. The creation of the South Asian states occurred in defiance of a long historical process of intra-regional migration of people, cultures and religions. When the political boundaries of the contemporary South Asian states were curved, it fragmented pre-existing communities with the people of the same community living on different sides of the political borders. A significant community within a South Asian state, hence, became an ethnic, cultural or religious minority in the neighbouring states. The implication of this situation is that any crisis involving a minority group within a state generally attracts the attention of the fellow community members on the other side of the border, which eventually end up in being a source of inter-state tension. For example, any problem involving Muslims in India generally becomes a source of tension between India and Pakistan and between India and Bangladesh.

There is a close linkage between resource scarcity and instability in South Asia (Gordon 1993), which is largely derived from, and exacerbated by, the region's coherent geographic structure. Consequently, resource disputes are quite common in South Asia. For example, disputes over the sharing of the common river waters between India and Bangladesh profoundly affect their bilateral relations (Islam and Kabir 1986; Swain 1993).

Structural factors, therefore, have historically produced mistrust and mutual hostility amongst the South Asian states and impeded the rise of a liberal order in the region.

### *Asymmetric Distribution of Power and Incongruent Threat Perceptions*

South Asia is an Indo-centric region, and India is much larger in terms of geographical size, economic strength, resource endowment and military capabilities than all other states in the region combined. Moreover, India is at the core of the region having common land borders with all other countries (except Afghanistan and two island states of Sri Lanka and The Maldives), but none other sharing border with each other (except Pakistan and Afghanistan). This asymmetric distribution of power produces mutual threat perceptions in the region and fuels a regional security dilemma. According to Shelton Kodikara:

[T]he fundamental security problem of South Asia is seen as one in which the states peripheral to India seek a maximisation of security vis-à-vis India while India itself seeks to regionalise security within a sub-continental framework. (Kodikara 1993, 6)

Consequently, the threat perceptions of the South Asian states have been incongruent, and they generally have pursued divergent and clashing security policies. New Delhi has traditionally perceived that India's main security threats had derived from sources beyond the subcontinent and, hence, adopted

a strategy that treated the whole subcontinent as its legitimate security sphere. New Delhi inherited this policy from British India (Kavic 1967).

Conversely, India's neighbours have found such an Indian security strategy to be a main source of their insecurity and a threat to their sovereignty. For example, Pakistanis view that New Delhi by adopting such a policy wants to undo the creation of Pakistan. As a former Pakistani ambassador to India has written:

We perceive that the Indian leadership and a sizeable segment of its following continue to regard the formation of Pakistan as a historical error forced on India, that given the opportunity, they would like in some way to redress the situation. (Hyder 1987, 74–75)

Similarly, Bangladesh's ruling elites in the past were concerned about India's security framework and fearful of the big neighbour's domination. According to an analyst:

...There is hardly two opinion that India is determined to capitalize on Bangladesh's geo-politically locked situation on the one hand and domestic weaknesses on the other that compounds the insecurity and vulnerability of the country. (Ifthekaruzzaman 1989, 38)

Sri Lanka and Nepal have also traditionally perceived India to be their main source of insecurity.

Hence, India's neighbours have historically sought support from extra-regional powers to neutralise India's dominance and ensure their political survival. The incongruent threat perceptions of India and its neighbours have persistently strained their relations, reinforced mutual hostility and hardened the regional security dilemma. In such an environment, it was difficult to grow multilateral cooperation amongst the South Asian states.

### *Legacies of the 1947 Partition of the Subcontinent*

The legacies of colonialism and the partition of the subcontinent in 1947 have fuelled tension in South Asia. This path-dependency factor has persistently influenced inter-state relations in the region. For example, the Kashmir dispute between India and Pakistan, a legacy of the 1947 partition, has led the two countries to three wars (1947–1948, 1965 and 1999), thus ensuring the persistence of mutual hostility since independence (for a historical background of the Kashmir dispute, see Gupta 1966; Ganguly 2002).

Other territorial and border disputes, legacies of colonialism and the 1947 partition, have also contributed to the persistence of mutual hostility in the region. Disputes over the Siachen Glacier and Sir Creek between India and Pakistan, the 'enclaves problem'<sup>3</sup> between Bangladesh and India and the border dispute between Afghanistan and Pakistan along the Durand Line are some examples which have strained inter-state relations in the region.

### *India's and Pakistan's Regional Security Policies*

The security policies of New Delhi and Islamabad have exacerbated the regional security dilemma in South Asia. In particular, India's regional security policy has been a source of constant security anxiety

for the smaller states of the region. Inheriting from British India's strategic thinking, New Delhi's security policy has three pillars:

1. safeguarding the territory of the north-west frontier of the subcontinent through which successive armies made inroads into Indian territory;
2. preventing the area around the Indian subcontinent from falling under the control of foreign powers; and
3. commanding the Indian Ocean and its environs (Kodikara 1983).

New Delhi, thus, holds that the South Asian states in its neighbourhood constitute its legitimate security periphery. In its view, these states are sovereign; however, for India's security, it is imperative that New Delhi maintains a vigil on those states so that extra-regional powers cannot establish their influence over them. New Delhi has developed a regional security doctrine based on those ideas. This doctrine stipulates that India has no intention of intervening in the internal affairs of its neighbouring states, but if any South Asian country needs external security assistance, it should ask from India and no one else. A failure to do so is to be considered 'anti-Indian' (Sengupta 1983, 20). New Delhi operationalised its regional security doctrine at least on three occasions in the 1980s: in 1987, it undertook a peacekeeping operation in Sri Lanka in an attempt to resolve the ethno-national conflict in the island state (although it failed); in 1988, it extended rapid military assistance to Maldives at the request of Male; and in 1989–90, it imposed an economic blockade on landlocked Nepal as the latter attempted to build closer strategic ties with China (Hagerty 1991).

India's neighbours have perceived the Indian regional security doctrine as a threat to their political survival as independent states. Islamabad considers it as a clear manifestation of New Delhi's hegemonic design, and Bangladesh, Sri Lanka and Nepal are worried about the doctrine's implications for their sovereignty. Consequently, they all have traditionally sought closer strategic relations with extra-regional powers in order to safeguard their independence.

Islamabad has traditionally perceived Afghanistan as its strategic backyard and, consequently, has sought to maintain an influence over Kabul. The Pakistan army's attempt to exercise control over the government in Afghanistan is aimed at enhancing Pakistan's 'strategic depth' (Iqbal 2012). The Afghans resent Islamabad's attempt to impose influence on Kabul and consider it nothing short of an infringement on their sovereignty.

The above discussion highlights that traditionally South Asia has been a hotbed of power politics, and the regional states have pursued policies of self-help and power balancing rather than strategies of co-operation. Now the issue at hand is, how much this traditional pattern of inter-state relations has changed given the region's growing democratisation and increasing economic interdependence in the post-Cold War era.

## Post-Cold War Liberal Trends in South Asia

Development in the realms of democracy, political economy and regional institution building in the post-Cold War era and the impact of those developments on the attitudes, perceptions, motivations and

policies of the South Asian states are specifically relevant for assessing whether liberal peace has taken root in South Asia. An assessment of these developments will highlight the state of liberal peace in the region and whether the region is transforming and moving beyond its traditional realist orientation.

### *Democratisation*

Since the end of the Cold War, democracy in the South Asian states has taken significant root. It is for the first time in the region's history that all the South Asian states now have democratically elected governments. This is arguably one of the most significant, and potentially transformative, developments in the region's recent history. The significance of this development lies in the fact that almost all South Asian states (with possible exception of India and Sri Lanka) have troubled democratic past (for an authoritative analysis of the history of democracy and authoritarianism in South Asia, see Jalal 1995), which profoundly affected inter-state relations in the region.

While India and Sri Lanka have a better record of democratic rule, the other states of the region have experienced significant military and/or authoritarian rule in their political evolution. Sri Lanka has maintained consistency in democratic transition, notwithstanding strong authoritarian tendencies, from one government to the next from the colonial time to the present. Democracy in India has a similar history; its democracy is very messy, thanks to its diversity, poverty, and underdevelopment and authoritarian tendency was not absent in the Indian democratic setup. But India has largely managed, except for a brief period of emergency rule from 1975 to 1977, the democratic transition of power since it gained independence in 1947. Indeed, India and Sri Lanka are significant cases of successful democracy in the non-Western world.

Pakistan has been ruled by the military for half of its existence, and it is only in May 2013 for the first time in its history that a democratic transition of power has taken place. Before that the tenure of each elected government was cut short by direct or indirect military intervention. In recent years, democracy has gained significant ground, and the civilian institutions have begun to assert their authorities. The civil–military relationship is still considerably tilted towards the latter, but in the past six years, the military has gradually begun to accept the supremacy of the civilian authorities (Siddiqi 2014). Pakistan has still some way to go to correct the civil–military relations and build a robust democratic system, but the democratic trajectories by all counts are positive.

Bangladesh has a similar history of military intervention in politics like that of Pakistan, but since the overthrow of the Ershad military regime in 1990, the country has made significant strides in democratic consolidation. Bangladesh still has some way to go in building a robust democratic system, but the trajectories are positive indeed.

Nepal has also made some progress in building its democratic system since the negotiated end of the Maoist insurgency in November 2006. In the past seven years, Nepal's democratic experiment has been messy and the Nepalese have yet to find a consensus on a draft constitution. Following the Constitutional Assembly elections on 19 November 2013, which the Nepalese Congress Party won, Nepal's democratic consolidation is now poised to gain momentum. The tiny Himalayan kingdom—Bhutan—has held two successful general elections and has made steady progress in building democratic institutions since the king voluntarily ceded power to the civilian authorities in 2008.

The Maldives has demonstrated considerable resilience in upholding the democratic transition of power following the end of Mamoon Abdul Gayoom's dictatorial rule in 2008. By holding the latest presidential election in December 2013, the Maldives has further consolidated its democracy. Afghanistan, despite serious challenges of terrorism and inter-ethnic strife, has maintained a semblance of the democratic system with an elected parliament and an elected president.

It is evident that in the post-Cold War era, democracy has gained significant ground in the South Asian states, and in all likelihood the process will continue given the presence of positive democratic trajectories in all the states of the region.

### *Economic Reforms and Economic Interdependence*

A key development in South Asia in the past two decades has been the adoption of economic liberalisation and market reform policies by the regional states in various forms and shapes and their implications for the political economy of the region. Owing to a variety of reasons and compulsions, primarily in response to the growing pace of globalisation, the South Asian states switched from import-substitution industrialisation to export-oriented economic growth model in the wake of the end of the Cold War.

Of all the states in the region, India's economic liberalisation and market reform initiative is specifically noteworthy because of its dramatic origin, performance and consequences. A balance of payment crisis in 1991 forced the Indian government to introduce sweeping market reform policies (on this, see Sengupta 2008). Since then, the Indian economy has grown phenomenally, which has brought the country today to the doorstep of becoming a global power.<sup>4</sup> It appears that economic factors have redefined India's security interests, particularly in relation to China. Even without resolving the long-standing territorial dispute, New Delhi and Beijing have found reasons to deepen economic ties and foster better bilateral relations. Consequently, Sino-Indian trade has increased phenomenally from \$5 billion in 2002 to \$51.8 billion in 2008 (Aiyar 2009). Economic interests have now overshadowed the boundary dispute of the two countries, which bedevilled their bilateral relations for decades. The border dispute is yet to be resolved permanently, but it is now a less constraining factor in their bilateral relationship.

The Sino-Indian model of bilateral relationship is currently on the table for reconciliation with Pakistan. For example, L.K. Advani, a leader of the Bharatiya Janata Party, has argued that the India-China model of bilateral relationship could be applied in the context of India and Pakistan (Acharya 2008, 12). New Delhi has demonstrated its willingness to use the trade and economic route to improve ties with Pakistan. It is noteworthy that India granted 'Most Favoured Nation' (MFN) status to Pakistan in 1996 in order to normalise trade relations with that country.

Pakistan has also introduced various economic reform measures since the end of the Cold War. Its economy grew at a healthy pace from 2002 to 2007, but in other times the economy faltered due to a myriad of factors. For one thing, Pakistan could not successfully implement economic reform policies it adopted and made necessary structural changes in the economy. Moreover, domestic political instability, problematic law and order situation, and terrorism have profoundly affected Pakistan's economic growth in the past two decades (on Pakistan's recent economic performance, see Khanna 2010). Yet the Pakistani economic reform initiatives were significant, because they formed a positive perception about



regional economic cooperation which ensured Islamabad's support for the South Asia Free Trade Area (SAFTA) agreement in 2004. More significantly, the Pakistani government undertook several steps to foster better trade ties with India. Of all the steps, Islamabad's 'in principle' decision to grant MFN status to India in 2011 was perhaps the most significant which reflected a tentative change of heart in Pakistan towards India. The current Nawaz Sharif government has made several positive signals for the necessity of improving bilateral relations with the neighbours. Islamabad has indicated that Pakistan would be striving to improve trade and economic relations with India.

Other smaller states of the region have also opened up their economies and introduced market reform policies in various forms and shapes in the post-Cold War era. Sri Lanka has traditionally been an open market economy, and in the post-Cold War era, it has taken steps to further the liberal economic agenda. For example, it signed a free trade agreement with India in 1998 (came into force in 2000). The agreement has increased the Indo-Sri Lanka bilateral trade volume (on this, see Sikdar 2012), which, in turn, has contributed to the consolidation of their bilateral relationship. Bangladesh and other smaller states of the region have made similar strides to stimulate economic growth through economic reform policies.

Realising the potential of economic cooperation, the South Asian states took several initiatives for economic integration under the auspices of SAARC. They concluded the SAARC Preferential Trading Arrangement (SAPTA) in April 1993. A decade later, a more ambitious initiative was undertaken by the SAARC countries by concluding the SAFTA agreement in January 2004 in order to create a Customs Union, Common Market and Economic Union in South Asia. Additionally, the South Asian states signed the SAARC Agreement on Trade in Services (SATIS) in April 2010. The goals of those agreements, particularly the SAFTA, and the full potential of regional trade have yet to be fully realised; nonetheless, some pacifying effects of economic liberalisation policies of the South Asian states have already become visible.

It is evident that since the beginning of the 1990s, the South Asian governments have adopted market reforms and economic liberalisation policies and have prioritised economic growth in their external policies. Such policy priorities, as will be discussed below, have made some pacifying effects on inter-state relations in the region.

### *The State of Regional Institution Building*

Following the footsteps of the EU and ASEAN, the South Asian states formally launched SAARC in 1985. The key objectives behind the formation of this group were to promote the well-being of the region's population and eventually build a South Asian regional community (Reed 1997; Dash 1996; Ahmed 1985).

Since its formation, SAARC has gradually expanded its activities in wide-ranging sectors and has built an incipient sense of regionalism. However, its full potential is yet to be realised due to mistrust and politico-strategic differences among the regional states. Notwithstanding such a state of the region's principal institution, its potential to play a meaningful role has always been there. As inter-state relations in the region have been on the upward trend in recent years, SAARC is now poised to play a meaningful role in promoting regional cooperation (Pattanaik 2011).

## Assessing South Asia's Transformation

This section assesses the implications and consequences of democratisation and economic interdependence on the motivations, policies and behaviour of the South Asian states, and whether the pattern of inter-state relations in the region has been on the trajectory of transformation. While India's relations with the smaller states will be briefly touched, the main focus will be on the Indo-Pakistani relationship. The reason for an emphasis on the India–Pakistan relationship is that the two countries are the region's trend setters. It is arguable that a positive change in the Indo-Pakistani relationship will have profound impact on the character of the region's order.

According to Paul, regional transformation is one in which 'serious alterations have occurred in relations among states, and in terms of their core national interests, strategies, behavioral patterns, perceptions, and institutional structures' (Paul 2012, 6). In the following analysis, Paul's perspective on regional transformation will be used to explain the changing pattern of conflict and cooperation in South Asia, particularly focusing on whether there has been a change in the core national interests, strategies, behaviour, perceptions and institutional structures of the region's actors due to democratisation and economic interdependence. This approach will highlight the state of liberal peace in the region and whether a liberal order has taken root in South Asia in the post-Cold War era.

As discussed earlier, South Asia has gradually become democratised in the post-Cold War era, and all the South Asian states now have democratically elected governments. There are some evidence of changes in the South Asian states' core interests, motivations and policies due to democratisation, which, in turn, have affected inter-state relations in the region. During the periods of military rule in Bangladesh, for example, the ruling generals invariably used 'anti-Indianism' as a tool to stay in power (Chakma 2012b); by contrast the current democratic government has taken 'transformative' steps to build a positive relationship with its larger neighbour.<sup>5</sup>

A similar case can be mentioned in the context of Pakistan. A positive attitude toward building peace with India was evident during the period of democratically elected Pakistan People's Party government (2008–2013). The Nawaz Sharif government, which assumed power following the 13 May 2013 general elections, has indicated that one of the priorities of the new government would be to normalise relations with India (*Dawn* 2013a). The generals, by contrast, in the past invariably projected India as a mortal enemy and used the 'India threat' as a pretext to intervene in politics or stay in power, which in turn affected India–Pakistan relations. Similarly, economic rationales have influenced the elected governments in Pakistan to strive to boost trade and economic relations with its closer neighbour. To explain this point further, the dynamics of the Indo-Pakistani relationship is illuminated in greater detail in the following.

### *India–Pakistan Relations*

Mutual hostility has been the key feature of the Indo-Pakistani relationship ever since the two countries emerged as independent states in 1947, although they also at times did undertake cooperative policies. In the post-Cold War era, the two countries have undertaken several peace initiatives, but they have yet to build a peaceful relationship. What is intriguing, however, is that the democratically elected

governments in Pakistan have demonstrated a positive attitude towards normalising their country's relationship with India.

In 1999, the Indian Prime Minister, Atal Behari Vajpayee, took a major initiative to build peace with Pakistan and went to the Pakistani city of Lahore by bus in February of that year to meet with his Pakistani counterpart, Nawaz Sharif. The two prime ministers signed a memorandum of understanding outlining a road map for building a peaceful relationship between the two estranged neighbours. The 'Lahore Process', as it came to be known, generated the expectation that the relationship of the two countries was finally on the mend. The peace building process, however, came to an abrupt halt when the Pakistan army launched a clandestine incursion in the Kargil region of the Indian-administered Kashmir in the spring of 1999.<sup>6</sup> The two countries fought a 'limited war' for about three months before Islamabad withdrew its forces from the Indian part of Kashmir and restored the status quo ante of the Line of Control (LoC). In its aftermath, although the two countries resumed normal diplomatic relations, they soon confronted another major crisis in 2001–2002 following the terrorist attack by Pakistan-based militant groups, which lasted for 10 months.

The two countries returned to the negotiating table soon and launched an ambitious peace initiative in early 2004. The peace initiative, commonly known as the 'Composite Dialogue Process', was halted when Pakistan-based terrorists carried out multiple attacks on India's financial capital Mumbai in November 2008. After a couple of years gap, New Delhi and Islamabad tentatively resumed the composite dialogue process in 2011. The resumption of the peace process was short-lived and came to a halt when the forces of the two countries became engaged in border skirmishes along the LoC in the disputed territory of Kashmir in January 2013. The Indo-Pakistani peace process still remains basically frozen, but following the installation of the new government in June 2013 in Pakistan, Islamabad indicated that it was working through 'back channel' to bring the peace process back on track (*The News International* 2013). The prime ministers of the two countries met on the sidelines of the United Nations General Assembly session in September 2013 and discussed about the re-opening of the stalled peace dialogue.

Although the frequent disruption of the Indo-Pakistani peace process highlights the fragility of the process and a high degree of mistrust and suspicion between the two countries, the resumption of negotiations also shows that the fundamental rationale for seeking peace is strong. This point is highlighted in the statements of the prime ministers of the two countries. Indian Prime Minister Manmohan Singh has stated in an interview: 'I still believe that good relations between India and Pakistan are very essential for this subcontinent to realise its full development potential (*Hindu* 2013). Similarly, Pakistani prime minister Nawaz Sharif has noted: 'We have no option but to live in peace in the interest of the people of Pakistan and India and my government is committed to improving relations with India' (*Express Tribune* 2013).

Importantly, in the past decade there has been a subtle, but crucial, shift in the attitudes and approaches of both New Delhi and Islamabad regarding the normalisation of the bilateral relationship and the building of peace. There are two key reasons for this. First, while India's robust democracy has been a pacifying factor, Pakistan's democratic government has also, notwithstanding myriad challenges, demonstrated significant positive attitudes for seeking peace with India. After winning the general elections in 2008, Asif Ali Zardari, the Pakistan People's Party (PPP) chairperson and would-be president, hinted that the Kashmir issue should not be an obstacle for the improvement of Pakistan–India relations

(Sahay 2008). The PPP government's positive approach was also, as will be discussed below, reflected in various steps it undertook for building better economic and trade ties with India, particularly this was manifested in the 'in principle' decision to grant MFN status to that country. The new prime minister, as noted earlier, has indicated that building ties with neighbours, particularly India, would be a top priority of his government.

It is true that the Pakistan army still wields significant influence in public policy making, specifically in the areas of security, defence and foreign policy (Rahman 2012); however, the traditional structure of the country's civil–military relations has begun to gradually change (Siddiqi 2014). This trend is set to continue in Pakistan. Indeed, since 2008, the civilian authorities have significantly dented the power of the military. For example, the Judiciary has demonstrated significant assertiveness in maintaining its independence and has begun proceedings against several retired generals, including the last military ruler General Pervez Musharraf, for their past actions, which was unthinkable in the past. The Parliament for the first time in Pakistan's history has scrutinised the military budget. There is a growing trend of civilian authorities' assertiveness in Pakistan and a gradual retreat of the Pakistan military to its professional role. If this continues, Pakistan's civil–military relations will be redefined in the coming years, which, in turn, will have a significant impact on Islamabad's policy orientation towards India.

Second, there have been fundamental economic reasons for both India and Pakistan for undertaking repeated peace initiatives notwithstanding frequent disruptions. India's top priority since it adopted economic liberalisation and market reform policies in the early 1990s has been to maintain the economic growth momentum. For this, New Delhi needed to reconcile with Islamabad. Indeed, this motivation has driven the Indian approach for seeking peace with Pakistan in the past two decades. For Pakistan, India is the natural economic partner, and given its economic troubles, it has compelling reasons to seek peace with its historical rival. This has been a fundamental reason for Islamabad to seek peace with India at least since 2008.

Two aspects of the Indo-Pakistani dialogue process since 2008 are intriguing. The first is that the Kashmir issue has been put to the backburner in the agenda of negotiations (Zaidi 2012). Interestingly, the Kashmir issue is not figuring prominently even in Pakistan's national politics. For example, in the 2013 general elections, the issue neither figured prominently in the election manifestos of the major political parties nor was it a key issue in the election campaigns (*Indian Express* 2013). It is noteworthy that Islamabad in all previous rounds of negotiations insisted that the resolution of the Kashmir dispute must precede any serious negotiation for the normalisation of Indo-Pakistani relations. The second aspect is that New Delhi and Islamabad have consciously chosen the economic and trade route to normalise their bilateral relationship (*Dawn* 2012a). Still significant, this policy of the PPP government is being followed up by the PML-N government that came to power in June 2013. A leading Pakistani newspaper has reported that the Nawaz Sharif government had 'decided to de-link the issue of trade relations with India from the progress on the slow-moving composite dialogue between the two countries' (*Dawn* 2013b). This is a novel approach given that previous attempts of peace making failed due to an emphasis on the politico-strategic issues. It is noteworthy that analysts have long acknowledged the importance of trade relations for building peace between the two countries (Khan, Shaheen and Yusuf 2009; Zaidi 2001), but it was not prioritised in the previous rounds of peace negotiations.

A major development in the Indo-Pakistani reconciliation effort was Islamabad's 'in-principle' decision to grant MFN status to India in 2011. Islamabad should have given this status to India in the 1990s reciprocating New Delhi's granting of such a status to Pakistan in 1996. Islamabad's decision,

hence, signified a shift in the Pakistani motivation and approach for building peace with India. As a renowned Pakistani political economist has pointed out, the decision to grant MFN status to India by Pakistan 'is much more than just trade' (Zaidi 2011). Importantly, Islamabad's decision to grant India the MFN status and improve trade ties with that country came against the backdrop of considerable domestic opposition from several quarters (*Express Tribune* 2011).

Several other policy decisions of Islamabad also highlight that Pakistan has been focusing on trade and economic issues for building peace with the neighbouring states. One such decision of the previous government was to increase export to the regional countries and do whatever necessary to achieve that goal. Consequently, Pakistan's trade with the regional states rose from 6.3 per cent in 2003 to 16.7 per cent at the beginning of 2012 (although the rise was mostly with Afghanistan, see Timizi 2012). Pakistan's then Foreign Minister, Hina Rabbani Khar, informed her country's parliament that the Pakistan government had notified, as a first step, to phase out 1209 items from the negative list in order to eventually completely normalise trade relations with India (Goskhori 2012). As a sign of progress, the two countries agreed in October 2012 to bring down the sensitive list to 100 items under the SAFTA agreement (*Dawn* 2012b).

New Delhi and Islamabad during the tenure of the PPP government also undertook a series of decisions to improve economic ties between the two countries. For example, they agreed to liberalise the existing visa regime in order to boost mutual trade and investment. They also agreed to open border trade at several points, in particular along the borders of Jammu and Kashmir (*Express Tribune* 2012). Additionally, Islamabad indicated that it would consider the road and rail transit of Indian goods to Afghanistan and Central Asian states (Butt 2012).

The upward trend in trade and economic relations came to an abrupt halt when the forces of the two countries became engaged in border skirmishes in January 2013. The normalisation process has yet to be fully back on track; however, the Nawaz Sharif government after assuming power in June 2013, as noted earlier, has demonstrated a positive attitude towards normalising the relationship with India. In the new Pakistani Government's approach, economic issues are being emphasised for building peace with India. There are compelling domestic reasons for this. As Pakistan's economy is in shambles, so building trade relations with India can be an important means to revive the economy. Many Pakistani analysts have gone this far as to argue that Pakistan should adopt the Sino-Indian model for promoting trade and economic relationship with India (Rizvi 2013). Efforts are now underway to gradually promote trade and economic relations between the two countries. The commerce ministers of the two countries have already visited each other's capital. Significantly, Pakistan's Punjab chief minister has paid a visit to Indian Punjab in December 2013 in order to promote economic ties between the two Punjab.

Notwithstanding setbacks and disruptions, Indo-Pakistani trade has been on the upward trend, and India has emerged as the ninth largest trading partner of Pakistan (Khan 2008). After the border incident in January 2013, the Indo-Pakistani dialogue process has remained suspended, yet trade between the two countries has increased and Indian export to Pakistan has risen by 15 per cent in fiscal 2012–2013 over the preceding year (Srivastava 2013). Indeed, the 'trade priority' policy of the PPP and PML-N governments has helped to boost bilateral trade between the two countries. Since April 2011, when commerce secretary level talks were resumed, to the end of 2013, trade between the two countries has increased from \$1.8 billion to \$2.6 billion (*Dawn* 2013b).

The India–Pakistan relationship is yet to be normalised, and the trade and economic ties between the two countries are far from ideal and nowhere near to their full potential. However, what is evident

is that their economic liberalisation policies and conscious decision to emphasise trade to build peace have begun to redefine their interests and motivations towards each other. Islamabad's desire to improve trade ties with India and the in-principle decision to grant MFN status indicate a tentative change of Islamabad's attitude towards New Delhi. It meant that Islamabad has begun to define its national interest vis-à-vis India through the prism of economic benefits. Driven by such a logic, Islamabad dropped the Kashmir issue to the backburner in order to seek peace with its neighbour.

The two countries still have a long way to go to realise full trade potential and reap the benefit of economic interdependence. Pakistan's civilian government is still constricted by the Pakistan military; nonetheless, it is arguable that the pacifying effect of economic interdependence is visible. Positive attitudes of New Delhi and Islamabad towards strengthening economic ties between the two core countries of South Asia have helped to lay an incipient foundation for a liberal order in the region. Indeed, other quantitative research works also support this trend in South Asia that there is evidence of a link between economic interdependence and liberal peace in the region (Goldsmith 2007).

An improvement in the Indo-Pakistani relationship will have crucial impact on SAARC as well. The institutional framework for regional cooperation is already in place, which is expected to play a significant role in regional affairs in the coming years (Sobhan 2004, 92). Indeed, 'the road to the high politics of security cooperation lies through the low politics of economic and other non-security cooperation' through SAARC (Biswas 2011, 134). A positive Indo-Pakistani relationship and a reinvigorated SAARC have the potential to redefine the South Asian order.

### *India and the Smaller States of the Region*

India's relations with smaller states of the region have markedly improved in the post-Cold War era. Similar to its approach towards Pakistan, New Delhi has consciously prioritised the building of trade and economic ties with the smaller states of the region. As noted earlier, New Delhi signed a free trade agreement with Colombo in 1998, and since then the trade volume between the two countries has significantly increased, which, in turn, has contributed to the strengthening of their bilateral relationship.

The India–Bangladesh relationship has also followed a similar pattern. New Delhi has granted Bangladesh a credit line worth of 1 billion dollar. Furthermore, the Indian government has given duty-free access to dozens of Bangladeshi products into the Indian market in order to help reduce the trade imbalance between the two countries, which is currently in India's favour. New Delhi has also agreed to supply Bangladesh 500 MW of electricity and offered assistance to build a power plant in Khulna as a joint venture. In return, Dhaka has agreed to allow India the use of Bangladesh's sea and river ports for the transit of Indian goods from its mainland to the remote northeastern region (Karim 2012). The two countries are now set to cooperate in the regional connectivity project that will link Southeast Asia and China with South and West Asia. Mutual economic benefits are now driving the relationship of the two countries.

Overall, inter-state relations in South Asia have significantly improved in the post-Cold War era and the region is set to move towards a positive direction in terms of economic interactions and democratisation, although much will depend on how the relationship between India and Pakistan evolves in the coming years.

## Conclusion

We stated in the theoretical section that the rise of a liberal order in a region can be explained in terms of the Kantian tripod—democracy, economic interdependence and institutions. While all the three pillars contribute to the promotion of liberal peace, the second leg—economic interdependence—particularly plays a crucial role in the construction of a liberal regional order.

Since the end of the Cold War, South Asia has been in transition. It is for the first time in the region's history that all South Asian states have now been democratised and all have democratically elected representative governments. A change has also been underway in the region's economic landscape; all the major states in the region have adopted economic liberalisation and market reform policies after the end of the Cold War and have replaced the old import-substitution model of economic growth with export-led economic policies. Such a change in the South Asian states' economic strategies has begun to change the region's economic landscape. The region's intra-regional trade has also increased from 2.7 per cent in 1990 to 4.3 per cent in 2011.

Furthermore, a change has been visible in the attitude and approach of New Delhi and Islamabad for Indo-Pakistani reconciliation, in particular following the installation of democratically elected government in Pakistan in 2008. Despite significant challenges, the two countries have emphasised trade relations to build peace realising that economic engagement will keep the peace similar to the model of Sino-Indian bilateral relationship.

Although several trends in post-Cold War South Asia demonstrate a changing nature of South Asia's regional landscape, a fundamental regional transformation has yet to occur. This is so because the Kantian pillars of liberal peace have yet to become genuine 'transformative variables' in the region, similar to that of, for example, Europe or even Southeast Asia. Furthermore, using Paul's criteria of regional transformation, it is evident that the South Asian states, notwithstanding positive trends, have not yet clearly redefined their core interest so as to bring about a profound change in their strategies and behaviour.

However, the changes that have taken place in post-Cold war South Asia represent a trend in the positive direction. The democratisation of the region is arguably a significant development which has the potential to redefine the regional order in the long run. Although democracy in some states remains fragile, the overall regional picture is rather full of promise. Although democracy has yet to emerge as a clear transformative variable, there is some evidence of its impact in state policies as analysed in this article. Democratic maturation of the South Asian states will take time, but the trajectories are positive. The more democracy continues to mature in South Asia, the more it will make an impact on the regional states' positive behaviour towards each other.

Intra-regional trade in South Asia is still marginal compared to Europe or Southeast Asia; hence, it has also not emerged as a clear transformative variable. However, recent trends in intra-regional trade are positive and on the upward trend. All the states of the region have adopted economic liberalisation policies and have prioritised economic growth in their national and foreign policies. Our analysis demonstrates that the adoption of economic liberalisation policies and the conscious stride to deepen economic ties have at least marginally affected states' incentives for cooperation and pursue positive foreign policy approach towards each other.

South Asia has a poor record in terms of the third pillar of the Kantian tripod; SAARC still remains hostage to the Indo-Pakistani rivalry. India and Pakistan are now striving to normalise their bilateral

relations; if they can sort out their differences, it will have profound impact on the relevance of SAARC in regional affairs.

To round up, South Asia has yet to be fundamentally transformed, and move from a region of conflict to a zone of liberal peace. But the fundamental rationale for rapprochement and regional cooperation is strong. Changes in the approaches of India and Pakistan are founded on this fundamental rationale. It is, indeed, reasonable to argue that a proto liberal order may have taken root in South Asia, but it will remain fragile and may even reverse unless India and Pakistan, the two major states of the region, make peace between themselves.

## Notes

1. Pakistan, Bangladesh, Sri Lanka and Nepal have traditionally feared India's domination and its possible implications for their political survival as independent states. Afghanistan is fearful of Pakistan's quest for dominance, in particular the Pakistan Army's policy of 'strategic depth', which Kabul perceives inimical to the country's sovereignty.
2. Compared to ASEAN, the intra-regional trade is significantly low. ASEAN's intra-regional trade is 26% (Moinuddin 2013).
3. Enclaves are pieces of land with the juridical sovereignty of a particular state, which are located within the territory of another state and do not have land connection with the mother country. Bangladesh and India have 161 enclaves within each other's territory, which were created at the time of partition in 1947 in accordance with the provisions of Bengal Boundary Commission. Unless the government of the state in which the enclave is located permits, the people of that enclave have no outlet to communicate with the mother country or the outside world. This is a constant source of friction between India and Bangladesh (on the historical origins of the enclaves, see van Schendel 2002).
4. According to Peter Lavoy 'Experts recently stopped asking *if* India will become a great power and began to wonder what kind of great power it will become' (Lavoy 2007, 114).
5. The current Awami League-led 14-party alliance government, departing from the policies of the military rulers, has taken definitive steps to build a 'forward-looking' relationship with India. Gowher Rizvi, prime minister's foreign policy advisor, has asserted that in Bangladesh there is 'a realisation that India is our biggest and closest neighbour, and the earlier policy of hostility is futile in a rapidly globalising society' (Hindu 2011). Consequently, Bangladesh-India relations have improved vastly in recent years (Kumar 2010).
6. The then prime minister of Pakistan, Nawaz Sharif, claimed that he was unaware of the incursion and he blamed the military for undertaking the mission.

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