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**From Hard Power to Soft Power?
Ideas, Interaction, Institutions, and Images
in India's South Asia Policy**

by

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From Hard Power to Soft Power?

Ideas, Interaction, Institutions, and Images in India's South Asia Policy

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The changes in India's foreign policy since the 1990s have intensified the debate about her future status in the international system (Cohen 2001, Mohan 2003). The nuclear power capabilities and her quest for a permanent seat in the security council reflect India's great power ambitions (Nayar/Paul 2003, Wagner 2005). Besides the ongoing debate about India's future role (Perkovich 2003) there is a widespread consensus to regard India as a regional power or regional hegemon in South Asia (Rüland 1994, DeVotta 2003, Mitra 2003). A first look at the map reveals the territorial dominance of India in the subcontinent that is further underlined by the size of her population, the resources and military capacities compared to her neighbors. India's asymmetry in South Asia is obvious and overwhelming. In the late 1990s India represented 74 percent of the population of South Asia, 76 percent of the gross national product (GNP) and 64 percent of the export trade (Udagera 2001: 29). According to most statistics India seems to be a regional power by default.

The role and importance of regional powers can be analyzed by various approaches of international relations. The concept of regional power has its origin in the (neo-) realist school of thought. It is based on the assumption that dominant economic resources and military capabilities can be equated with the ability of a state to influence its neighbors. Neo-realist approaches emphasize the *hard power* capacities of states, especially their military capabilities and economic strength.

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Those enable regional powers to influence their neighbors and to protect themselves from disagreeable outside interference (Waltz 1979: 191/192). In contrast to this, liberal institutional approaches have emphasized *soft power* aspects with cultural attraction, ideology, and international institutions as the main resources (Nye 1990: 167). Neo-realism and liberal-institutionalism have different understandings of the concept of power. Neo-realism emphasises the capacity of states to influence others to behave as it wants them to behave whereas the co-optive power of liberal-institutionalism aims at “getting others to want what you want” (ibid.).

Concepts of hard and soft power can be regarded as two poles on a continuum of power. They also imply different ideas, interactions and institutions for foreign policy when looking at the fields of politics, security, and economy. Ideally hard power strategies focus on military intervention, coercive diplomacy, and economic sanctions in order to enforce national interests resulting in confrontational policies vis-à-vis neighbouring countries. In contrast to this soft power strategies emphasise common political values, peaceful means for conflict management, and economic co-operation in order to achieve common solutions.

A short look at Indo-Pakistan relations between 1998 and 2004 that oscillated between rapprochement and war and at India’s South Asia policy during the 1990s raises a couple of questions against neo-realist interpretations of India’s regional hegemonic ambitions. Could India be regarded as a regional power after the nuclear tests of Pakistan in May 1998 which compensated India’s conventional military superiority? Could India use its resources to influence developments in the neighbouring countries according to her own political aims?

The paper argues that India’s regional policy is characterised since the 1990s by a shift from hard to soft power strategies. The malign hegemon of the 1980s is trying to become a benign hegemon in the 1990s. This shift was not caused because of altruistic reasons but can be traced back to various factors. First, India’s hard power approach of the 1970s and 1980s was not very successful. Second, the economic liberalisation after 1991 added another new element into Indian foreign policy on the regional as well as on the international level. Finally, India’s aspirations for major power status gave the region a new strategic value. In order to underline the argument, the paper will look at the ideas, interactions, institutions, and images on the bi- and multilateral level that shaped India’s South Asia policy. The notion of region is framed by institutions not geography so that the main focus will be on India’s neighbours that are members in the South Asian Association for Regional Co-operation (SAARC).

IDEAS: THE CONCEPTUAL BASIS OF INDIA’S SOUTH ASIA POLICY

For most part of the time there was hardly an explicit concept of regional policy of Indian foreign policy makers. Generally three phases and approaches can be differentiated: The Nehru period, the Indira-doctrine and the Gujral-doctrine.

Although Nehru formulated the concept of the five principles of peaceful coexistence it was not automatically used in the relations with the neighbours (Maxwell 1970: 78-80). Nehru's South Asia policy was characterised by a differentiated approach that was shaped by India's bilateral interests and conflicts and not necessarily by a regional perspective. Relations with Pakistan were dominated by the Kashmir issue, relations with the Himalayan kingdoms were overshadowed by India's China policy, and Indo-Sri Lanka relations were shaped by the problems of the Tamil community on the island. The different interests resulted in a South Asia policy that was a mix of hard and soft power strategies.

It was only under Indira Gandhi's rule that a more coherent concept of regional policy was applied. These ideas were never explicitly formulated by her but were widely described as Indira- or South Asia doctrine. The main points were that the neighbouring countries were regarded as part of India's national security. Domestic conflicts should only be solved with the help of India and not by interference of outside powers or international organisations (Hagerty 1991). These ideas laid the foundations for India's military interventions for instance in Sri Lanka in 1971 and 1987 to 1990 and in the Maldives 1988. In contrast to Nehru Indira's regional policy was shaped much more by hard power strategies than by soft power approaches.

The doctrine of prime minister Gujral reflected the domestic changes especially the economic liberalisation after 1991. He introduced the principle of non-reciprocity, emphasising that India not only had a bigger responsibility but also should give more to the smaller neighbours than she would receive (Gujral 1998: 37-38). South Asia did not figure very prominently in the BJP's concept of extended neighbourhood after 1998 (Singh 2001). The Southern Asia doctrine broadened India's regional ambitions to West-, Central- and Southeast Asia and underlined the BJP's aspirations for India's future global role. Within the South Asian region the BJP followed mainly the policies of its predecessors. Despite her hindu-nationalist ideology and the emphasis on national security the BJP did not interfere directly in conflicts like in Nepal despite their repercussions on India's domestic security. Even more astonishing was that the BJP accepted an interference of outside powers especially the United States in the region that was unprecedented before.

The electoral victory of the United Progressive Alliance (UPA) under the leadership of the Congress Party in 2004 gave the regional dimension again a greater importance. In February 2005 foreign secretary Shyam Saran and prime minister Manmohan Singh tied up more explicitly to the Gujral doctrine and stressed the need for increased economic relations and promoted the idea of partnership with the neighbours. They also underlined that the promotion of democracy will not be a tool in India's relations with her neighbours (Mohan 2005).

This overview of India's South Asian concepts is certainly curtailed and compressed but shows the fundamental conceptual shifts. In the 1980s domestic political crises in the neighbouring countries would have been regarded as a threat to India's security and would have triggered a debate about interference. Although

the threats are still existent and affect her domestic security probably more than before India seems to be less and less inclined to interfere. Instead of this different Indian governments have emphasised inter-governmental co-operation and seem to have less problems with the engagement of external powers.

INTERACTION: THE LIMITATIONS OF HARD POWER

Pakistan

Although Nehru used military power to protect India's national interests for instance in Kashmir, Hyderabad, and Goa there has also been a strong soft power component in his regional policy. Despite the fact that India had border problems with both Pakistan and China Nehru did not strengthen the military build-up that started only after the military defeat of 1962. During the 1950s he fostered bilateral negotiations in order to solve the various conflicts and to ease tensions with Pakistan. Besides international mediation for bilateral talks on Kashmir, India and Pakistan were able to reach bilateral agreements like the Pant-Mirza Agreement in 1955 that aimed at preventing border incidents and the protection of places of worship, the Trade agreement in 1957 and the World Bank sponsored Indus Water Treaty in 1960.

But in spite of these agreements, India's relations with Pakistan were shaped by the four wars (1947/48, 1965, 1971, 1999) of which three were over Kashmir. With regard to India's regional role the war of 1971 is the most interesting case. The support for the East Pakistani freedom fighters underlined India's diplomatic hard power strategy that was followed by the military intervention in December 1971 and the defeat of the Pakistani army. Today it is only a historical question why India did not open a full fledged war on the western front in order to solve the Kashmir issue militarily. Former Secretary of State and at that time U.S. national security advisor Henry Kissinger argued that India has been warned not to engage Pakistan in a full-fledged war and sent the "USS Enterprise" in the Gulf of Bengal.² On the other hand former Soviet ambassador to the U.S. Dobrynin made clear that Indira Gandhi was not willing to go to war with Pakistan on the Western border and had signalled this to the U.S (Dobrynin 1995: 142/143).

Besides this historical footnote the more interesting point is that India was not able to reach a final solution on Kashmir with the Simla treaty. Indira Gandhi obviously tried to settle Kashmir by transforming the ceasefire line into an international border between both countries. In the end she refrained from these proposals because of the reservations made by the Pakistani prime minister Bhutto (Mattoo 2001). Both sides agreed on the Line of Control (LoC) and on further bilateral negotiations on Kashmir (Ghosh 2002). 1971 and Simla are often referred to as the peak of India's regional dominance. But from a neo-realist point of view, these events can also be interpreted differently. If a regional hegemon was not able to transform a military victory into a lasting political solution for one of its most

² See "Kissinger against spread of n-arms", in: *The Hindu*, 9 June 1999.

central border issues than the assumption of hegemony seems to be doubtful. Simla put the Kashmir issue on the back seat instead of solving it.

The nuclear test of 1974 was a demonstration of India's great power ambitions but also had unintended negative consequences on the regional level. The development of Pakistan's nuclear programme compensated India's conventional military superiority in the long run. Already in 1974, U.S. ambassador Moynihan warned Indira Gandhi about such a development: „India has made a huge mistake. Here you were the No. 1 hegemonic power in South Asia. Nobody was No. 2 and call Pakistan No.3. Now in a decade's time, some Pakistani general will call you up and say I have four nuclear weapons and I want Kashmir. If not, we will drop them on you and we will all meet in heaven. And then what will you do?“ (quoted in Perkovich 1999: 186). This status was reached in the late 1980s when Pakistan passed the nuclear threshold. India's political failure at Simla and Pakistan's nuclear capabilities had manifold repercussions on the Kashmir issue. After 1987 the domestic dimension of the Kashmir conflict, i.e. the demand for greater autonomy became linked with the international level when Pakistan started to support Islamic militant groups in Jammu & Kashmir (J&K).

The Kargil war of 1999 and the crisis of summer 2002 after the attack on the Indian Parliament in December 2001 showed again the limitations of India's military and political hard power strategies under the new constellations. Because of Pakistan nuclear capabilities India could not extend her military strikes during the Kargil war beyond the LoC. Operation Parakram, i.e. India's attempt to increase the international pressure on Pakistan to stop the infiltration of militant fighters over the LoC did also not work. The international community was not willing to pressure Pakistan too much because the Musharraf government remained one of the most important allies of the West in the war on terrorism (Kalyanaraman 2002).

But it should not be overlooked that despite these crises even hindu-nationalist parties like the BJP never neglected soft power strategies in the relations with Pakistan. After the nuclear tests of 1998, aimed primarily at China not at Pakistan, the BJP initiated the Lahore process in 1999. India also demanded the Most Favoured Nation (MFN) Status according to WTO standards from Pakistan in order to promote economic co-operation between both countries. After Kargil prime minister Vajpayee took the initiative for the Agra summit in July 2001 and his proposals in Srinagar in April 2003 opened again the road for dialogue. The Islamabad statement of January 2004 established a new framework for bilateral negotiations that underline India's soft power approach.

From a neo-realist perspective it is evident that India was not able to solve its problems with Pakistan according to her interests. The conventional military superiority was abandoned politically with Simla and militarily with the nuclear test of 1974. Despite her dominant resources India was not able to transform the military victory of 1971 into a durable solution of the Kashmir issue. The limitations of the hard power strategy became also visible in the 1990s when the conflict over Kashmir continued and sparked off bilateral crises like in 1996. Therefore it was not astonishing that India strengthened soft power strategies like

the demand for closer economic cooperation and proposals for confidence building measures. The obvious political rationale was that this would help to put the Kashmir issue again on the back burner.

Bangladesh and Sri Lanka

In contrast to Pakistan on the one hand and the Himalayan kingdoms on the other Bangladesh and Sri Lanka could be dealt within the same category when discussing India's regional power ambitions. Both countries experienced military interventions by India and both shaped parts of their domestic political institutions according to the Indian model at least for some time.

According to realist models of international relations, states have a 'natural' quest for power and expansion in order to secure their survival. Pakistan's defeat in 1971 therefore offered India the opportunity to integrate former East Pakistan into her Union. Ideologically this would have strengthened Nehru's idea of Indian secularism vis-à-vis Jinnah's concept of religious nationalism. Strategically, this would have meant free access to the troubled regions in the Northeast which are connected with India only by the narrow Siliguri corridor.

Because of various reasons, India was not willing to include former East Pakistan into the Union (Sisson/Rose 1990). Instead of this India favored a close co-operation with the new state. Only three months after the military intervention, India and Bangladesh signed a treaty on friendship, co-operation and peace (March 1972) and two trade agreements in March and July 1972. The friendship treaty gave India a say in Bangladesh foreign and security policy further strengthening India's dominant role in the region. Like in India, Bangladesh's first constitution of December 1972 rested on the principles of secularism, nationalism and democracy. The country also introduced a variant of India's mixed economy with strong state intervention. At the international level, Bangladesh expanded its relations with the Soviet Union that was India's closest ally during that time.

Ironically, prime minister Mujibur Rahman and the Awami-League (AL) even developed similar authoritarian tendencies like the Congress party of Indira Gandhi during the first part of the 1970s. Between 1972 and 1975 it therefore seems to be appropriate to qualify India as a regional hegemon vis-à-vis Bangladesh. Because of the military support for the freedom fight as well as the massive Indian support for the reconstruction caused by the civil war and natural disasters the Bangladeshi leadership was more than willing to accept India's dominant role.

The situation changed rapidly after the military coup of 1975 and the assassination of prime minister Mujibur Rahman and most of his family. The new military regime under general Zia ur Rahman tried to diminish India's role by extending their links with the Western industrialised countries and China. Although Indira Gandhi supported armed groups in their struggle against the generals until 1977 she could not prevent the internal and external changes of Bangladesh that steadily diminished India's influence (Hossain 1981: 1122). In the following years the bilateral relations were shaped by various contentious issues like illegal

migration into India or the Farraka dam in West-Bengal that threatened the agricultural and industrial development of Bangladesh.

The transition towards democracy in 1991 eased the bilateral relations with India, especially after the AL took power in 1996. In the same year both countries signed an agreement on the Farraka dam that reflected the principle of non-reciprocity of India's Gujral doctrine. The bilateral relations remained dependent on domestic constellations with the Bangladesh National Party (BNP) being more critical of India than the AL. At present bilateral relations are marred by border disputes and clashes between the border security forces, illegal migration and heated debates over militant groups seeking shelter in the neighbouring country. But looking at the 32 year period between 1972 and 2004 it was only during the first three years that India could really be regarded as a hegemonic power in Bangladesh. After 1975 successive regimes in Dhaka were able to retain their independence so that India was not able to settle bilateral disputes unilaterally.

In spite of conflicts over maritime boundaries and territorial disputes like the Kachchthivu island, the bilateral relations between India and Sri Lanka were peaceful and cordial for most of the time. The most important contentious issues were related to the Tamil minorities in Sri Lanka, first the citizenship status of the Indian Tamils in the upcountry and second the quest for greater political autonomy for the Sri Lanka Tamil community in the North and East. The removal of citizenship and the disenfranchisement of the Indian Tamil community by the Ceylonese government in 1948/49 initiated a series of negotiations and agreements over their citizenship status in Sri Lanka and a possible repatriation to India. Various agreements were signed, starting with the Sirima-Shastri Pact in 1964 but the issue lingered on until 1981 when the Indian High Commission in Colombo closed its application list for citizenship. It was only with the citizenship acts of the UNP government in 1986 and 1988 that the problem was finally solved (Kodikara 1992: 32-38). Cordial bilateral relations between the leaders and common position in international organisations helped to overcome contentious issues. India also helped the Sri Lanka government to fight the first JVP rebellion in 1971 by sending troops.

India's claim for regional hegemony became obvious during the 1980s when the civil war between the Sri Lanka government and the separatist Liberation Tigers of Tamil Eelam (LTTE) escalated into a full-fledged war. Indira Gandhi's rationale for intervening in Sri Lanka were at least twofold. On the domestic level Tamils fled from the war to neighbouring South India and Indira Gandhi was looking for support from Tamil parties which had established various links to militant groups in Sri Lanka. On the international level she was interested in preventing any outside interference by great powers in the region (Muni 1993). In order to increase the pressure for a compromise and to control the militant groups, these were trained by the Research and Analysis Wing (RAW). In 1985 India mediated the talks between Colombo and the LTTE in Thimpu. In 1987 the Indian airforce dropped supplies for the Tamil civil population over Jaffna in clear violation of Sri Lanka's sovereignty signalling at the same time that India was willing for a stronger intervention. After secret negotiations the Indo-Sri Lanka

Peace Accord was signed with the approval of the LTTE which aimed at a political solution of the civil war (Wagner 1990).

After the military intervention in East Pakistan in 1971 this was by far the most comprehensive attempt of India to assert her claim as regional hegemon. The accord had political and military aspects. Politically, it introduced a new administrative structure that was incorporated into the Sri Lanka constitution by the 13th amendment. The new provincial councils system, shaped similar to the states in India, should give political and cultural autonomy to the Tamil minority. Militarily, an Indian Peace Keeping Force (IPKF) was deployed in the North and East in order to disarm the Tamil militant groups. It is well-known that the Indian approach failed both politically and militarily. After a few weeks the LTTE turned its back to the accord. This resulted in a military confrontation between the IPKF and the LTTE. The government in Colombo also faced fierce opposition when the JVP started a second armed rebellion against the supporters of the accord. After the election of president Premadasa in 1989, an opponent of the accord, negotiations were started to end the Indian intervention. The last troops of the IPKF left the island in March 1990. In May 1991 the Indian prime minister Rajiv Gandhi who had ordered the intervention was assassinated in Tamil Nadu by a suicide squad of the LTTE.

The interval between 1983 and 1990/91 can clearly be identified as a period when India used hard power strategies to enforce a political solution in the neighbouring country. Nearly the whole spectrum of regional hegemony could be identified from diplomatic threats to military intervention. Nevertheless, the intervention was a political and military failure in which about 1,200 Indian soldiers were killed. Despite her overwhelming resources, India failed in her attempt to bring a peaceful solution to the island.

It is nevertheless remarkable that India showed hardly any interest in the Sri Lanka civil war during the 1990s although the military confrontation continued, the LTTE demand for a separate state was unacceptable for India as well and the LTTE was banned and prosecuted for the murder of Rajiv Gandhi. The BJP government has always been reluctant for another political interference in the conflict. It had no objections against a mediation of Norway starting in spring 2000 and refused the request of the Sri Lankan government to evacuate troops from the North.³ In early 2002 the Indian government rejected the request of the LTTE to locate their chief negotiator Anton Balasingham in Chennai. The new focus on economic co-operation became obvious in the common activities of both countries within the SAARC and in the bilateral Free Trade agreement that was signed in 1998.⁴

In contrast to this the new UPA government seemed to give the neighbouring countries a new attention. The common minimum programme (CMP) of the UPA emphasised that a solution for the conflict has to be found within the territorial integrity of Sri Lanka. The bilateral defence cooperation that started in late 2003

³ See Colombo 'seeks' Indian help to rescue troops, in: *The Hindu*, 3 May 2000 (accessed 4 May 2000); DeVotta 2003.

⁴ See Muralidharan, S., Towards freer trade, in: *Frontline*, Vol. 16, No. 02, Jan. 16 - 29, 1999 (accessed 13 February 1999).

was intensified leading to common maritime exercises in December 2004 that were obviously targeted against the 'Sea-Tigers'.

The growing cooperation was also welcomed by the new Sri Lankan government of the United People's Freedom Alliance (UPFA) that demanded a greater engagement by India into the conflict after the parliamentary elections of April 2004. This was a remarkable move first because the JVP that was fought by the Indians in 1971 and was a strong opponent of the accord in 1987 was part of the government. Secondly, the majority of the new government depended on the votes of the Jathika Hela Urumaya (JHU) a party of Buddhist monks which have always been critical of an Indian interference.

Sri Lanka is a good example for the new parameters of India's South Asia policy during the 1990s. The political and military interventions that dominated bilateral relations throughout the 1980s were replaced by an intergovernmental approach that emphasised traditional forms of political and economic co-operation on the bilateral and multilateral level. In accordance with the the ideas of the Gujral doctrine the economic interdependence was more in favour of the smaller neighbour.⁵

It seems obvious that India will not agree to a solution in Sri Lanka that will be against her interest, but it is noteworthy that there were hardly any clear Indian policies in the 1990s on this issue. It remains to be seen in how far the domestic political changes in both countries will result in a new policy that will increase India's engagement in Sri Lanka again. On the empirical level a similar trend like in Indo-Bangladeshi relations can be observed. Within the overall period of 56 years of bilateral relations (1948-2004) only seven to eight years can be identified where India's hegemonic ambitions were obvious.

The Himalayan Kingdoms

India's ambitions for regional power were most evident in her relations with the Himalayan kingdoms. The treaties with Bhutan (August 1949), Nepal (July 1950) and Sikkim (December 1950) can easily be classified as a diplomatic hard power strategy. In order to secure its interest in the region vis-à-vis China India pursued the policy of the colonial rulers by a series of treaties that curtailed the external relations of the isolated kingdoms.⁶ In exchange for non-interference in internal affairs India overtook the guiding role in Bhutan's external relations. The monopoly for arms supply further strengthened India's role in the kingdom. In contrast to Bhutan, Sikkim became a protectorate with an Indian representative and could not be regarded as an independent state. In 1975 Sikkim was finally merged with the Indian Union.

The most interesting case for India's hegemonic ambitions are her relations with Nepal. Secret by-arrangements which became public only many years later

⁵ See Kelegama, Saman, Sri Lankan Exports to India. Impact of Free Trade Agreement, in: *Economic and Political Weekly*, 26 July 2003.

⁶ The treaties can be found in Lok Sabha Secretariat, Foreign Policy of India. *Texts of Documents 1947-59*, New Delhi 1959.

restricted Nepal's foreign relations in favour of India. India also mediated in internal power struggles. In 1950/51 Delhi brokered a settlement that brought the downfall of the Rana-Dynasty and the return of King Tribhuvan on the throne. India also used Nepal's economic dependence to exert pressure on the government especially when the monarchy tried to play the 'China card' to dampen India's influence. Probably because of security concerns or because of her reluctance for open interference India has always been hesitant to support the process of democratic reforms in the country in a consequent manner. This was astonishing because many Nepalese opposition leaders found asylum in India and had close links to Indian parties. The Indian economic blockade in 1989 when the main border posts were closed over the dispute on the trade and transit treaty sparked off the movement that led to the overthrow of the monarchy in spring 1991. Although individual India politicians were in Kathmandu to support the democratic movement it would be too far to assume that it was a fabrication of the Indian government.

The transition towards democracy in 1991 did not necessarily brought an improvement in the bilateral relations with India. Because of past experiences the new democratic constitution included an article that the parliament must be involved in foreign policy issues that deal with natural resources. Like in Bangladesh relations with India became part of the domestic discussions in Nepal during the 1990s. Again, the Gujral doctrine was helpful to overcome some of these disputes. Both countries agreed to the common development of the Mahakali river in 1997 that was positively evaluated for Nepal and the new transit treaty included better conditions for the Himalayan kingdom (Khanal 1998: 149-150; Rose 2000: 191). But there is still a lot of resentment and mistrust against the bigger neighbour in the South and India's proposals for closer economic ties met fierce opposition by the Nepalese industry that feared the dominance of Indian business.

In the 1990s India's relations with Nepal followed a similar pattern like towards Sri Lanka. This became most obvious after 1996 when the Maoist rebellion shook the foundations of Nepalese democracy. The Maoist movement had close links with various militant left wing groups, like People's War Group (PWG) or the Maoist Communist Centre (MCC), that were operating in neighbouring Indian states. In 2001 Nepal Maoists together with the PWG and the MCC formed the Indo-Nepal Border Committee in order to co-ordinate their activities.⁷ In July 2002 the Co-ordination Committee of Maoist Parties and Organisations of South Asia (CCOMPOSA) was founded which aimed at the creation of a revolutionary corridor from Andhra Pradesh to Nepal. Despite the close interlinkages that affect her internal security, India was not willing for a greater unilateral intervention in Nepal but restricted her support to delivery of arms, intelligence technology and training of the security forces. Like in Sri Lanka India was also ready to accept external interference by outside powers like the

⁷ See Sanjay K. Jha, *Left Wing Terror: The MCC in Bihar and Jharkhand*, in: South Asia Intelligence Review, Vol. 1, Nr. 40, 21. April 2003 (accessed on 27.4.03).

United States and Great Britain that also intensified their military support for the Nepalese government to fight the Maoist rebellion.

Comparing the regional scenario at the beginning of the 21st century with the situation in the 1980s, the changes in India's South Asia policy are apparent. The *Indira doctrine* has always propagated to keep external powers out of the region that was regarded as part of India's national security environment. Today, the U.S. and other Western powers are supporting the governments of Nepal and Sri Lanka. This illustrates the failure of the *Indira doctrine* and the shift of India's new regional policy which puts a stronger emphasis on soft power aspects like economic relations. The changes also include new challenges for India's regional policy. The common interests of India and the Western countries to find durable solutions for civil war scenarios like in Nepal and Sri Lanka may open the avenue for a more coordinated international action. Such a multilateral approach to deal with domestic conflicts in neighbouring countries would certainly be a new element in India's South Asia policy.

INSTITUTIONS: MULTILATERAL CO-OPERATION IN SOUTH ASIA

The countries of South Asia were confronted from the beginning with similar problems of underdevelopment. But because of the bilateral tensions between India and Pakistan there were hardly any approaches for a multilateral approach to deal with them. The Colombo Plan of 1951 co-ordinated the development assistance for various countries of the region but did not become a starting point for regional co-operation.

The first initiative for a closer regional co-operation was raised in the late 1970s by the president of Bangladesh Zia-ur Rahman. Because of the tense Indo-Bangladeshi relations at that time he aimed at a closer collaboration of the smaller countries in South Asia in order to counter the Indian dominance. Despite the bilateral tensions the South Asian Association for Regional Co-operation (SAARC) came into existence in 1985 including both India and Pakistan. Because of apprehensions that a regional organisation would be dominated by the other country in case of non-membership both countries joined the new organisation. The SAARC-charter included the provision that decisions had to be taken unanimously and contentious issues were kept out of the organisation. Until the early 1990s the progress of SAARC was only modest. The annual summits were the most important achievement because they could be regarded as a confidence building measure on the highest level in case they were not postponed because of bilateral conflicts like between India and Sri Lanka in 1989. Until that time it is important to note that SAARC was not dominated by India that did not try to strengthen her hegemonic ambitions with the help of a regional organisation. India may have prevented SAARC from becoming a forum of the smaller neighbours against her. But it is also difficult to imagine how such an anti-India strategy would have looked like given the lack of common interests among the smaller neighbours.

With the liberalisation in India after 1991 economic co-operation got a new momentum within SAARC. Since that time all South Asian countries followed a policy of economic reforms, export promotion, and integration into the world market. In 1991 a commission was established to look into the prospects of regional economic collaboration. The results formed the basis for the SAARC Preferential Trading Arrangement (SAPTA) that was ratified in 1995 by all countries despite the ongoing tensions between India and Pakistan over Kashmir at that time. Of course, the introduction of SAPTA could not overcome the structural constraints of the regional economies, like the lack of complementarity, so that intra-regional trade remained only two to three percent. A further improvement of intra-regional trade can be expected from the SAARC Free Trade Arrangement (SAFTA) that was signed in January 2004 in Islamabad. It aims at the creation of a free trade area in South Asia from the beginning of 2006. In order to support the economic transformation of less developed economies Bhutan, Bangladesh, and Nepal will receive longer periods for the implementation of SAFTA.

The efforts in promoting economic co-operation in SAARC since the 1990s underlined again India's new regional approach. It seems obvious that the idea of the *Gujral doctrine* was in the background and the maxim of liberal-institutional arguments that economic co-operation produce absolute gains for all players. The free trade agreement with Sri Lanka of 1998 and the negotiations for similar agreements with Nepal and Bangladesh point in the same direction. The new Indian activities underline the change of India's South Asia policy and her shift from *hard power* to *soft power* strategies.

IMAGES: FROM REGIONAL BULLY TO BENIGN HEGEMONY?

It has already been mentioned that the neighbouring countries never accepted the claim that South Asia was part of India's national security. They developed various strategies to counter India's ambitions which ranged from military rearmament, as in the case of Pakistan, to internationalising bilateral conflicts either by international organisations or external powers, as in the cases of Bangladesh, Nepal and Sri Lanka. It was understandable that the bilateral conflicts created the image of India being the regional bully in South Asia. At the same time the bilateral tensions superposed common problems of underdevelopment so that confrontation rather than co-operation became the main pattern of bilateral relations in the region. The outcome was counterproductive for all countries involved. First, the lingering conflicts created enormous political and military costs. Secondly, South Asia got the image of a region of 'chronic instability' over the years. Foreign direct investors shunned the region so that the process of economic and social modernisation was further delayed. The international social and economic indicators and the low ranks of South Asian countries in the Human Development Index illustrated this process.

Since the 1990s the political systems and economic policies in the region have adjusted themselves to international standards. Today there is a common consensus among the political elites that democracy and market economic reforms are the best strategies to cope with the problems of underdevelopment. The challenge for India is that her new regional policy has to counter several phenomena in the neighbouring countries. First, the *hard power* strategies of the 1970s and 1980s created a deep seated mistrust towards India's intentions among the smaller neighbours. Secondly, because of the historical experiences, the neighbours tend to perceive their relations with India mainly under a foreign and security focus whereas political and economic considerations were only of secondary importance. Finally, because of her size and economic importance, relations with India are the central and often most controversial foreign policy issue in all neighbouring states. India might have changed her regional policies, but it will probably take a much longer time until the perceptions in the neighbouring countries will adapt in a similar way.

PERSPECTIVES: FROM HARD POWER TO SOFT POWER?

India seems to be a regional power by default. But a closer look at ideas, interactions, institutions, and images reveals a modified picture. There were periods when India had the ideas as well as the political will and the capabilities to act as a regional hegemon especially during the 1970s and 1980s. The high time started in 1971 with the military interventions in Sri Lanka and East Pakistan. It ended in March 1990 when the IPKF left Sri Lanka and India's ambitious plans for a conflict resolution had failed. During that period India's regional power rested on her hard power capabilities ranging from diplomatic coercion to economic sanctions to military interventions. Soft power strategies like economic cooperation and the promotion of common political values only played a secondary role.

Despite her dominance, India hegemonic ambitions were not successful. Except for the Himalayan kingdoms, India was not in a position to influence either the domestic or the foreign policy of her neighbours in the sense she could determine the outcome of bilateral conflicts. Measured against India's self proclaimed role as predominant regional power the outcome was only modest, but had far-reaching consequences for India by transforming South Asia into a region of 'chronic instability'.

The changing domestic and international environments, the learning process of failures like in Sri Lanka and the political and economic costs involved brought a fundamental change in India's approach towards the region. The *Gujral doctrine* represented a new regional approach that was pursued by successive governments irrespective of their political affiliation. It emphasised intergovernmental relations instead of political interference, non-reciprocity instead of tit-for-tat, and the promotion of common economic interests instead of divergent concepts like national security.

India's South Asia policy since the 1990s shows a shift from a *hard power* strategy of military and diplomatic interventions to a *soft power* approach that emphasises inter-governmental co-operation, negotiated settlements and economic collaboration. The changes can also be seen as attempt to change India's image from a regional bully to a benign hegemon. The new political imperatives may be a first step. The far bigger challenge ahead is that the negative images and perceptions in the neighbouring countries where 'India' is still a disputed issue will also have to undergo a fundamental transformation. It remains to be seen in how far India's 'positive unilateralism'⁸ will create a better regional framework or in how far the growing outside interference will bring about a shift towards multilateralism in India's regional policy.

⁸ See Mohan, C. Raja, India's positive unilateralism, in: *The Hindu*, 27. October 2003.

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