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Dilruba Yasmin Chowdhury

CLIMATE CHANGE AND ECONOMIC GROWTH: EVIDENCE FROM BANGLADESH

Abstract

Bangladesh is widely recognised as one of the most climate-vulnerable countries in the world. Every year the country is exposed to a number of slow and rapid onset disasters that emanate from climate change. Even though some sporadic studies try to estimate the various economic effects of climatic events in Bangladesh, there is a lack of econometric analysis on the linkage between climatic variables and economic growth using its long-term time series data. Given this context, the paper tries to examine the effects of climate change on economic growth of the country using Autoregressive Distributed Lag model for the period 1981-2015. The empirical results reveal that lagged effects of greenhouse gas emission, increased temperature and rainfall have negative with statistically significant effects on the economic growth of Bangladesh.

1. Introduction

It is now unequivocally established that climate change is a reality, and the adversities of climate transformations pose as one of the greatest challenges to the contemporary world.¹ The Intergovernmental Panel on Climate Change (IPCC) defines climate change as “a change in the state of the climate that can be identified (*e.g.*, using statistical tests) by changes in the mean and/or the variability of its properties and that persists for an extended period, typically decades or longer.”² Bangladesh experiences different climate-induced slow and rapid onset disasters, such as cyclones, recurring and extended floods, erratic rainfall, extended droughts, and salinity intrusion due to the sea-level rise (SLR). Thus, climate change is a significant threat to the lives and livelihoods of low-income people in the country. According to the Global Climate Risk Index 2016, annual average loss from disasters for 1995 to 2014 is 0.86 per cent of Gross Domestic Product (GDP) of the country.³ Bangladesh has just graduated from the status of low-income to lower middle-income country, as classified by the

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¹ IUCN Bangladesh, *Protocol for Monitoring of Impacts of Climate Change and Climate Variability in Bangladesh*, Dhaka: International Union for Conservation of Nature, 2011, pp. xiv-182.

² IPCC, “Summary for Policymakers”, in S. Solomon, D. Qin, M. Manning, Z. Chen, M. Marquis, K. B. Averyt, M. Tignor and H. L. Miller (eds.), *Climate Change 2007: The Physical Science Basis. Contribution of Working Group I to the Fourth Assessment Report the Intergovernmental Panel on Climate Change*, Cambridge, United Kingdom and New York, USA: Cambridge University Press, 2007.

³ S. Krefit, D. Eckstein and I. Melchior, *Global Climate Risk Index 2016*, Bonn: Germanwatch, 2015.

World Bank. There have been many other notable progresses in economic and social spheres during this short period including a trend of steady and impressive growth over the past ten years or so. However, climate change would come out with negative consequences for growth performances of the country.

A number of studies have been conducted so far on trends of change in climatic parameters in the context of Bangladesh. Warrick *et al.*⁴, Karmakar and Shrestha⁵ and Debsarma⁶ provided assessment of changes in temperature and precipitation over Bangladesh, while Chowdhury and Debsarma⁷ and Mia⁸ reported assessment of the changes in temperature based on analysis of historical data of some selected weather stations in Bangladesh. Karmakar and Nessa⁹ and Karmakar¹⁰ provided assessment of the effects of climate change on natural disasters.

Haque *et al.*¹¹ indicated that the average increase in temperature would be 1.3°C and 2.6°C for the projected years of 2030 and 2075, respectively. In line with the IPCC projections, the rise in winter temperature in Bangladesh was predicted to be higher probably due to significant increase in monsoon precipitation, which could also cause severe flooding in the future. Chowdhury and Debsarma¹² studied that the projected changes would be 1.4°C in the winter and 0.7°C in the monsoon months in 2030. For 2075, the variation would be 2.1°C and 1.7°C for winter and monsoon, respectively. It has also observed the increasing tendency of lowest minimum temperature over Bangladesh. Warrick *et al.*¹³ studied the variation of temperature and rainfall over Bangladesh. In their study, mean-annual temperatures have been expressed as departures from the reference period 1951-1980. It is evident that during

⁴ R. A. Warrick, A. H. Bhuiya and M. Q. Mirza, *The Greenhouse Effect and Climate Change: Briefing Document*, No. 1, Dhaka: Bangladesh Unnayan Parishad, 1994.

⁵ S. Karmakar and M. L. Shrestha, "Recent Climate Change in Bangladesh", *SMRC Series*, No. 4, Dhaka: SAARC Meteorological Research Centre, 2000.

⁶ S. K. Debsarma, "Intra-annual and inter-annual variation of rainfall over different regions of Bangladesh", *Proceedings of SAARC Seminar on Climate Variability in the South Asian Region and its Impacts*, Dhaka: SAARC Meteorological Research Centre, 2003.

⁷ M. H. K. Chowdhury and S. K. Debsarma, *Climate Change in Bangladesh – A Statistical Review*, Report of IOC-UNEP Workshop on Impacts of Sea Level Rise due to Global Warming, Dhaka: Intergovernmental Oceanographic Commission, 1992.

⁸ N. M. Mia, "Variations of temperature in Bangladesh", *Proceedings of SAARC Seminar on Climate Variability in the South Asian Region and its Impacts*, Dhaka: SAARC Meteorological Research Centre, 2003.

⁹ S. Karmakar, and J. Nessa, "Climate Change and its Impacts on Natural Disasters and South-west Monsoon in Bangladesh and the Bay of Bengal", *Journal of Bangladesh Academy of Sciences*, Vol. 21, No. 2, 1997, pp. 127-136.

¹⁰ S. Karmakar, "Trends in the annual frequency of cyclonic disturbances and storms in the Bay of Bengal", *Proceedings of SAARC Seminar on Climate Variability in the South Asian Region and its Impacts*, Dhaka: SAARC Meteorological Research Centre, 2003.

¹¹ M. Z. Haque, H. A. Quayyem, M. M. Hossain and M. S. Islam, "Occurrence of grain sterility in different rice crops", in A. K. M. N. Islam, Q. A. Fattah, I. A. Muttaqi and A. Aziz (eds.), *Plant Science and Man: Problems and Prospects*, Proceedings of International Botanical Congress, Dhaka: Bangladesh Botanical Society, 10-12 January 1991, pp. 117-124.

¹² M. H. K. Chowdhury and S. K. Debsarma, *op. cit.*

¹³ Warrick *et al.*, *op. cit.*

this period, Bangladesh was getting warmer. Since the later part of the last century, there has been, on average, an overall increase in temperature by 0.5°C which was comparable to the observed global warming. Karmakar and Nessa¹⁴ studied on climate change and its impacts on natural disasters and southwest-monsoon in Bangladesh and the Bay of Bengal. They found that the decadal mean annual temperature over Bangladesh has shown an increasing trend especially after 1961-1970.

Currently, there is no empirical literature to examine the effect of climatic variables on economic growth of Bangladesh with long term time series data. If the negative linkage between climate change and economic growth is found, it would indicate that Bangladesh could have achieved higher growth than the observed ones. Therefore, it would help the government and non-government actors to decide over their programmes on climate change. Given the context, this present study aims to find out whether there is any linkage of climate change variables on economic growth. This paper would add significant value to this aspect. Thus, the contributions of this paper are as follows. First, it accumulates the literature on the specific macro-economic variables and climate change. Second, it has used time series econometric techniques for a reasonable period, which provides useful insight for policymaking and undertaking future studies. The paper has been organised as follows. After the introduction, a comprehensive review of literature is presented in section 2. Section 3 describes the methodology of conducting the empirical study. Section 4 describes the results and analysis of the empirical findings. Finally, section 5 concludes the paper.

2. A Review of Literature

Empirical literature on the effect of climatic variables on economic growth of Bangladesh is sparse. However, the existing geophysical studies mostly concentrate on the change of temperature, rainfall and SLR to present evidences of climate change. Some studies also cover the geophysical variables of climate change and their impacts on GDP growth. Few of them also examine the effect of climate change on sectoral GDP.

Islam¹⁵ presented a regional climate model named Providing Regional Climates for Impacts Studies (PRECIS) in generating rainfall scenarios for South Asia. At first, PRECIS generated rainfall scenario is calibrated with ground-based observed rainfall during baseline period (1961-1990) in Bangladesh. The regression coefficients obtained through calibration are utilised for validation of PRECIS simulated rainfall during 2000-2006. PRECIS overestimated rainfall by 12.37, 1.58, 10.81, 4.79 and 13.18 per cent in 2000, 2002, 2003, 2005 and 2006, respectively. It underestimated by

¹⁴ S. Karmakar, and J. Nessa, *op. cit.*

¹⁵ M. N. Islam, "Rainfall and Temperature Scenario for Bangladesh", *Open Atmospheric Science Journal*, Vol. 3, No. 1, 2009, pp. 93-103.

0.64 per cent and 10.84 per cent in 2001 and 2004, respectively. On average, PRECIS overestimated about 4.47 per cent of surface rainfall. Better performance of PRECIS through validation encouraged utilising it in rainfall forecasting for Bangladesh. In the second step, rainfall and temperature forecast for Bangladesh is experimentally obtained for 2010-2020. This work reveals that the PRECIS simulated rainfall and temperature are not directly useful in application purposes. However, after performing calibration, acceptable result obtained in estimating annual rainfall in Bangladesh with correlation coefficient is 0.9. Change of rainfall is forecasted from -0.99 per cent (in 2013) to 5.3 per cent (2018) for Bangladesh from 2010 to 2020.

Basak *et al.*¹⁶ assessed climatic variability based on analysis of historical data of temperature and rainfall recorded at 34 meteorological stations located at seven regions in Bangladesh for the period of 1976-2008. The trend of variation of yearly average maximum temperature has been found to be increasing at a rate of 0.0186°C per year, whereas the rate was 0.0152°C per year for yearly average minimum temperature. Analysis of monthly average maximum temperature also showed increasing trend for all months except January and April. The increasing trend was particularly significant for May to September and for February. Monthly average minimum temperature data also showed increasing trends for all months except January and November. Analysis of rainfall data showed that for a large majority of stations, the total rainfall showed increasing trend for monsoon and post-monsoon seasons, while decreasing trend was observed for the winter; pre-monsoon rainfall did not show any significant change. These observations are particularly significant in the context of Bangladesh where agriculture is heavily dependent on temperature and rainfall patterns.

Rajib *et al.*¹⁷ presented the development of multi-model combination of future surface temperature projections for Bangladesh on monthly basis, for each of the year from 2011 to 2100, using both global and regional climate models. The study demonstrated evidence of increasing temperature levels in Bangladesh from the climate model projections based on observed meteorological data. From the multi-model combination, Regional Climate Model (RCM) and Global Climate Model (GCM) projections of future average temperature change with respect to 1971-2000, it demonstrated that the winter months in Bangladesh might show more warming in future than the monsoon and pre-monsoon months. However, the trend of temperature increase might continue to increase invariably in every month.

Hasan and Rahman¹⁸ studied the trend of temperature in Bangladesh. Long term changes in surface air temperature over Bangladesh have been studied using

¹⁶ J. K. Basak, R. A. M. Titumir, and N. C. Dey, "Climate Change in Bangladesh: A Historical Analysis of Temperature and Rainfall Data", *Journal of Environment*, Vol. 2, No. 2, 2013, pp. 41-46.

¹⁷ M. A. Rajib, M. M. Rahman, and E. A. McBean, "Global Warming in Bangladesh Perspective: Temperature Projections upto 2100", *Proceedings of the Global Conference on Global Warming*, Lisbon, 11-14 July 2011.

¹⁸ A. B. M. S. U. Hasan and M. Z. Rahman, "Change in Temperature over Bangladesh Associated with Degrees of Global Warming", *Asian Journal of Applied Science and Engineering*, Vol. 2, No. 2, 2013, pp. 62-75.

the available historical data collected by the Bangladesh Meteorological Department (BMD). The maximum, minimum and mean monthly temperature data of sixty-three years (1948-2010), collected from 35 stations of BMD located all over Bangladesh, have been used in this study. It has been found that monthly maximum temperature shows a positive trend of increase at a rate of 0.5°C per 100 years. The maximum increase occurred during November at a rate of 2.05°C per 100 years. However, monthly minimum temperature shows statistically significant trend of increase at a rate of 1.40°C per 100 years. Monthly mean temperature shows a positive trend of increase at a rate of 0.8°C per 100 years. It clearly indicates that monthly minimum temperature has increased significantly during the winter season (October to February) over the last sixty-three years. It also reveals that temperature was increasing predominantly over 21 years (1990-2010) than 63 years (1948-2010).

Being a low-lying deltaic country, Bangladesh is exposed to serious consequences of sea-level rise including permanent inundation of huge land masses along the coast line. There is a clear evidence of changing climate in Bangladesh which is causing changes in the precipitation, increasing annual mean temperature and sea-level rise. Shamsuddoha and Chowdhury¹⁹ found that during a period from 1961 to 1990, the annual mean temperature increased at the rate of 0.0037°C but the rate was 0.0072 during 1961 to 2000. It means that in the 1990s, annual mean temperature rise was almost double than the previous years. Over the last 100 years, Bangladesh has warmed up by about 0.5°C and 0.5 metre rise of sea-level in the Bay of Bengal. The study reveals that the loss of decreasing productivity, which is assuming 28 to 57 per cent reduction of crop production from the present level by 1 metre sea-level rise, cannot be restored.

Karim and Mimura²⁰ described the impacts of Sea Surface Temperature (SST) rise and sea-level rise (SLR) on cyclonic storm surge flooding in western Bangladesh. A calibrated numerical hydrodynamic model was used to simulate surge wave propagation through the rivers and overland flooding. The model was calibrated with base condition (present climate), and then eight flooding scenarios of plausible future conditions were assessed by considering increased surge heights. Flooded area, flooding depth and surge intrusion length were computed by superimposing the predicted maximum water level information on a Digital Elevation Model (DEM). This analysis showed that for a storm surge under 2°C SST rise and 0.3 metre SLR, flood risk area would be 15.3 per cent greater than the present risk area and depth of flooding would increase by as much as 22.7 per cent within 20 km from the coastline. Within the risk area, the study identified 5,690 km² land (22 per cent of exposed coast) as a high-risk zone (HRZ) where flooding of depth 1 metre or more might occur, and people should move to nearby cyclone shelters during extreme cyclonic events.

¹⁹ M. Shamsuddoha, and R. K. Chowdhury, *Climate Change Impact and Disaster Vulnerabilities in the Coastal Areas of Bangladesh*, Dhaka: COAST Trust, 2007.

²⁰ M. F. Karim and N. Mimura, "Impacts of climate change and sea-level rise on cyclonic storm surge floods in Bangladesh", *Global Environmental Change*, Vol.18, No.3, 2008, pp. 490-500.

Predicted area of HRZ is 1.26 times compared to the currently demarcated HRZ. It was estimated that 320 additional shelters are required to accommodate people in the newly identified HRZ. This information would be of value to policy and decision makers for future shelter planning and designing shelter heights.

Islam *et al.*²¹ examined the vulnerabilities of agriculture in coastal regions of Bangladesh to the different adverse effects of sea-level rise induced hazards, and also identified option for future agricultural adaptations. It reveals that due to sea-level rise, agriculture of the study area has already experienced noticeable adverse impacts especially in terms of area of inundation, salinity intrusion and reduction in crop production. A total of 303 out of 1200 respondents from three coastal villages were randomly interviewed. Descriptive and inferential statistics and logistic regression have been conducted to analyse the data. The study found that the agricultural land, production of crops, local crop varieties, income and employment facilities of the farmers are highly vulnerable to various SLR induced hazards. Selection of various adaptation options, such as control of saline water intrusion into agricultural land, coastal afforestation, cultivation of saline tolerant crops, homestead and floating gardening, embankment cropping and increase of income through alternative livelihoods are emerging need for sustainable coastal agricultural development. Therefore, this paper argued that further development and implementation of such adaptive measures could help minimise vulnerabilities of agriculture in the long run.

World Bank²² assessed the impacts of predicted climate changes on crop yields, agricultural production and GDP by factoring in all climate impacts, *viz.* CO₂ emission, temperature and precipitation changes, flooding, and sea-level rise. It reveals that cumulative loss of rice production would be 80 million tons, which is nearly 3.9 per cent per year over 2005-50. Agricultural GDP is projected to decline annually by 3.1 per cent, *i.e.*, US\$ 36 billion value-added in agriculture is lost, while the loss of total GDP is estimated to be US\$ 129 billion over this period.

Ahmed and Suphachalasai²³ used global PAGE model and Bangladesh-specific Computable General Equilibrium (CGE) model to assess the effects of climate change on GDP. It reveals that by 2050, annual GDP losses under the business as usual scenario is projected to be only 2 per cent while due to inaction (*i.e.*, no action is taken for adaptation), the average total economic losses are estimated to be 9.4 per cent.

The above discussion reveals that the studies on the effects of climate change of Bangladesh are based on global geophysical and CGE models. None of them use

²¹ M. A. Islam, P. K. Shitangsu and M. Z. Hassan, "Agricultural vulnerability in Bangladesh to climate change induced sea level rise and options for adaptation: a study of a coastal Upazila", *Journal of Agriculture and Environment for International Development*, Vol. 109, No. 1, 2015, pp. 19-39.

²² World Bank, *The Economics of Adaptation to Climate Change*, Washington, DC: World Bank, 2010.

²³ M. Ahmed and S. Suphachalasai, *Assessing the Costs of Climate Change and Adaptation in South Asia*, Manila: Asian Development Bank, 2014.

long-term time series data on major climatic variables, viz., greenhouse gas emission, rainfall and temperature to examine their effects on long term GDP growth of the country. The CGE models are primarily based on Social Accounting Matrix (SAM) for a specific point of time, which is unable to capture the dynamics of co-movement of GDP and geophysical data. The present paper is an attempt to address these limitations.

3. Methodology and Data

The objective of the present paper is to empirically examine the effects of climatic variables on economic growth in Bangladesh. Here, annual change of GDP is taken as economic growth variable, while greenhouse gas emission, rainfall and temperature are taken as climate change variables. Thus, the econometric model used for the paper is as follows:

$$\Delta GDP_t = \beta_0 + \beta_1 GHG_t + \beta_2 Rain_t + \beta_3 Temp_t + \varepsilon_t \quad (1)$$

where

ΔGDP = Annual change of GDP at constant 2010 US dollars

Δ = first difference operator

GHG = Total greenhouse gas emissions (kiloton of CO₂ equivalent);

Rain = Average annual rainfall (in millimetre);

Tem = Average annual temperature (0 Celsius);

ε_t = Random error term with usual statistical properties;

β_0 = the constant term in the model;

β_1 , β_2 and β_3 = unknown parameters of the model to be estimated; and

t = Sample period from 1981 to 2015

Time-series econometrics requires an analysis of the time-series properties and paths of the economic variables in a regression equation before estimation of the model to consider if any relationship can be estimated for the model. To find out the long-term relationship among the variables, it is essential to have non-stationary at levels and stationary at first differences.

3.1 Testing Stationarity

Testing stationarity of the variables is important in the time series before proceeding forward to the analysis. While testing for stationarity of the variables, conventional unit root tests like Augmented Dickey Fuller (ADF) and the Phillip-Perron (PP) tests may present test statistics that are strongly misleading in the presence of

structural breaks in the time series of the variables. If any result is inferred from them, it will be inaccurate. For example, in the event of a standard ADF regression:

$$y_t = \alpha + \rho y_t + \sum_{j=1}^p \gamma_j \Delta y_{t-j} + \rho y_{t-1} + \varepsilon_t$$

A non-stochastic level shift will cause the primary coefficient of concern in the ADF regression, ρ , to be biased towards 1 while a change in the trend slope makes the estimator tend to 1 in probability as the sample size increases. Hence, the ADF test may infer the presence of unit root even when the time-series is stationary around the deterministic break component. In fact, such blemishes may be extended to other modules of traditional unit root tests too, as suggested by Perron²⁴, Zivot and Andrews²⁵, and Perron and Vogelsang.²⁶

Phillips and Perron²⁷ proposed nonparametric transformations of the τ (tau) statistic from the original DF regressions such that under the unit root null, the transformed statistics (the “z” statistic) have DF distributions. The results are also verified by PP test.²⁸ The regression for the PP test is

$$y_t = \beta_0 + \delta_t + \gamma_1 y_{t-1} + \sum_{j=0}^p \gamma_j y_{t-j} + \varepsilon_t$$

where δ_t may be 0, μ , or $\mu + \beta_t$ and ε_t is $I(0)$.

3.2 Analysis of Structural Break

In the case of this regression model that involves time series data, there may be a structural change in the relationship between the dependent and independent variables. Structural change implies that the values of the parameters of the model do not remain the same through the entire period. Sometimes the structural change may be due to external forces or to unobservable factors, which exert individual or combined impact on the country.

²⁴ P. Perron, “The great crash, the oil price shocks, and the unit root hypothesis”, *Econometrica*, Vol. 57, No. 6, 1989, pp. 1361-1401; and P. Perron, “Further evidence on breaking trend functions in macroeconomic variables”, *Journal of Econometrics*, Vol. 80, No. 2, 1997, pp. 355-385.

²⁵ E. Zivot and D. W. K. Andrews, “Further evidence on the great crash, the oil-price shock, and the unit-root hypothesis”, *Journal of Business and Economic Statistics*, Vol. 10, No. 3, 1992, pp. 251-270.

²⁶ P. Perron and T. J. Vogelsang, “Nonstationarity and level shifts with an application to purchasing power parity”, *Journal of Business and Economic Statistics*, Vol. 10, No. 3, pp. 301-320.

²⁷ P. C. B. Phillips and P. Perron, “Testing for a unit root in time series regression”, *Boimetrika*, Vol. 75, No. 2, 1988, pp. 335-346.

²⁸ *Ibid.*

A traditional approach of examining structural change is to adopt the Chow test.²⁹ This test assesses whether the coefficients in two linear regressions on different data sets are equal. The fundamental problem associated with this test is the arbitrariness of a researcher in bifurcating the series to examine whether two sets have different intercepts, slopes or both. Recent developments in the literature of structural break suggest that it is important to determine (i) whether there is structural break in the entire series or not by taking into account the time series properties of the data, and (ii) single or multiple breakpoint exists in a series, and (iii) the year of the structural break.

3.3 Existence of the Break

Elliott and Müller³⁰ devised a test to examine whether there is a structural break in a series. This test allows for many or relatively few breaks, clustered breaks, regularly occurring breaks, or smooth transitions to changes in the regression coefficients. The test distinguishes the null hypothesis of a stable regression model

$$y_t = X_t' \bar{\beta} + Z_t' \delta + \varepsilon_t \quad t = 1, \dots, T \quad (2)$$

from the alternative hypothesis of the unstable model

$$y_t = X_t' \beta_t + Z_t' \delta + \varepsilon_t \quad t = 1, \dots, T \quad (3)$$

with non-constant $\{\beta_t\}$, where y_t is a scalar, $X_t' \beta_t$ are $k \times 1$ vectors, Z_t and δ are $d \times 1$, $\{y_t, X_t, Z_t\}$ are observed, $\bar{\beta}, \{\beta_t\}$, and δ are unknown, and ε_t is mean-zero disturbance. That is, this test examines whether the coefficient vector that links the observables X_t to y_t remains stable over time, while allowing for other stable links between y_t and the observables through Z_t . This very general specification nests many of the 'structural break' and 'time varying parameter' models in the literature, allowing for almost any pattern of variation in the coefficients of the X variables, with good power and size even in a heteroscedastic context.

Optimal Breakpoint

The Elliott-Müller test does not identify the optimal year of a break and whether there is one or more than one break year in a series. For examining the optimal breakpoint, two tests have been adopted: (i) Zivot-Andrews test and (ii) Clemente-Montañés-Reyes test.

²⁹ G. C. Chow, "Tests of Equality between Sets of Coefficients in Two Linear Regressions", *Econometrica*, Vol. 28, No. 3, 1960, pp. 591-605.

³⁰ G. Elliott and U. K. Müller, "Efficient Tests for General Persistent Time Variation in Regression Coefficients", *Review of Economic Studies*, Vol. 73, No. 4, 2006, pp. 907-940.

Zivot and Andrews³¹ proceed with three models to test for a unit root: Model 4, which permits a one-time change in the level of the series; Model 5, which allows for a one-time change in the slope of the trend function, and Model 6, which combines one-time change in the level and the slope of the trend function of the series. To test for a unit root against the alternative of a one-time structural break, Zivot and Andrews use the following regression equations corresponding to the above three models:

$$\Delta y_t = c + \alpha y_{t-1} + \beta_t + \gamma DU_t + \sum_{j=1}^k d_j \Delta y_{t-j} + \varepsilon_t \tag{4}$$

$$\Delta y_t = c + \alpha y_{t-1} + \beta_t + \theta DU_t + \sum_{j=1}^k d_j \Delta y_{t-j} + \varepsilon_t \tag{5}$$

$$\Delta y_t = c + \alpha y_{t-1} + \beta_t + \theta DU_t + \gamma DU_t + \sum_{j=1}^k d_j \Delta y_{t-j} + \varepsilon_t \tag{6}$$

where DU_t is an indicator dummy variable for a mean shift occurring at each possible break-date (TB) while DT_t is the corresponding trend shift variable. Formally,

$$DU_t = \begin{cases} 1 & \text{if } t > TB \\ 0 & \text{otherwise} \end{cases} \quad \text{and}$$

$$DT_t = \begin{cases} t - TB & \text{if } t > TB \\ 0 & \text{otherwise} \end{cases}$$

The null hypothesis in all the three models is $\alpha=0$, which implies that the series $\{y_t\}$ contains a unit root with a drift that excludes any structural break, while the alternative hypothesis $\alpha < 0$ implies that the series is a trend-stationary process with a one-time break occurring at an unknown point in time. The Zivot-Andrews test considers every point as a potential break-date (TB) and runs a regression for every possible break-date sequentially. From amongst all possible break-points (TB), the procedure selects as its choice of break-date (\overline{TB}) the date which minimises the one-sided t-statistic for testing $\hat{\alpha} = (\alpha - 1) = 1$. According to Zivot and Andrews, the presence of the end points causes the asymptotic distribution of the statistics to diverge towards infinity. Therefore, some regions must be chosen such that the end points of the sample are not included. They suggest the ‘trimming region’ be specified as (0.15T, 0.85T).

Also, it is imperative to examine whether there is more than one breaks. Following Clemente *et al.*³², the null hypothesis can be tested as

³¹ Zivot and Andrews, *op. cit.*

³² J. Clemente, A. Montañés and M. Reyes, “Testing for a unit root in variables with a double change in the mean”, *Economics Letters*, Vol. 59, No. 2, 1998, pp. 175-182.

$$y_t = y_{t-1} + \delta_1 DTB_{it} + \delta_2 DTB_{2t} + u_t \quad (7)$$

against the alternative hypothesis

$$y_t = \mu + d_1 DU_{it} + d_2 DTB_{2t} + e_t \quad (8)$$

where DTB_{it} is a pulse variable that takes the value 1 if $t=TB_i+1$ ($i=1, 2$) and 0 otherwise, $DU_{it} = 1$ if $t>TB$ ($i=1, 2$) and 0 otherwise. TB_1 and TB_2 are the time periods when the mean is being modified. For simplicity, suppose $TB = \lambda_i T$ ($i=1, 2$), with $0 < \lambda_1 < 1$ and $\lambda_2 > \lambda_1$. Now, if the two breaks belong to the innovational outlier, the unit-root hypothesis can be tested by

$$y_t = \mu + \rho y_{t-1} + \delta_1 DTB_{it} + \delta_2 DTB_{2t} + d_1 DU_{it} + d_2 DTB_{2t} + \sum_{i=1}^k c_i \Delta y_{t-i} + e_t \quad (9)$$

Data

For the purpose of this paper, yearly data has been collected for the period 1981 to 2015. Data on GDP and GHG are taken from the World Development Indicators database.³³ Data on Rain and Temp are taken from the World Bank Climate Change Knowledge Portal.³⁴

The econometric equation (1) is based on the presumption that variability in climate change indicators can sufficiently explain the variability in GDP growth of Bangladesh without considering the other factors, such as capital and labour. The paper avoids the production function approach, which is complicated due to lack of reliable data on the stock of capital. On the other hand, continuous annual data on labour force is also unavailable in the secondary sources. Therefore, the present exercise depends on the explanatory power of the climate change indicators based on the scores of the goodness of fit.

4. Results and Analysis

Before conducting the main multivariate analysis, stationarity tests have been performed to understand whether the variables included in the model are stationary (random) or not. If the variables are non-stationary at level, then the first difference needs to be taken and then again the tests have been conducted for stationarity. Afterwards, multivariate time series method should be applied to estimate the Equation (1). The results of stationarity test, viz. ADF and PP reported in Table 1, where both tests indicate that only total greenhouse gas emissions and temperature are found to be stationary.

³³ Available at <https://data.worldbank.org/indicator?tab=all>, accessed on 02 September 2017.

³⁴ Available at http://sdwebx.worldbank.org/climateportal/index.cfm?page=country_historical_climate&ThisCCCode=BGD, accessed on 02 September 2017.

Table 1: Results of the Unit Root Tests without structural breaks

	Level		First Difference		Remark
	ADF	PP	ADF	PP	
GDP	4.650	5.237	-3.853**	-4.161***	I(1)
GHG	0.067	0.394	-8.273***	-8.238***	I(1)
Rain	-5.715***	-6.718***	-10.343***	-14.477***	I(0)/I(1)
Temp	-3.017**	-3.490**	-6.745***	-7.069***	I(1)

***, ** and * imply that the test statistic is significant at 1, 5 and 10 per cent level, respectively.

The Zivot Andrews model is used to detect one endogenous structural break for the unit root tests. The results are shown in Table 2. The last column shows that GDP as well as all independent variables fail to reject the null hypothesis of the unit root. This finding shows that all sample variables are stationary.

Table 2: Unit Root Test with One Endogenous Structural Break: Zivot-Andrews Test

	Level (Constant & Trend)	Break Point (Level)	1 st Difference (Constant & Trend)	Break Point (1 st Difference)	Remarks
GDP	-2.054	1999	-9.008***	2005	I(1)
GHG	-5.253**	1998	-9.189***	2007	I(1)
Rain	-7.444***	2001	-7.436***	1995	I(0)/I(1)
Temp	-4.966	2009	-7.149***	2012	I(1)

*** and ** imply that the test statistic is significant at 1, 5 and 10 per cent level, respectively.

Again, the Clemente-Montañés-Reyes test is employed to address the issue of the results of the unit root tests in the Zivot-Andrews model by considering the maximum of two structural breaks in the data series for the unit root tests. The results are presented in Table 3. The last column shows that only the total greenhouse gas emissions rejects the null hypothesis of the unit root for all series data in the sample.

Table 3: Unit Root Test with Two Endogenous Structural Breaks: Clemente-Reyes Test

	Min t in Level	Break Point (Level)	Min t in 1 st Difference	Break Point (1 st Difference)	Remarks
GDP	1.833* 2.631**	BP1= 1990 BP2= 2003	4.648*** 6.478***	BP1= 1988 BP2= 2003	I(1)
GHG	1.773* 1.924*	BP1= 1998 BP2= 2004	2.772*** -3.423***	BP1= 1997 BP2= 2011	I(1)

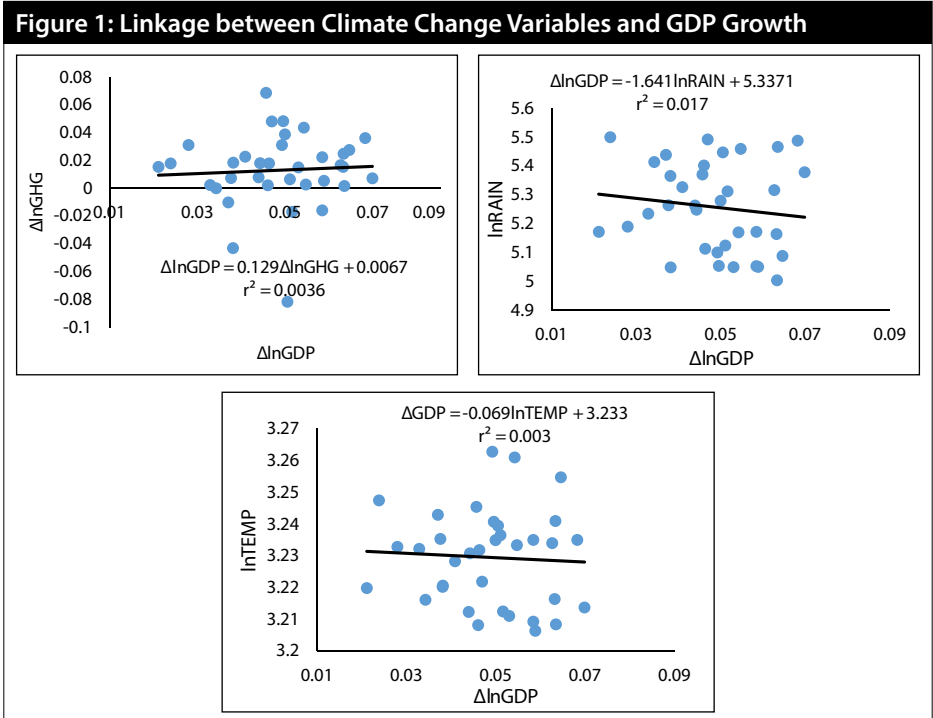
Rain	-3.423* -2.183*	BP1= 1990 BP2= 1999	-1.129 0.878	BP1= 2000 BP2= 2006	I(0)
Temp	2.483** -3.049***	BP1= 2003 BP2= 2011	-0.227 -3.179***	BP1= 1990 BP2= 2009	I(0)

*** and ** imply that the test statistic is significant at 1, 5 and 10 per cent level, respectively.

Based on the above test results, the revised empirical equation can be written as follows:

$$\ln\Delta GDP_t = \beta_0 + \beta_1 \ln\Delta GHG_t + \beta_2 \ln Rain_t + \beta_3 \ln Temp_t + \varepsilon_t \tag{1a}$$

where *ln* is natural log to remove heteroscedasticity and autocorrelation form the variables.



The present paper adopts the ARDL model suggested by Pesaran *et al.*³⁵, and Narayan and Narayan.³⁶ It allows both I(0) and I(1), which provides accurate estimates

³⁵ M. H. Pesaran, Y. Shin and R. J. Smith, "Bounds Testing Approaches to the Analysis of Level Relationships", *Journal of Applied Econometrics*, Vol. 16, No. 3, 2001, pp. 289-326.

³⁶ P. K. Narayan and S. Narayan, "Estimating Income and Price Elasticities of Imports for Fiji in a Cointegration Framework", *Economic Modelling*, Vol. 22, No. 3, 2005, pp. 423-438.

of short-and long-term parameters of the specified model, which is befitting with the present paper because it has both $I(0)$ and $I(1)$ series. It also provides valid t -statistics in the occurrence of endogenous variables in the model.³⁷ The estimated parameters and test statistics based on an ARDL model are super-consistent, which can be used to draw valid inferences for the parameters.³⁸

Contributed notably by Pesaran and Shin,³⁹ and Pesaran *et al.*⁴⁰, an autoregressive distributed lag (ARDL) model of order p and q , denoted by $ARDL(p,q)$ regresses the dependent variable on p of its own lags and on q lags of one or more additional regressors. Multiple regressors are allowed to contain different lag orders, where the model becomes an $ARDL(p, q_1, \dots, q_k)$ model with k number of non-deterministic regressors. ARDL models can also be used for the estimation and testing of cointegrating relationships with bounds F , W and t tests.⁴¹ Thus, the augmented $ARDL(p, q_1, q_2, \dots, q_k)$ model, suggested by Pesaran *et al.*⁴², can be written as:

$$\varphi(L, p)y_t = \sum_{i=1}^k \beta_i(L, q_i)x_{i,t} + \delta'w_t + u_t \quad ; t = 1, 2, \dots, 27 \tag{10}$$

where, L is the lag operator with $Ly_t = y_{t-1}$; w_t is $s \times 1$ vector of deterministic variables; $p = 0, 1, 2, \dots, m$; $q_i = 0, 1, 2, \dots, m$; $\varphi(L, p) = 1 - \varphi_1L - \varphi_2L^2 - \dots - \varphi_pL^p$; $\beta_i(L, q_i) = 1 - \beta_{i1}L - \beta_{i2}L^2 - \dots - \beta_{iq_i}L^{q_i}$. The long-term estimator for the response of dependent variable to a unit change in independent variables can be written as

$$\hat{\theta}_i = [\hat{\beta}_i(1, \hat{q}_i)] / \hat{\varphi}(1, \hat{p})$$

The long-term estimator is

$$\psi = [\hat{\delta}(\hat{p}, \hat{q}_i)] / [\hat{\varphi}(1, \hat{p})]$$

³⁷ B. Inder, "Estimating Long-Run Relationships in Economics: A Comparison of Different Approaches", *Journal of Econometrics*, Vol. 57, No. 1-3, 1993, pp. 53-68.

³⁸ M. H. Pesaran and Y. Shin, "An Autoregressive Distributed Lag Modelling Approach to Cointegration Analysis", *DAE Working Paper 9514*, Cambridge: University of Cambridge, 1995.

³⁹ M. H. Pesaran, and Y. Shin, "An Autoregressive Distributed Lag Modelling Approach to Cointegration Analysis", in S. Strom, (ed.), *Econometrics and Economic Theory in the 20th Century: The Ragnar Frisch Centennial Symposium*, Cambridge, UK: Cambridge University Press, 1999.

⁴⁰ Pesaran *et al.*, *op. cit.*

⁴¹ For a succinct exposition of ARDL models in the context of cointegration, see U. Hassler, and J. Wolters, "Autoregressive Distributed Lag Models and Cointegration", *Allgemeines Statistisches Archiv*, Vol. 90, No. 1, 2006, pp. 59-74; and U. Hassler, and J. Wolters, "Autoregressive Distributed Lag Models and Cointegration", Working Paper No. 2005/22, Berlin: Freie Universitaet, 2005.

⁴² Pesaran *et al.*, *op. cit.*

In addition, the short term or the error correction representation of the ARDL(p, q_1, q_2, \dots, q_k) model is given by

$$\Delta y_t = -\varphi(1, \hat{\rho}) EC_{t-1} + \sum_{i=1}^k \beta_{i0} \Delta x_{i,t} + \hat{\alpha} \Delta w_t - \sum_{j=1}^{\hat{p}-1} \varphi_j^* \Delta y_{t-j} - \sum_{i=1}^k \sum_{j=1}^{\hat{p}-1} \beta_{ij}^* \Delta x_{i,t-j} + u_t \quad (11)$$

where $EC_t = y_t - \sum_{i=1}^k \hat{\theta}_i x_{i,t} - \psi' w_t$ is the error correction term; $\varphi(1, \hat{\rho})$ estimates the significance of the EC, and φ_j^* and β_{ij}^* are the parameters that capture the short-run dynamics of the model.

The empirical results of the ARDL model have been presented in Tables 4 to 7. The short-term coefficients shown in Table 4 are as per the expectations. The results reveal that greenhouse gas emission in the present period has a positive linkage with GDP growth. It is perhaps obvious because higher output leads to greater emission of the greenhouse gas. However, the lagged greenhouse gas emission is negatively associated with GDP growth. It may be because of its adverse effects through increasing temperature and erratic rainfall, which have negative association with GDP growth at the present and immediate past periods. The empirical model shows correct form in all the diagnostic tests. Values of R^2 , adjusted R^2 and F statistic indicate that the independent variables have sufficient power to explain the empirical model, which validate the adoption of econometric equation (1).

Table 4: ARDL (0,2,2,2) Estimates based on Schwarz Bayesian Criterion

Regressor	Coefficient	Standard Error	T-Ratio[Prob]
GHG	0.093	0.054	1.727 [0.097]
GHG (-1)	-0.105	0.055	-1.904 [0.069]
GHG (-2)	-0.163	0.053	-3.024 [0.006]
Rain	-0.004	0.008	-0.439 [0.664]
Rain (-1)	-0.056	0.008	-6.811 [0.000]
Rain (-2)	-0.029	0.007	-3.747 [0.001]
Temp	-0.149	0.085	-1.737 [0.095]
Temp (-1)	-0.292	0.132	-2.198 [0.038]
Temp (-2)	0.601	0.102	5.873 [0.000]
R^2	0.767		
Adjusted R^2	0.689		

F(8,24)	9.871 [0.000]		
A. Serial Correlation $\chi^2(1)$	1.174 [0.279]		
B. Functional Form $\chi^2(1)$	0.5193E-3 [0.982]		
C. Normality $\chi^2(2)$	1.493 [0.475]		
D. Heteroscedasticity $\chi^2(1)$	2.119 [0.146]		

A: Lagrange multiplier test of residual serial correlation
 B: Ramsey’s RESET test using the square of the fitted values
 C: Based on a test of skewness and kurtosis of residuals
 D: Based on the regression of squared residuals on squared fitted values
 Source: Author’s estimation with Microfit 5.0.

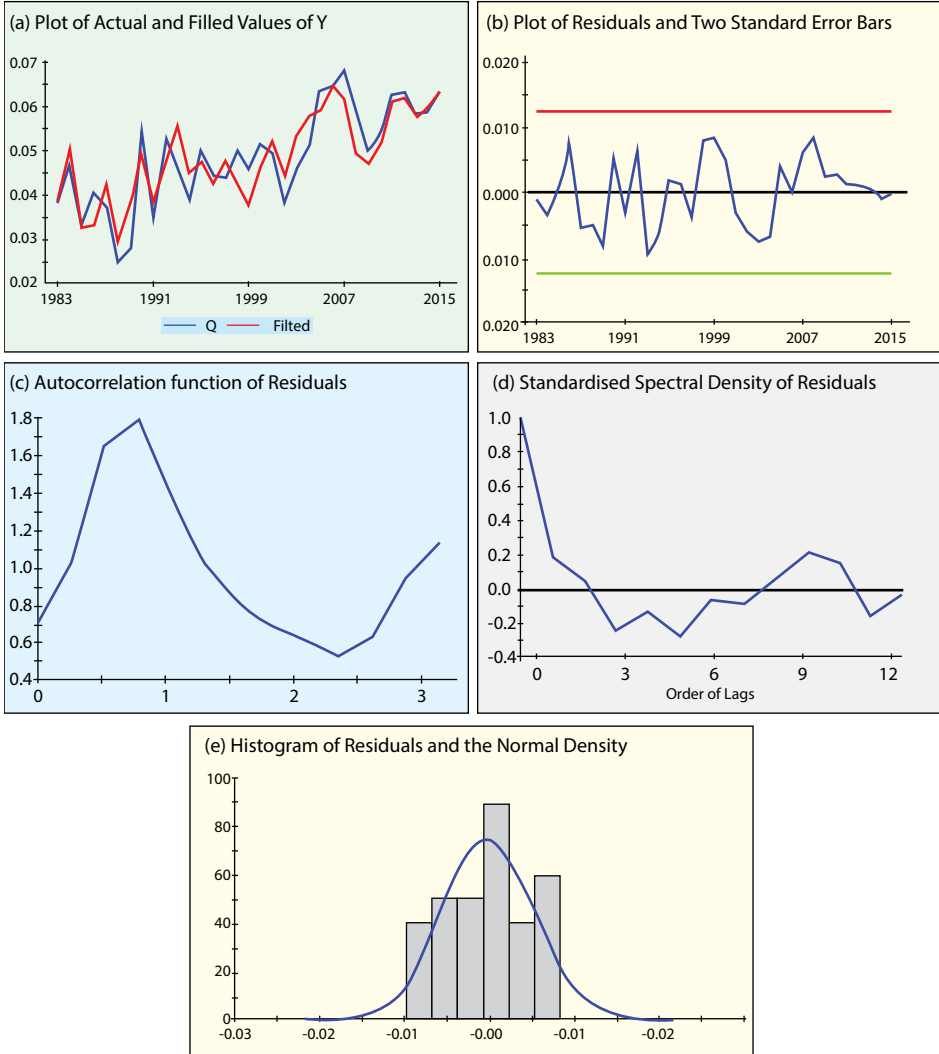
The long-term coefficients have been presented in Table 5. It reveals that greenhouse gas emission and rainfall variables have negative and statistically significant impact on GDP growth of Bangladesh. However, the temperature coefficient has been found to be positive, which may be ignored because greenhouse gas emission is linked with temperature growth.

Table 5: ARDL (0,2,2,2) Long Run Estimates based on Schwarz Bayesian Criterion

Regressor	Coefficient	Standard Error	T-Ratio[Prob]
GHG	-0.175	0.108	-1.616 [0.100]
Rain	-0.088	0.013	-6.624 [0.000]
Temp	0.160	0.022	7.259 [0.000]

The results reported in Tables 4 and 5 have been checked with the short and long-term coefficients of ARDL model with lag specified by Akaike Information Criterion to examine the sensitivity of the results. Reported in Table 6, the results indicate that in the short-run, the sign and statistical significance of all variables match with the results based on Schwarz Bayesian Criterion except the coefficient of GHG. The long run parameters of Table 7 also match with the results of Table 5 except GHG.

Figure 2: Results after Estimating ARDL Model



Source: Microfit 5.0 output.

Table 6: ARDL (1,2,2,2) Estimates based on Akaike Information Criterion

Regressor	Coefficient	Standard Error	T-Ratio[Prob]
GDP (-1)	0.153	0.123	1.235 [0.229]
GHG	0.077	0.055	1.396 [0.176]
GHG (-1)	-0.104	0.054	-1.898 [0.070]
GHG (-2)	-0.144	0.055	-2.593 [0.016]
Rain	-0.003	0.008	-0.403 [0.690]
Rain (-1)	-0.051	0.008	-5.949 [0.000]
Rain (-2)	-0.023	0.009	-2.487 [0.021]
Temp	-0.152	0.084	-1.802 [0.085]
Temp (-1)	-0.244	0.136	-1.788 [0.087]
Temp (-2)	0.538	0.113	4.751 [0.000]
R ²	0.781		
Adjusted R ²	0.695		
F(8,24)	9.137 [0.000]		
A. Serial Correlation $\chi^2(1)$	0.012 [0.910]		
B. Functional Form $\chi^2(1)$	0.152 [0.696]		
C. Normality $\chi^2(2)$	1.406 [0.495]		
D. Heteroscedasticity $\chi^2(1)$	1.588 [0.208]		
Bounds F-stat	12.617		
Bounds W-stat	50.471		

Bounds: F-statistic lower and upper 95% = 2.7197, 4.0149; W-statistic lower and upper 95% = 10.8789, 16.0594

Table 7: ARDL (0,2,2,2) Long Run Estimates based on Akaike Information Criterion

Regressor	Coefficient	Standard Error	T-Ratio[Prob]
GHG	-0.201	0.128	-1.565 [0.131]
Rain	-0.092	0.016	-5.767 [0.000]
Temp	0.166	0.026	6.298 [0.000]

According to Pesaran *et al.*⁴³ if the statistic lies between the bounds, the test is inconclusive. If it is above the upper bound, the null hypothesis of no level effect is rejected. If it is below the lower bound, the null hypothesis of no level effect cannot be rejected. The critical value of bounds F and t are computed by stochastic simulations using 20,000 replications in Stata 13 to check with the results of Microfit 5.0. The lower and upper bounds for F test at 1 per cent level are 4.29 and 5.61, respectively, while the same for t-test are -3.43 and -4.37, respectively. Thus, in both bounds F and t tests

⁴³ Pesaran *et al.*, *op. cit.*

it has been found that a level relationship among the variables in the ARDL model, and examining the effect of climate change on GDP growth of Bangladesh with ARDL model is valid.

5. Concluding Remarks

The main purpose of this paper is to examine the impact of climate change on economic growth in Bangladesh. In doing so, it took some important climatic variables, viz. greenhouse gas emission, average annual rainfall and temperature over the period of three and a half decades, while annual change in GDP is taken as the indicator of economic growth. It conducted time series analysis to examine the stationarity and structural break of the variables. The Zivot-Andrews model is used to detect one endogenous structural break for the unit root tests and Clemente-Montañés-Reyes test is employed to address the issue of the results of the unit root tests in the Zivot-Andrews model by considering a maximum of two structural breaks in the data series for the unit root tests. Since the variables are both $I(0)$ and $I(1)$, the appropriate multivariate econometric model was ARDL. The lag length of the ARDL model is based on Schwarz Bayesian Criterion and Akaike Information Criterion. The empirical results suggest that all climatic variables have negative impact on the economic growth in their first lag. More specifically, according to the econometric findings, greenhouse gas emission, temperature and rainfall of the immediate past year exert negative influence on economic growth of the current year. The results of the present paper reinforce the previous findings that climate change indicators exert negative and statistically significant influence on economic growth of Bangladesh.

Amit Ranjan

INDIA IN AFGHANISTAN: CHALLENGES TO ACTIVE MILITARY ENGAGEMENTS

Abstract

Despite the Government of India's repeated rejections of a demand for having Indian military boots in Afghanistan, there is an ongoing debate across the world, especially within India, over this issue. Whether India's position secures its strategic interests or not, only future will tell. Historically, Afghanistan is known as a "graveyard of empires" where whosoever interfered has faced destruction — the last one was the erstwhile Soviet Union (1979-1989). At present, the United States (US) and Pakistan are bearing the brunt of their misadventures in 1980s. In this paper, after critically looking into the history and present situation in Afghanistan, the author examines the pitfalls of any form of military engagement by India in Afghanistan.

1. Introduction

On 21 August 2017, the President of the United States of America (USA), Donald Trump, unveiling his government's "new" policy on Afghanistan and South Asia, said that "Another critical part of the South Asia strategy for America is to further develop its strategic partnership with India — the world's largest democracy and a key security and economic partner of the USA. We appreciate India's important contributions to stability in Afghanistan, but India makes billions of dollars in trade with the United States, and we want them to help us more with Afghanistan, especially in the area of economic assistance and development".¹ This marks a strategic shift in the US policy, which, unlike the past, calls India to be its partner in Afghanistan while pushing aside its erstwhile ally, Pakistan.

This shift in the US position has been welcomed by many security analysts in India. A few of them have even implicitly or explicitly supported the idea of having Indian boots in Afghanistan. C. Raja Mohan, a leading strategic affairs analyst from India, writes that "India has traditionally been risk averse when it came to strategic commitments beyond its borders".² More clearly, Brigadier (Retd.) Gurmeet Kanwal,

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¹ Office of the Press Secretary, "Remarks by President Trump on the Strategy in Afghanistan and South Asia", 21 August 2017, available at <https://www.whitehouse.gov/the-press-office/2017/08/21/remarks-president-trump-strategy-afghanistan-and-south-asia>, accessed on 24 August 2017.

² C. Raja Mohan, "America's Reset of Afghan Strategy: Potential Realignment of South Asian Geopolitics", *ISAS Insight*, No. 456, 23 August 2017, available at <https://www.isas.nus.edu.sg/ISAS%20Reports/ISAS%20>

in one of his writings, has supported the idea of deploying up to one Indian division (15,000 troops), along with other neighbours. However, he acknowledges that there is no support in India for sending troops in Afghanistan.³ In May 2017, Kanwal presented similar view in a closed door session at the Woodrow Wilson Center, Washington D.C. There he said that "If invited, if there is a UN peacekeeping force ... it is my considered view that perhaps India could be persuaded to send up to a division, provided the logistics are in place, provided Pakistan's so-called sensibilities can be put in place.... We intervene when they ask for help"⁴

Looking at the other side of the coin, former governor of the Reserve Bank of India, D. Subbarao, after a nuanced study of Trump's speech, finds out that Trump did not request for India's involvement in Afghanistan. It seems, as Subbarao finds out, Trump feels that it is India's obligation because it makes dollars in trade from the United States. Hence, as he analyses, more than recognising India as a partner, Trump, in fact, linked US investment in arms production in India to the quantum of support the US gets from India in Afghanistan.⁵

Balancing the debate, soon after Trump's speech, a spokesperson for the Ministry of External Affairs of the Government of India stated,⁶ "We welcome President Trump's determination to enhance efforts to overcome the challenges facing Afghanistan and confronting issues of safe havens and other forms of cross-border support enjoyed by terrorists. India shares these concerns and objectives. We are committed to supporting the Government and the people of Afghanistan in their efforts to bring peace, security, stability and prosperity in their country. We have been steadfast in extending reconstruction and development assistance to Afghanistan in keeping with our traditional friendship with its people. We will continue these efforts, including in partnership with other countries."

Even Afghanistan's Minister for Foreign Affairs, Salahuddin Rabbani who paid a visit to New Delhi in September 2017, did not call for direct engagement of Indian troops in his country. In an interview with *The Hindu*, the minister expressed a hope

Insights%20No.%20456%20Americas%20Reset%20of%20Afghan%20Strategy%20Potential%20Realignment%20of%20South%20Asian%20Geopolitics.pdf, accessed on 24 August 2017.

³ Gurmeet Kanwal, "India Must Deploy Troops", *Deccan Herald*, 08 April 2017, available at <http://www.deccanherald.com/content/605240/india-must-deploy-troops.html>, accessed on 20 September 2017.

⁴ "India could Send Troops to Afghanistan under UN mission: Experts", *Daily Outlook Afghanistan*, 28 May 2017, available at http://outlookafghanistan.net/national_detail.php?post_id=18268, accessed on 25 September 2017.

⁵ Duvvari Subbarao, "Donald Trump's Policy Statement on Afghanistan - Economic Implications for India", *ISAS Brief*, No. 511, 06 September 2017, available at <https://www.isas.nus.edu.sg/ISAS%20Reports/ISAS%20Briefs%20No.%20511%20Trump's%20Afghanistan%20Policy-Implications%20for%20India.pdf>, accessed on 22 September 2017.

⁶ "Official Spokesperson's Response to a Question on President Trump's Comments on Afghanistan", Ministry of External Affairs, Government of India, available at <http://www.mea.gov.in/media-briefings.htm?dtl/28875/official+spokespersons+response+to+a+question+on+president+trumps+comments+on+afghanistan>, accessed on 25 September 2017.

that India would continue to help Afghanistan's security forces by training its cadets. He also expressed that India would convince other countries like Iran and Russia to find out a peaceful solution to Afghanistan's muddle.⁷

During the visit of US Secretary of Defense, James N. Mattis in September 2017, followed by a visit of US Secretary of State, Rex W. Tillerson, the Government of India once again clarified its position over the presence of Indian boots in Afghanistan. The Minister of Defence of India, Nirmala Sitharaman, during a joint press conference with Mattis in New Delhi, categorically stated that, "There shall not be any boots on the ground from India.... We have built dams, hospitals and roads that has been India's contribution and that will continue"⁸

Despite categorically stated by the Union Government of India that the Indian boots are not going to be present in Afghanistan, this issue is still being debated. To an extent, this paper is an attempt to present another side of the debate. This paper looks into the history of India-Afghanistan relations, present level of engagement between the two countries, and on that basis it assesses the consequences of any sort of military engagements by India in Afghanistan. It is divided into five sections including introduction and conclusion. After the introduction, section two discusses the historical ties between India and Afghanistan. In section three, India's engagement in Afghanistan after the US invasion of Afghanistan since 2001 has been discussed. The fourth section examines the challenges to any strategic engagement by India in Afghanistan. Section five ends with a conclusion.

2. Historical Ties between India and Afghanistan

India and Afghanistan have links since ancient times. A few cities like Kandahar (then known as Gandhar) and Samarkand etc. find a mention in ancient Indian texts and epics. The epic Mahabharata has a character called Shakuni whose sister Gandhari (named after Gandhar) was married to a king of Hastinapur (modern Delhi) named Dhritarashtra. Anthropological studies also show that Gandhari was a name of a tribe whose members were converted into Islam by the Afghans.⁹ As this paper is not about the society in ancient Afghanistan, getting into discussion over the character in Mahabharata or the tribe is beyond its scope. However, it is worth noting that the author(s) of the

⁷ Suhasini Haider, "Pakistan should see the Blowback from Supporting Terror: Afghan Minister", *The Hindu*, 13 September 2017, available at <http://www.thehindu.com/opinion/interview/pakistan-should-see-the-blowback-from-supporting-terror/article19672253.ece?homepage=true>, accessed on 25 September 2017.

⁸ "No Indian Troops in Afghanistan, says Defence Minister Nirmala Sitharaman", *Indian Express*, 27 September 2017, available at <http://indianexpress.com/article/india/no-indian-troops-in-afghanistan-says-defence-minister-nirmala-sitharaman-4862943/>, accessed on 16 November 2017.

⁹ Haroon Rashid, *History of the Pathans: Vol. I, The Sarbani Pathans*, Islamabad: Printo Graphic, p. 32.

text¹⁰ was familiar with the city or the tribe. This is mainly because the *Aryans* used that route to enter India.¹¹

In mediaeval India, many Afghans invaded India and later, made it their home. Bahlul Khan Lodi who set up the Lodi dynasty after the fall of the Sayyid dynasty in 1451 in Delhi was an Afghan. Lodi dynasty was overthrown by Zahiruddin Muhammad Babur in 1526. He defeated the last king of Lodi dynasty, Ibrahim Lodi, with the help of 12,000 soldiers from Afghanistan. In mediaeval India, Afghanistan was strategically important because of its climate which was best suited for breeding high-quality horses which proved to be a potent force against the enemies during the wars. Any hostile ruler in Kabul could affect the supply of those horses and there were four roads between Kabul and India through the Khyber Mountains, Bangash, Naghar in Bagzhan, and Farmuli in Urghun. Any sort of security of India from the Central Asia was depended upon securing these four roadways.¹² The Mughals, especially since the reign of Jalaluddin Muhammad Akbar (1556-1605), successfully held Afghanistan under their control through power and money.¹³ The decline of the Mughal power since 1707 led to the revival of Afghan rulers which proved dangerous for India. In 1739, Nadir Shah invaded India. His invasion led to killing of many people and hefty amount of wealth was looted, including war indemnity imposed on the Mughal King, Muhammad Shah. In 1747, one of his Generals, Ahmad Shah Abdali, who succeeded Nadir Shah after his death, repeatedly invaded India. In the 1740s, Ahmad Shah left India, and came again in 1761 to fight and defeat the Marathas in the third battle of Panipat. After Ahmad Shah, there was a decline in Afghan's power, but the Mughals were not powerful enough to re-establish their sway in Afghanistan.

The arrival of the British imperialists in the Indian subcontinent in the eighteenth century once again brought Afghanistan and India together. Like the Mughals, the British too wanted to establish their control over Afghanistan for security reasons. The fear was from the Russians and Persian kingdoms, as both had eyes on Afghanistan. In their early days, the Afghan ruler Dost Mohammad Khan was an ally of the East-India Company in Afghanistan but the two could not remain friend for a long time. The British alleged Dost Mohammad for also playing with the Russians. Due to that, the East-India Company declined Dost Mohammad's request to help him against the Sikhs to recapture Peshawar. The cracks in relationship between Dost Mohammad and the East-India Company paved the way for the British company to set up a friendly

¹⁰ Romila Thapar finds that Hindu epic Mahabharata is a story of different periods. She argues that a few events in this epic depict a picture of clan-based society while other features were possible only after the caste system came into existence. Hence, it is difficult to mark out a period for Mahabharata and locate genealogies. See Romila Thapar, *The Past as Present: Forging Contemporary Identities through History*, New Delhi: Aleph Publication, 2014.

¹¹ Aryan is a race to which people in north India and some other parts of South Asia belong. They are originally from Europe who, in ancient time, came in various batches to South Asia. *Ibid.*

¹² Kaushik Roy, *War and Society in Afghanistan: From the Mughal to the Americans, 1500-2013*, New Delhi: Oxford University Press, 2015, p. 19.

¹³ *Ibid.*

regime in Afghanistan. As such, in March 1839, Sir Willoughby Cotton advanced through the Bolan Pass, installed Shah Shuja as the Amir, and occupied Kabul.¹⁴

However, this step backfired and led to the first Anglo-Afghan War in 1839-1842. The war ended with the retreat of the British forces from Afghanistan and reinstallation of Dost Mohammad Khan. The second Anglo-Afghan War in 1878-81 was due to strategic contest between the British and the Russians to establish their respective influences over Afghanistan. This war ended with the Treaty of Gandamak in 1879 under which the British attained control of foreign relations of Afghanistan and recognised the Amir's right to have sovereign control over the internal affairs of their country. In 1893, Durand line was drawn on the basis of Memorandum of Understanding (MoU) signed between Mortimer Durand, the Foreign Secretary of the British Indian Government and Afghan Amir Abdur Rahman Khan¹⁵ to demarcate their respective areas of jurisdiction. The line separated British India from Afghanistan. In 1919, third Anglo-Afghan war took place. As a result of this war, the Afghans won their independence from the British rule. Also, the British lost their control over the Afghanistan's foreign affairs.

With the birth of Pakistan due to the partition of India in 1947, a new sovereign state came between India and Afghanistan. However, it was the result of the first Kashmir War between India and Pakistan in 1947-48, due to which India lost whatever territorial links it had with Afghanistan.¹⁶ Since 1947, Afghanistan is in disputes with Pakistan over the 2,400 kilometer-long Durand line. After independence, India recognised the Durand line as a boundary between Afghanistan and Pakistan. Evidently, in 1947 when Afghan King Zahir Shah refused to recognise the Durand line as a border between Pakistan and Afghanistan, the then Indian Prime Minister, Jawaharlal Nehru, publicly expressed his opposition to Afghanistan's position.¹⁷

In 1950, an Indo-Afghan Friendship Treaty was signed to promote trade and cooperation between the two countries. Under that treaty, India also promised for a limited military training to the Afghans.¹⁸ In 1959, Nehru paid an official visit to Afghanistan.¹⁹ In the 1970s, the interactions between India and Afghanistan declined mainly because of internal squabbles in Afghanistan. However, it cannot be convincingly concluded that India was out of the great game which was going on in Afghanistan. The tension between the King and the People's Democratic Party of Afghanistan (PDPA) eventually ended with the latter coming into power in 1978. The PDPA was a divided house with the *Khalq* (masses) led by Nur Muhammad Taraki and

¹⁴ Antoinette Burton, *The First Anglo-Afghan Wars: A Reader*, Durham: Duke University Press, 2014.

¹⁵ Peter Marsden, *The Taliban: War, Religion and the New Order in Afghanistan*, Karachi: Oxford University Press, 1998.

¹⁶ The border which touches Afghanistan lies in the Pakistan side of Kashmir.

¹⁷ Cited in Rani D. Mullen, "India-Afghanistan Relations", in Sumit Ganguly (ed.), *Engaging the World: Indian Foreign Policy Since 1947*, New Delhi: Oxford University Press, 2016, pp. 105-129.

¹⁸ *Ibid.*

¹⁹ *Ibid.*

the *Parcham* (banner or flag) led by Babrak Kamal. Both factions were united for a short time after King Zahir Shah was overthrown in a military coup in 1973 by his cousin and former Prime Minister, Mohammed Daoud Khan. After defeating Daoud, Nur Mohammad Taraki formed the government in 1978. The differences between the factions resurrected and graduated into conflicts.

In that conflict between *Khalq* and *Parcham*, India tilted towards the latter. In the 1980s, the successive Prime Ministers of India — Indira Gandhi and Rajiv Gandhi developed close relationship with *Parcham* leaderships. Rajiv Gandhi supported Mohammad Najibullah in the 1980s against all odds. There were reports of Indian pilots fighting in 1989 battle of Jalalabad between Najibullah's forces and the Mujahideen. However, the government of India denied any element of truth in that report.²⁰ By 1989, as the war was coming to an end, Najibullah became weak and turned into a liability for India.²¹

Earlier in 1979, in support of the President of Afghanistan, the Soviet Army entered Afghanistan. The then Prime Minister of India, Chaudhary Charan Singh strongly opposed the Soviet intervention and India's permanent representative at the United Nations (UN) was asked to express regret over the Soviet intervention in that country, and demanded its withdrawal from Afghanistan.²² However, after the fall of the short-lived Charan Singh led government, Mrs. Indira Gandhi made a comeback and India's stand was politically overturned. Now, as India was not being critical of the Soviet Army's presence in Afghanistan, the new government was seen as endorsing its support to the revolutionary leadership in Afghanistan.²³ This view became stronger when India abstained itself from voting on a UN resolution which asked for the Soviet withdrawal from Afghanistan.

However, more important than India's interaction and stand on Afghanistan, the development which still has its footprints in the region was entry of the US with a logistical support from Pakistan. This changed the course of the civil war and history. Pakistan provided a substantive number of recruits who were trained by the Central Intelligence Agency (CIA) to fight against the Soviet army in Afghanistan. After General Zia ul Haq, the then head of the state, rejected America's US\$ 400 million offer calling it "peanuts", the then US president Ronald Reagan increased the aid to US\$ 3 billion in 1981. Since then Pakistan spiritually got engaged in the Afghanistan's affairs.

General Zia himself attended few meetings with the Afghan resistance leaders on the border areas of Pakistan and Afghanistan. An Afghanistan bureau was set up with its headquarters at Ojhri Camp in Rawalpindi. Base camps were used by

²⁰ Avinash Paliwal, *My Enemy's Enemy: India in Afghanistan from the Soviet Invasion to the US Withdrawal*, London: Hurst & Company, 2017, p. 72.

²¹ *Ibid.*

²² See, S. D. Muni, "India's Afghan Policy: Emerging from the Cold", in K. Warikkoo (ed.), *Afghanistan: Challenges and Opportunities*, Vol. 1, New Delhi: Pentagon Press, 2007, pp. 332-357; and *Ibid.*

²³ *Ibid.*

the Inter-Services Intelligence (ISI) to supply weapons to Afghan Mujahideen.²⁴ The war ended in 1989 after the Soviet army left Afghanistan. After the end of the war, Afghanistan witnessed a phase of anarchy where everyone was free to do anything. To control such a prevailing situation, the Taliban was formed by Mohammad Omar in October 1994. After defeating many warlords and reining in Mujahideen, the Taliban came to power in 1996.

During the Taliban regime in 1996-2001, India had almost no contact with the political establishment of Afghanistan, yet it continued to provide aid and assistance to the country. The Annual Report of 1999-2001 of the Ministry of External Affairs of the Government of India states,²⁵ "As in previous years, India continued to send humanitarian assistance to Afghanistan both bilaterally and through the UN. To ameliorate the suffering of thousands of Afghan people displaced from the Shumali plains and Takhar province, 1000 tents, 25,500 blankets, 140 tonnes of food items and 15 tonnes of medicines, medical supplies and medical equipment were dispatched by eight chartered flights. More consignments of medicines, shelter material and food items will be sent in the coming months."

The first interaction by the Government of India with the Taliban government was in December 1999, when an Indian Airlines plane IC 814 from Kathmandu to New Delhi was hijacked *en route*, and landed at Kandahar in Afghanistan. During the eight days of negotiations between the Indian side and the hijackers, IC 814 remained on the runway at Kandahar.²⁶ The hijackers demanded the release of Masood Azhar (who later planned an attack on the Indian parliament in December 2001) and his two other associates, which the Indian political establishment accepted, after exploring a few options they had. At that time, the Taliban "condemned the hijacking and refused to give political asylum to the hijackers. They warned the hijackers not to harm any of the passengers or else they would storm (into) the aircraft. The Taliban provided fuel to the aircraft to keep the passengers warm."²⁷

On Taliban's role during the hijacking, the Ministry of External Affairs of the Government of India's Annual Report of 1999-2000 stated,²⁸ "Notwithstanding our lack of recognition of the Taliban, our strong reservations about its obscurantist ideologies and our opposition to the manner in which it has permitted itself to be manipulated by Pakistan, we established direct contact with the Taliban during the hijacking of Indian Airlines flight IC-814. The role played by the Taliban during this crisis was noted but we made it clear that the fundamentals of our Afghan policy would not change."

²⁴ Hein G. Kiessling, *Faith, Unity, Discipline: The ISI of Pakistan*, New Delhi: Harper Collins, 2016, p. 54.

²⁵ Ministry of External Affairs, Government of India, *Annual Report 1999-2000*, available at http://www.mea.gov.in/Uploads/PublicationDocs/162_Annual-Report-1999-2000.pdf, accessed on 25 September 2017.

²⁶ Iftikhar Malik, "Pashtun Identity Formation and Taliban Politics: Grand Narratives and Contemporary Searchlight", in Shaun Gregory (ed.), *Democratic Transition and Security in Pakistan*, London: Routledge, 2016, pp. 102-123.

²⁷ Cited in *Ibid*.

²⁸ Ministry of External Affairs, Government of India, *Annual Reports, 1999-2000*, *op. cit*.

3. Post-2001: India's Engagement with Afghanistan

On 11 September 2001, terrorists hijacked four US planes and crashed them into the World Trade Center (WTC) in New York. This led to the killing of many innocent Americans. In the aftermath, the US declared Global War on Terrorism (GWOt) starting from Afghanistan in December 2001. In that invasion, the Northern Alliance (NA), a non-Taliban faction in Afghanistan, also fought against the Taliban regime. Initially, the US led alliance wanted India to become a part of it. The then Prime Minister of India, Atal Bihari Vajpayee discussed the issue with his coalition cabinet which was divided on the issue over an active participation in the Afghan muddle by sending its armed forces to fight in Afghanistan along with the International Security Assistance Force (ISAF), though India provided material support to the NA in its fight against the Taliban.²⁹ In 2003, the US made such request again after it invaded Iraq, this time the government took the matter to the Parliament. As the majority number of members expressed their reservations against sending Indian soldiers to fight along with ISAF, the Government of India, once again, declined the request to provide an active military support to the US led alliance. However, India actively participated in the Bonn conference in December 2001 where it extended its support for post-conflict construction activities in Afghanistan.

Looking into the post-2001 India's engagements in Afghanistan, Harsh V. Pant divides it into three distinct phases: "soft" engagement, New Delhi marginalised, and India fights back.³⁰ Soon after the attack on Afghanistan began, as the Taliban started losing its ground, there was an upgradation of India's diplomatic representation in Afghanistan from liaison office to a full-fledged embassy in 2002.³¹ At present, India has its consulates in many other cities of Afghanistan like Herat, Jalalabad, Kandahar, and Mazaar-e-Sharif.

Since then, economically, India is one of the top six donors in Afghanistan. In May 2011, the then Indian Prime Minister Manmohan Singh announced commitment of US\$ 500 million for Afghanistan's development, over and above the then India's existing aid assistance around US\$ 1.5 billion. Also, New Delhi and Kabul signed the 'Strategic Partnership' agreement in 2011.³² India is actively engaged in construction of roads, schools, hospitals, training the Afghan officials, providing them subsidised medical facilities in India etc.³³ The Indian government provides a daily supply of 100 grams of fortified high-protein biscuits to nearly 1.2 million children under school feeding programme. This programme is administered through World Food Programme

²⁹ This was news in 2001 which was confirmed to the author by an active diplomat who was then posted in the Ministry of External Affairs, New Delhi.

³⁰ Harsh V. Pant, *Indian Foreign Policy: An Overview*, Manchester: Manchester University Press, 2016.

³¹ Harsh V. Pant, "India's Af-Pak Conundrum: South Asia in Flux", *Orbis*, Vol. 56, No. 1, Winter, 2012, pp. 105-117.

³² *Ibid.*

³³ *Ibid.*

(WFP) and had cost US\$ 460 million.³⁴ To support education in Afghanistan, India provides 675 long-term university scholarships annually sponsored by the Indian Council for Cultural Relations for under-graduate and post-graduate studies in India.³⁵ To meet its internal security concerns, India also provides training to members of the Afghan National Army.³⁶ Furthermore, to maintain law and order situation in Afghanistan, in September 2017, India and Afghanistan will be signing an MoU under which India will train Afghan police. This MoU is being supported by United Nations Development Programme (UNDP).³⁷

These engagements have been challenged by some external actors with support from the Taliban. Indian embassy in Afghanistan was attacked twice. The first one was in July 2008 and then in October 2009, when an explosion was carried out at the Indian mission in Afghanistan.³⁸ India blamed ISI agents for both attacks. To this, a Pakistani Army General, on a serious note, stated that the “Taliban in Afghanistan are attacking all outsiders who are collaborating with ISAF and so they need no special provocation from Pakistan to target Indians”.³⁹

Obviously, growing engagements between India and Afghanistan have made Pakistan concerned. Evidently, in 2013, Hamid Karzai’s spokesman Aimal Faizi revealed that Pakistan demanded for cutting Afghanistan’s ties with India, to send army officers to Pakistan for training, and sign a strategic partnership.⁴⁰ Targeting Pakistan’s role in Afghanistan, during the seventh Heart of Asia-Istanbul Process (HoA-IP) conference, the Afghan President Ashraf Ghani clarified that the member states have to identify cross-border terrorism and those who funds it. Naming Sartaj Aziz, foreign policy advisor to the then Prime Minister of Pakistan, Ghani said, “Pakistan has pledged US\$ 500 million for Afghanistan’s development. This amount, Mr. Aziz, can be spent to contain extremism.”⁴¹ He held Pakistan responsible for violence in Afghanistan by providing safe sanctuary to Taliban fighters.⁴²

³⁴ Gulshan Sachdeva, “International and Regional Contributions to Afghan Reconstruction”, in Arpita Roy Basu, Binod Kumar Mishra and Alvia Mishra (eds.), *International Intervention in Afghanistan: Motives and Approaches*, New Delhi: Shipra Publications, 2012, pp. 150-162.

³⁵ *Ibid.*

³⁶ Harsh V. Pant, *Indian Foreign Policy: An Overview*, *op. cit.*

³⁷ Suhasini Haider, “India to train Afghan Police”, *The Hindu*, 29 September 2017, available at <http://www.thehindu.com/news/national/india-to-train-afghan-police/article19737384.ece>, accessed on 29 September 2017.

³⁸ Harsh V. Pant, “India’s Af-Pak Conundrum: South Asia in Flux”, *op. cit.*

³⁹ Hasan Abbas, *The Taliban Revival: Violence and Extremism on the Pakistan-Afghanistan Frontier*, New Haven and London: Yale University Press, 2014, p. 210.

⁴⁰ “Afghan govt alleges Pakistan abandoned peace process”, *The Dawn*, 29 March 2013, available at <https://www.dawn.com/news/798671>, accessed on 25 July 2017.

⁴¹ “Pakistan snubbed by Afghan President Ashraf Ghani for giving ‘sanctuary’ to terrorists”, *The Times of India*, 04 December 2016, available at <http://timesofindia.indiatimes.com/india/Pakistan-snubbed-by-Afghan-President-Ashraf-Ghani-for-giving-sanctuary-to-terrorists/articleshow/55787178.cms>, accessed on 21 February 2017.

⁴² *Ibid.*

Unfazed by the challenges India faces due to its engagement with Afghanistan, India continued with its work. This made India to fight back and attain significance in Afghanistan. In real terms, the fight back began after many of the post 2001 India's engagement with Afghanistan have yielded some results. While fighting back to retain its position, India coordinated with the two important neighbours and players in Afghanistan — Russia and Iran. India also got engaged in some back channel talks with Pakistan to find out a regional solution to Afghanistan conundrum.⁴³ Not all coordinated efforts fructified, however, a few organisations, discussed in latter part of this paper, were formed as a result of such effort.

Politically, in recent years, until September 2016, the Indian Prime Minister Narendra Modi has met with the Afghanistan's President Ashraf Ghani eight times.⁴⁴ This is many in such a short period of time after the two leaders have assumed power in their respective countries. Modi came to power in May 2014, while Ghani assumed Afghan Presidency in September 2014. During their meeting in September 2016, the Indian Prime Minister announced the allocation of further US\$ 1 billion, beyond US\$ 2.2 billion utilised so far, to support and assist Afghanistan through capacity-building in sectors such as education, health, agriculture, providing training for skill development, empowerment of women, setting up energy infrastructure and the strengthening of democratic institutions. The two governments are also cooperating in other sectors like pharmaceuticals, infrastructure and air connectivity.⁴⁵

An absence of a common border and connectivity has its impact on India-Afghanistan trade. According to the World Bank's data of 2014, Iran is Afghanistan's top export partner, with an annual trade volume of US\$ 1.49 billion between them. This represents 19.5 per cent of Afghanistan's total trading activity. Export from Pakistan is around US\$ 1.3 billion, representing 17.25 per cent of total imports. Import from India to Afghanistan is around US\$ 100 million.⁴⁶ Although Pakistan allows Afghanistan to transport some goods to India through its territory, India is unable to export such goods to Afghanistan through Pakistan.⁴⁷ To overcome such a situation, the Chabahar port agreement was signed between Iran, India, and Afghanistan during Modi's state visit to Iran in May 2016.⁴⁸ India and Afghanistan also have a plan to carry their trade through air cargo which cannot increase the volume of their trade substantially. India has constructed India-Afghanistan Friendship Dam — also called Salma Dam in Herat, the Parliament Building in Kabul, the Zaranj-Delaram Highway,

⁴³ Harsh V. Pant, *Indian Foreign Policy: An Overview*, op. cit.

⁴⁴ Keynote Address by Sujata Mehta, Secretary West, Ministry of External Affairs, Government of India, "ICWA Seminar on Heart of Asia", available at <http://www.icwa.in/pdfs/stmtdg/2014/KeynoteaddressHoA10112016.pdf>, accessed on 20 February 2017.

⁴⁵ *Ibid.*

⁴⁶ Ankit Panda, "India, Afghanistan Plan Air Link to bypass Pakistan for Trade", *The Diplomat*, 06 December 2016, available at <http://thediplomat.com/2016/12/india-afghanistan-plan-air-link-to-bypass-pakistan-for-trade/>, accessed on 21 February 2017.

⁴⁷ *Ibid.*

⁴⁸ *Ibid.*

transmission lines, power stations and the innumerable small development projects which emphasise creating community infrastructure at local levels.⁴⁹ All such projects have been handed over to the Afghan government.

India officially participated in various donor conferences on Afghanistan. Speaking about India's assistance in development of Afghanistan, the Minister of State for External Affairs of India, M. J. Akbar, at the Brussels conference in October 2016, informed the other donors about the historical ties between India and Afghanistan when goods from Kabul easily moved to Calcutta (Kolkata) through the Grand Trunk Road. But this has been blocked now for political reasons by Pakistan. The minister assured the donors that despite it, India will continue to give access to products from Afghanistan into Indian market through all means of transportation — land, sea and air.⁵⁰

On 04-05 December 2016, India organised HoA-IP conference in Amritsar, India. Addressing the conference, the Indian Prime Minister and the Finance Minister reiterated India's commitment towards the development of Afghanistan. The conference ended with the Amritsar Declaration in which various steps to improve the situation in Afghanistan, the present challenges and certain guidelines to achieve objectives were highlighted. One such important question was how to tackle militancy and terrorism in Afghanistan? On this the Amritsar declaration stated,⁵¹ "Efforts to eliminate the menace of terrorism and violent extremism will not succeed without a concerted and coherent regional approach involving all HoA countries... We welcome and support Afghanistan's initiative in taking the lead in exploring a regional counter-terror strategy, in accordance with the established principles of the UN Charter, which we agreed was necessary when we last met in Islamabad in December 2015".⁵²

Afterwards, the six party consultations on Afghanistan, held at Moscow on 15 February 2017, ended without any substantive conclusion. Other than India and Russia, the participants were Afghanistan, China, Iran and Pakistan. After the consultations, India expressed a hope for regional cooperation to bring peace and

⁴⁹ Keynote Address by Sujata Mehta, *op. cit.*

⁵⁰ M. J. Akbar, Minister of State for External Affairs, Government of India, "Regional Integration and Prosperity at Brussels Conference on Afghanistan", available at <https://www.mea.gov.in/SpeechesStatements.htm?dtl/27462/address+by+mj+akbar+minister+of+state+for+external+affairs+on+regional+integration+and+prosperity+at+brussels>, accessed on 20 February 2017.

⁵¹ Ministry of External Affairs, Government of India, "Amritsar Declaration at the 6th Ministerial Conference of Heart of Asia", available at <https://www.mea.gov.in/bilateral-documents.htm?dtl/27746/amritsar+de+claration+at+the+6th+ministerial+conference+of+heart+of+asia+december+04+2016>, accessed on 20 February 2017.

⁵² *Ibid.*

stability in Afghanistan.⁵³ Correspondingly, Pakistan too expressed similar feelings.⁵⁴ However, the question remains: can it happen?

4. Challenges to Strategic (Mis)Adventure

It is difficult to ascertain the number of Taliban fighters active in Afghanistan. The estimates vary from one source to another. The number of fighters and their strength has further increased after the Islamic State (IS) extended its support to the Taliban. At present, the Taliban controls or dominates over 48 out of roughly 400 administrative areas, the most since they were ousted from power in 2001.⁵⁵ More significant than the number of fighters it has, is the local support which it commands. In all war zones where the outside powers are militarily engaged against the locals, most of those individuals, who have no links or any affiliations with any group usually side with the local fighters because they consider them as their “own” people fighting against the foreign invaders. Former Finance Minister of Pakistan, Shahid Javed Burki, in his closed door presentation at Institute of South Asian Studies, Singapore, narrated a story of an AK-47 gun in Afghanistan. As a fighter for the Taliban, the eldest son of the family had an AK-47. After he was killed, the second son got hold of the gun to fight against the foreigners. Subsequently, the gun was passed on to other brothers and they too were killed in action. Finally, after the death of his six sons, it was the father who became the carrier of that gun. Later, he too was killed in an American attack. Though a poignant story, it narrates the willingness of a few of Afghan men to fight against foreign invasion.

Historically, Afghanistan has remained as one of the most troublesome territories for the “outsiders” and known by an epithet — a “graveyard of empires”. In ancient, mediaeval and modern times, the battle hardened warriors from Afghanistan fought against the well-organised armies and defeated them. About the ruggedness of Afghans and their women, Rudyard Kipling has written long ago in 1895 in a stanza of his poem, “The Young British Soldier”:⁵⁶

⁵³ Ministry of External Affairs, Government of India, “Transcript of Media Briefing on Vice President’s visits to Rwanda & Uganda and Weekly Briefing by Official Spokesperson,” available at https://www.mea.gov.in/media-briefings.htm?dtl/28075/Transcript_of_Media_Briefing_on_Vice_Presidents_visits_to_Rwanda_amp_Uganda_and_Weekly_Briefing_by_Official_Spokesperson_February_16_2017, accessed on 20 February 2017.

⁵⁴ Ministry of Foreign Affairs, Government of Pakistan, “Record of the Press Briefing by Spokesperson,” available at <http://www.mofa.gov.pk/pr-details.php?mm=NDc3Mw>, accessed on 20 February 2017.

⁵⁵ Helene Cooper and Rod Nordland, “As Trump Rolls out War Plan, Taliban are Gaining”, *The New York Times*, 21 August 2017, available at <https://www.nytimes.com/2017/08/21/world/asia/trump-afghanistan-war-taliban.html>, accessed on 24 August 2017.

⁵⁶ Antoinette Burton, *op. cit.*

*When you're wounded and left,
On Afghanistan's plains,
And the women come out,
To cut up your remains,
Just roll on your rifle,
And blow out your brains,
And go to your Gawd,
Like a soldier.*

Apparently, even in modern times, Afghanistan has been a “graveyard of empires”. During the Cold War years (1945-1991) in 1979, erstwhile Soviet Union entered Afghanistan which may have caused for its disintegration and end of the Cold War. Not only the Soviet Union, other actors too who participated in that Afghan war (1979-1989) still face the brunt decades later. The Taliban who came to power after the Soviet withdrawal was thrown out of power in 2001. Pakistan which played a significant role in Afghan affairs since 1979 faces the legacies of terrorism.⁵⁷

On lines of Kipling, Alex Strick Linschoten and Felix Kuehn have compiled poems of young Taliban which clearly expresses anger against the presence of foreigners in Afghanistan. One of the couplets says:⁵⁸

*“I acknowledge we may not be gentlemen,
But, we didn't run away from the foreigners,
What does the foreigner think of us?
No one has driven us out of our own land.”*

Hence, guided by their legacy, the present Afghans, it seems are willing to fight. Therefore, defeating them through military means and attacks is a difficult proposition.

An external actor which is deeply engaged in Afghan affairs is Pakistan. In the past, even when Afghanistan's relationship with Pakistan had not been good, the two countries never turned against the other. For example, soon after the birth of Pakistan in 1947, Pakistan and Afghanistan entered into serious disputes over the status of the Durand line. The tension was such that Afghanistan was the only country which did not recognise Pakistan in 1948 in the UN. Despite this, the two countries had a close relationship. In the 1965 and 1971 wars between Pakistan and India, Afghan

⁵⁷ See Rasul Baksh Rais, “Afghanistan: A Weak State in Path of Power Rivalries”, in T. V. Paul (ed.), *South Asia's Weak States: Understanding the Regional Insecurity Predicament*, New Delhi: Oxford University Press, 2011, pp. 195-219.

⁵⁸ Alex Strick Linschoten and Felix Kuehn, *Poetry of the Taliban*, Gurgaon: Hachette India, 2011, p. 188.

government never created problems for Pakistan on its western frontier. On the contrary, in 1965, the ruler of Afghanistan, King Zahir Shah, even asked Pakistan to move all its troops from the border with Afghanistan saying Pakistan had no cause to fear its western border.⁵⁹

Even during what was thought to be a Pakistan friendly Taliban regime in Afghanistan, the Durand line issue remained a bone of contention between the two countries. Taliban spokesperson revealed that the government of Pakistan made a formal approach three times to the Taliban to agree upon the status of the Durand Line. To that, the Taliban maintained that they were not a national government of the country instead they regarded themselves as an emergency transition which cannot decide on such an important issue.⁶⁰ Yet, until Pakistan joined the GWoT in 2002, its social and political establishment had a close relationship with the Taliban government.⁶¹ After Pakistan became part of the invasion, there are officials in their individual capacity from both sides of the border who have close relations with each other.⁶²

An important guiding factor in Afghanistan's relationship with Pakistan is ethnic bonding between the two countries. Pakistan is home to about 1.3 million Afghan refugees plus it has its own around 300 million Pashtuns. As an ethnic group, the Pashtuns from both sides of the border share strong bondings. Unfolding the status of Afghanistan's relationship with India and Pakistan, Arwin Rahi writes that India and Afghanistan are closer to each other because of their shared opposition to Pakistan because of its certain policies. Once status quo changes in South Asia, Afghanistan and India will witness estrangement in their bilateral affairs.⁶³

Taking into account the above-mentioned reasons, the following scenarios can be envisaged or, to an extent, forebode if India goes beyond the present level of engagement in Afghanistan, especially if it includes anything related with military.

First, as India has made a lot of investments in Afghanistan, and has opened its door for Afghans; it is being presumed that India is favoured by them more than the other countries of the region. However, this is not an objective assessment of perception of India and Indians in Afghanistan. For Afghans, India is primarily a home to the Hindus. Stereotyping Hindus is common in many parts of Afghanistan.⁶⁴

⁵⁹ Aparna Pande, *Explaining Pakistan's Foreign Policy: Escaping India*, London and New York: Routledge, 2011, p. 82.

⁶⁰ Cited in Abubakar Siddique, *The Pashtuns: The Unresolved Key to Afghanistan*, Gurgaon: Random House, 2014, p. 60. For original, see, Zahid Hussain, *Frontline Pakistan: The Struggle with Militant Islam*, New York: Columbia University Press, 2007, pp. 39-40.

⁶¹ See Carlotta Gall, *The Wrong Enemy: America in Afghanistan, 2001-2014*, New York: Houghton Mifflin, 2014.

⁶² *Ibid.*

⁶³ Arwin Rahi, "Would India and Afghanistan have had a close relationship had Pakistan not been founded?", *The Dawn*, 22 August 2017, available at <https://www.dawn.com/news/1353172/would-india-and-afghanistan-have-had-a-close-relationship-had-pakistan-not-been-founded>, accessed on 24 August 2017.

⁶⁴ *Ibid.*

Derogating the Hindus in Afghanistan, a section of population believes that Hindus are ‘unbelievers’ and thus, cowards, and ‘one Muslim can overpower seven Hindus’⁶⁵ In some parts of Afghanistan, Hindus are referred to as ‘mis’keen’ (poor), not because they are poor, but because they lack ‘imaan’ (honesty)’⁶⁶

Second, once engaged in military actions in Afghanistan, collateral damages are bound to take place during such operations. This would certainly make a drastic change in the perception about India in Afghanistan. Along with the western troops, Indians would also be categorised as “enemy” against whom Afghans, mainly those influenced by the Taliban or victimised by the military operations think they have to fight. There is nothing unusual in it. Almost all locals develop similar thinking against foreign military presence no matter how cordial the foreigners are or present themselves to be. For example, in 1987 when the Indian Peace Keeping Force (IPKF) entered Sri Lanka, it was welcomed but over the time, as the troops engaged in military operations and casualties started, opposition to the IPKF and India began. During his visit to Sri Lanka, the then Indian Prime Minister Rajiv Gandhi was attacked by a Sri Lankan soldier while he was receiving the Guard of Honour. In the year 1990, the IPKF was called back amidst growing opposition in Sri Lanka and in India too. Rajiv Gandhi lost power, yet was not forgotten by the Liberation Tigers of Tamil Eelam (LTTE). Later in 1991, during an election campaign, he was assassinated by the cadres of the Eelam at Sriperumbudur in the Indian state of Tamil Nadu.

Third, an engagement of Indian troops in Afghanistan would give reasons to insurgents and militants to justify their fight against the Indian state. This has happened in Pakistan. After the entry of Pakistan in the Afghanistan mess after 9/11, the Taliban turned against its erstwhile ally and has carried out many attacks in the country. Although it would not be very easy for the Taliban to do so in India because of geographical reasons, a possibility of limited attack remains open. In almost all major countries of the world, sleeper cells of terror groups do have their presence; problem emerges only when they become active and start carrying out attacks. In the past, in India, it has been reported about the individuals who went to Afghanistan to fight against the US Army. In May 2017, one such case which came into limelight was that of Abdul Rashid Abdulla. He was sought by the India’s National Investigation Agency (NIA) for leading 23 Kerala residents to join the Islamic State in Afghanistan’s Nangarhar province. He, in an exclusive interview with an Indian journalist Praveen Swami for an Indian daily *Indian Express* categorically stated that popularity of his organisation is increasing and he has lots of supporters and sympathisers in India.⁶⁷

⁶⁵ *Ibid.*

⁶⁶ *Ibid.*

⁶⁷ Praveen Swami, “From Afghan hideout, Kerala jihad leader calls faithful to Caliphate”, *The Indian Express*, 18 May 2017, available at <http://indianexpress.com/article/india/from-afghan-hideout-kerala-jihad-leader-calls-faithful-to-caliphate-4661362/>, accessed on 25 September 2017.

Finally, an isolated and aggrieved Pakistan army may start doing what it did in the 1980s, and continued since then, though the number has declined — train the militants and send it across the border to fight a proxy war in the Indian territory.⁶⁸ With Indian soldiers in Afghanistan, it will be easier for Pakistan army to establish that Islam is under attack by the Hindu India, an idea which has been propagandised by the Pakistan army for decades to unite their country under its institutional leadership. In the 1980s, same propaganda prophetically guided many Pakistani youths to become warriors and martyrs to secure the American and Pakistan army's objective in Afghanistan.

5. Conclusion

Apparently, Afghanistan is turning into a more dangerous place where peace cannot be won, so it has to be negotiated; however, none of the fighting sides seem to be trying for it, at least at present. Instead, they are preparing for more fierce war in the near future. This is evident from Trump's statement: "We are not nation building again. We are killing terrorists".⁶⁹ As such, an additional 3,900 US soldiers are going to join their comrades in the war-ravaged Afghanistan. At present, there are about 8,400 troops on the ground in Afghanistan, but an actual number hovers between 11,000 and 12,000.⁷⁰

In the Afghan muddle, as discussed in the paper, any form of military engagement would be dangerous for India. Instead of giving an ear to Trump's plan, it is better if the South Asian countries join their hands together. However, looking into the region and weighing the level of trust each country has on another, especially after the postponement of the 19th Summit of the South Asian Association for Regional Cooperation (SAARC) scheduled to be held in Islamabad in 2016, any talk about cooperation or coordination looks a little difficult although not absolutely impossible as this is the only effective way to bring peace in Afghanistan. Even the HoA-IP conferences talk about the importance of it.

⁶⁸ Zahid Hussain, *Frontline Pakistan: The Struggle with Militant Islam*, New York: Columbia University Press, 2007.

⁶⁹ Office of the Press Secretary, *op. cit.*

⁷⁰ Courtney Kube, "US has thousand more troops in Afghanistan than the Pentagon Admits", *NBC News*, 23 August 2017, available at <https://www.nbcnews.com/news/military/u-s-has-thousands-more-troops-afghanistan-pentagon-admits-n795141>, accessed on 24 August 2017.

Mohammad Morad Hossain Khan

GLOBALISATION AND ITS IMPACT ON STRATEGIC PARTNERSHIPS: US-INDIA AND SINO-PAKISTAN NUCLEAR COOPERATION

Abstract

Globalisation has left tremendous impact in the contemporary world. Despite positive aspects of globalisation in many sectors such as rapid communication, business, enhanced interactions among the peoples, it has also introduced some major changes in the economics, political and military domain of world politics. For example, the rise of China, in terms of economy and military power, is one of the most significant events in the age of globalisation. Despite being a communist state, it liberalised its economy to become one of the largest beneficiaries of globalisation. At the same time, the relative decline of the United States (US) appears to be visible in its economic and political status. This paper takes up the case studies of the US-India Nuclear Agreement and Sino-Pakistan Nuclear Cooperation to demonstrate the political as well as military polarisation of the world and how it is being affected by globalisation. The US and India developed their bilateral political and strategic relationship to a great extent after 9/11. India cooperated with the US in the Global War on Terrorism (GWT) while the US came forward in signing a nuclear pact with India in 2008. The most common factor seems to be balancing China – the emerging dragon. On the contrary, China and Pakistan enhanced their nuclear cooperation mostly to counterbalance the former. One of their prime objectives is India, a common rival of Pakistan and China, since India – the emerging elephant – is also growing very rapidly, second only to China. Both case studies reveal that the nuclear cooperation and strategic partnerships are triggered by their intentions to safeguard the benefits accrued from globalisation.

1. Introduction

Globalisation is a highly contested term, especially in academia all over the world, as it has opened up many opportunities in economy, culture, politics, communications, financial flow, migration, and technology as well as creating new debates. Nations are trying to join global or regional networks of information, trade and cooperative security.¹ It has introduced changes in human being's life-style such as food habit, recreation like internet games and music, on-line shopping, on-line study and so on. Social media such as Facebook and Twitter are connecting people,

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¹ B. M. Jain, *India in the New South Asia: Strategic, Military and Economic Concerns in the Age of Nuclear Diplomacy*, London: I. B. Tauris Publishers, 2010, p. 1.

irrespective of race, nationality, gender and place, while transnational democracy and free market economy are gaining significance across the world. However, there is a huge debate on the positive and negative aspects of globalisation.² Politically, civilian and military nuclear cooperation seems to have spawned further in the age of globalisation. North Korea, Iran and Pakistan are often on the list of controversial countries with regard to their nuclear weapons. China and Russia may clutch to defend these countries from the rest of the world like the Cold War politics.³ The United States (US) is not much successful in promoting arms control and nonproliferation in that case.⁴ While the US under the Bush administration termed North Korea, Iran and Iraq (under Saddam Hussein) as rogue states, it signed a strategic nuclear cooperation treaty with India as a responsible country.⁵ Thus, gradually and effectively, global centre of political and military gravity is shifting from the North to the Asia Pacific region. This has necessitated the rethinking of the impacts of globalisation, especially on strategic partnerships and emerging trends of nuclear cooperation.⁶

Against this backdrop, the aim of the paper is to discuss how globalisation affects the world politically, especially in terms of triggering nuclear cooperation. The particular case studies on the US-India Nuclear Deal of 2008 versus the Sino-Pakistan Nuclear Cooperation will attempt to answer the following questions: What is the political implication of the Nuclear Deal between the US and India in 2008 and Nuclear Cooperation between China and Pakistan in the age of globalisation? Among the above four nuclear powers, the US and China are the permanent members of the United Nations Security Council (UNSC) and are global powers, though the US is still considered as the sole superpower, while India and Pakistan, to some extent, are emerging regional powers in Asia.

The paper is divided into the following sections. After the 'Introduction' in section one, section two focuses on how globalisation is increasingly leading to inter-state and inter-region competition across the world. Section three discusses the case studies on the US-India nuclear agreement versus Sino-Pakistan nuclear cooperation to argue how the competition triggered by globalisation has helped forge strategic partnerships between these countries. Finally, section four recapitulates the arguments and draws a conclusion.

² D. Held and A. McGrew, "The Great Globalization Debate: An Introduction", in D. Held and A. McGrew (eds.), *The Global Transformations Reader: An Introduction to Globalization Debate*, Cambridge: Polity Press, 2000, p. 1.

³ Keir A. Lieber and Daryl G. Press, "The New Era of Nuclear Weapons, Deterrence, and Conflict", *Strategic Studies Quarterly*, Vol. 7, No. 1, Spring, 2013, p. 7.

⁴ *Ibid.*, p. 10.

⁵ Robert S. Litwak, "Living with Ambiguity: Nuclear Deals with Iran and North Korea", *Survival*, Vol. 50, No. 1, 2008, p. 94.

⁶ B. M. Jain, *op. cit.*, p. 1.

2. Globalisation: Implication

Scholars have different notions about the origin and meaning of 'globalisation'. According to Scholte, "... 'globalization' refers to a process of removing state-imposed restrictions on movements between countries in order to create an 'open', 'borderless' world economy".⁷ Held and McGrew contend that, "... globalization refers to these entrenched and enduring patterns of worldwide interconnectedness".⁸ They imply mutual or collective dependence on information, communication, culture, business and politics. Global affairs may have strong effects in local culture, economy or other similar areas and, at the same time, domestic or local incidents may affect the international arena as well. Globalisation refers to a tremendous shift in the scale of human social, cultural, economic and political organisations that link distant communities and expand the reach of all sorts of relations across the world.⁹

More distinctly, some academics, for instance Wadley, go back to 500 CE when West Asia was the centre of integration of the Euro-Asian economy and culture.¹⁰ After 1100 CE, Asia was influenced by the introduction of new technologies and the importance of the famous Silk Road which connected China and Europe. Wadley believed that Europe turned to the primary site of globalisation after 1500 CE when the Trans-Atlantic trade and colonisation started following the discovery of new water passage from Europe to Asia and America. The Euro-Atlantic economy and political influence dominated the whole world roughly from the late 19th to the beginning of the 21st century. Wadley notes that, "That unification was primarily territorial, however, based on trade and with cultural encounters of enormous significance."¹¹ Now the notion of globalisation has changed and it is less about territorial control and more about economic and cultural control or hegemony across the globe. Therefore, Wadley argues, "... the speed of modern communications has made twenty-first-century globalization vastly different in tone from its nineteenth-century counterpart."¹²

Though globalisation brings about many positive aspects, especially in terms of economic integration, social mobilisation and common cultural development across the world, it affects the world politically and economically as well.¹³ According to Castells, international societies are now based on information-technology, restructuring of economy, culture, and politics which lead to a historical redefinition of the relationship among the nations and peoples.¹⁴ Even Castells argues that despite huge economic interdependence and multilateralism in global politics,

⁷ Jan Aart Scholte, *Globalization: A Critical Introduction*, New York: Palgrave MacMillan, 2005, p. 16.

⁸ D. Held and A. McGrew, 2000, *op. cit.*, p. 3.

⁹ *Ibid.*, pp. 3-4.

¹⁰ Susan Snow Wadley (ed.), *South Asia in the World: An Introduction*, New York: M. E. Sharpe, 2014, p. 97.

¹¹ *Ibid.*

¹² *Ibid.*

¹³ D. Held and A. McGrew, 2000, *op. cit.*, pp. 26-42.

¹⁴ Manuel Castells, *End of Millennium*, Vol. III, (2nd edition), Oxford: Blackwell, 2000, pp. 367-371.

China, still a single party state, is emerging as another world power.¹⁵ Here, Castells also indicated political division and a possible rivalry among global powers arising out of globalisation.

On the other hand, from the liberal economic point of view, globalisation is often unchallenged. For economic transaction and financial flows, communication is a very important factor. Multinational companies, founded by mostly rich countries, are being established in different developing countries and are making tremendous profits, especially due to cheap labour. Despite such trend, as Thomas Hylland Eriksen argues, "Although it is tautologically true that rich countries are dominant, the situation is not static. China, India, South Korea and other formerly poor countries are emerging as equal players and regional powers such as South Africa and Brazil are both exploited and exploiters in the global economy."¹⁶

Therefore, the rise of the above-mentioned countries has tended to change the political scenario of the globalised world. Obviously, political globalisation necessarily means the system or ways in which nation-states are formed and linked politically with each other. Nation-states maintain new forms of power relations, the relative insignificance of the traditional boundaries, and nation-states foster and cooperate in the growth of international regulatory agencies such as the United Nations (UN), North Atlantic Treaty Organization (NATO), Association of Southeast Asian Nations (ASEAN), European Union (EU) and the World Trade Organization (WTO).¹⁷

However, G. John Ikenberry termed globalisation as 'American Hegemony.' He also noted, "The United States emerged as a global power after the World War II with both opportunity and incentives to organise its environment in a way that would serve its long-term interests."¹⁸ Even though the US is the most dominant political and military power in the current world, some other powers like China are challenging that position in different ways. For instance, according to Shaun Breslin, "The growth of the Chinese economy in general, and growth of Chinese exports in particular, have led to a growing strand of assessing the shifting balance of power in the global political economy."¹⁹ China has been one of the biggest beneficiaries of globalisation since it maintained an average of 8.3 per cent growth per year during the post-reform period from 1978 to 2007 by opening its trades with the world.²⁰ S. K. Bhutani argued that the rise of China as a major power followed by India challenged the US ability, *i.e.*,

¹⁵ *Ibid.*, p. 387.

¹⁶ Thomas Hylland Eriksen, *Globalization: The Key Concepts*, Oxford: Berg Publishers, 2007, p. 5.

¹⁷ Susan Snow Wadley, *op. cit.*, p. 98.

¹⁸ David Held and Anthony McGrew (eds.), *Globalization Theory: Approaches and Controversies*, Cambridge: Polity Press, 2007, p. 45.

¹⁹ Shaun Breslin, "Power and Production: Rethinking China's Global Economic Role", *Review of International Studies*, Vol. 31, No. 4, October, 2005, p. 735.

²⁰ Tao Xie and Benjamin I. Page, "Americans and the Rise of China as a World Power", *Journal of Contemporary China*, Vol. 19, No. 65, 2010, p. 480.

politically and economically in the 21st century despite the fact that these countries cooperated with each other by becoming trading partners.²¹ Regarding the relative decline of the US, Earl H. Fry argued that the US was the largest creditor since the World War II in the world, but today the US is "...the world's largest debtor country in nominal terms with net external obligations in the range of three trillion dollars."²²

Similarly, India is also one of the most important emerging powers in terms of economy and military.²³ In the era of globalisation, especially since 1991, India started huge economic reformation process, *i.e.*, economic liberalisation for its overall development. According to Luce, India earned huge foreign currencies in 2003 through software exports and information-technology services outside its territory than it spent on its oil imports from abroad.²⁴ Luce also added that Indian pharmaceutical companies had more applications for patents pending with the US Food and Drug Administration than any other countries by that time. It indicated how India benefitted through the globalisation process. Further, according to a report published by the investment bank Goldman Sachs in 2003, it was predicted that, "India has the potential to maintain an annual growth rate of 08 per cent until 2020, and that it will overtake the American economy as the second-largest global economy (behind China) by 2042."²⁵ From the above prediction, it can be argued that India needed a strategic partnership so that it can be a potential political and military power in the long run. That means economic prosperity of India in the age of globalisation has made itself more ambitious in this regard. Therefore, India and the US, joined hands and ultimately became strategic partners with each other through a Joint Statement issued by the US and India on 17 September 2004.²⁶

The US-India strategic partnership may be explained by various factors. Firstly, "In multipolar and bipolar systems, balancing is the primary mechanism to preserve the status quo."²⁷ The US felt that it needed a potential partner to maintain the current status quo. Secondly, India is the biggest democracy, in terms of its population. It is to be noted that democracies do not fight against each other, according to the Democratic Peace Theory.²⁸ Thirdly, India is situated beside China.

²¹ S. K. Bhutani, "China and India: Competing Friends or Rivals?", *India Quarterly*, Vol. 65, No. 4, 2009, pp. 382-392.

²² Earl H. Fry, "The Decline of the American Superpower", *The Forum*, Vol. 5, Issue 2, 2007, p. 14.

²³ Bruce W. Jentleson, *American Foreign Policy: The Dynamics of Choice in the 21st Century*, 3rd edition, New York: W. W. Norton & Company, 2007, pp. 338-339.

²⁴ Manjeet S. Pardesi, "Understanding the Rise of India", *India Review*, Vol. 6, No. 3, 2007, p. 217.

²⁵ Tushar Poddar and Eva Yi, "India's Rising Growth Potential", *Global Economics Paper*, No. 152, 22 January 2007, in Manjeet S. Pardesi, *op. cit.*, p. 212.

²⁶ Adam Erel, "Press Statement on United States-India Joint Statement on Next Steps in Strategic Partnership", 17 September 2004, U.S. Department of State, available at <https://2001-2009.state.gov/r/pa/prs/ps/2004/36290.htm>, accessed on 17 January 2017.

²⁷ Randall L. Schweller and Xiaoyu Pu, "After Unipolarity China's Visions of International Order in an Era of U.S. Decline", *International Security*, Vol. 36, No. 1, Summer, 2011, p. 44.

²⁸ Henry S. Farber and Joanne Gowa, "Politics and Peace", *International Security*, Vol. 20, No. 2, 1995, pp. 123-146; and Bruce Russett *et al.*, "The Democratic Peace", *International Security*, Vol. 19, No. 4, Spring, 1995, pp. 164-184.

That means geopolitically, India might be a very significant partner of the US against China. Fourthly, the huge population of India and the US might be an important asset in future to encounter other potential competitors including China. Finally, both the US and India would cooperate with each other so that both can jointly remove any threats from other powers in Asia in particular. Therefore, the US chose India as a strategic partner against China's possible political motives.

On the other hand, China also tends to manage strong relations with Pakistan for a number of reasons. Firstly, Pakistan is a trusted political ally of China for a long time even though Pakistan was a strong partner of the US during the Cold War period, especially during the former Soviet military intervention in Afghanistan in 1979. Secondly, Pakistan is also a regular buyer of Chinese products including military hardware. Thirdly, even though politically China and Pakistan are not the same, both maintain a good relationship, often called 'all-weather friendship'. China is a communist and single party state although economically it changed its policy, while Pakistan in its history has often been controlled by its military rulers. Their common objective seems to contain India in South Asia, since India has had wars with both China and Pakistan. This Sino-Pakistan relationship has turned into a strategic partnership when the US and India began building their strategic partnership.

To recapitulate here, it can be said that the current globalisation process helps some countries rise economically. That economic capability ultimately plays an important role politically and militarily. Global superpowers try to maintain their status quo while rising superpowers often endeavour to break the unipolar system by forging partnerships. However, the following case studies will further demonstrate how the nuclear polarisation and cooperation between the US-India and Sino-Pakistan are affected by globalisation. At the same time, the case studies will also present how and why these powers might be engaged in political and military confrontations in the future.

3. The US-India Nuclear Agreement versus Sino-Pakistan Nuclear Cooperation

3.1 *The US-India Relations*

There were often ups and downs in the bilateral relations between the US and India. The US is the first republic in the modern world whereas India is the largest democracy. According to Malone, both the countries took around half a century in constructing their complex relationship which evolved rather slowly since they failed to cooperate on common grounds consistently.²⁹ Jawaharlal Nehru, the first Indian Prime Minister (PM) and Atal Bihari Vajpayee, the sixteenth PM of India, termed the relationship with the US as "natural" in 1949 and 1998 respectively. Malone explored that the US-India relation is based on a combination of international, regional

²⁹ David M. Malone, *Does the Elephant Dance? Contemporary Indian Foreign Policy*, New York: Oxford University Press, 2011, p. 153.

and domestic factors which shaped their mutual understanding.³⁰ The US-India relationship can be divided into three broad periods: the Nehruvian era including Lal Bahadur Shastri (1947 to 1966), the Indira Gandhi along with post-Indira period (1967-1989) and the contemporary age (1990 onwards).

During the Nehru era, India followed idealism in foreign policy since it did not want to involve in the Cold War politics; though Homi Jehangir Bhabha, a leading Indian scientist tried to persuade Nehru about the necessity of nuclear weapons at that time but Nehru did not agree.³¹ Moreover, there was ideological conflict between the US-led capitalist countries and the former Union of Soviet Socialist Republics (USSR)-led communist or socialist states roughly from 1945 to 1990s. However, India took a policy of non-alignment which ultimately kept India far from the US to a great extent. For example, India made diplomatic relations with the communist China in 1949 and it did not support the US-led military intervention in the Korean War (during 1950-53). Though India had diplomatic relations with the communist Cuba in 1959, and despite India's military actions in Goa in 1961, which drove out Portugal, a NATO ally led by the US, the US responded immediately to the Indian appeal for military assistance against China during the Sino-Indian War in 1962.³² According to Ogden, the US gave US\$ 80 million in military assistance instantly at that time.³³

During the Indira Gandhi regime, the Indo-US relations deteriorated for two major reasons. Firstly, India refused to sign the Non-Proliferation Treaty (NPT) in 1968, since China tested nuclear weapons in 1964. Secondly, the War of Liberation of Bangladesh against Pakistan led India towards the former USSR since the US supported Pakistan and communicated with the communist China for reconciliation in July 1971, which went against India. However, when India conducted its so-called peaceful nuclear test in 1974, the US was very shocked since it had provided nuclear materials to India for civilian purposes at that time.³⁴ Henry Kissinger, the then US Secretary of State, described the detonation as a 'catastrophe'.³⁵

In the post-Cold War era, the US-India relations started growing important, especially due to the liberalisation of economic policy in India. However, India's refusal to sign the Comprehensive Test Ban Treaty (CTBT) in 1996 and the further nuclear weapons tests in May 1998 brought the US economic sanctions on India.³⁶ During the Kargil conflict between India and Pakistan in 1999, the US for the first time intervened in India's favour which forced Pakistan to withdraw its forces back to the Line of Control (LoC) in Kashmir.³⁷ The 9/11 events in the US introduced huge political

³⁰ *Ibid.*

³¹ B. M. Jain, *op. cit.*, p. 39.

³² David M. Malone, *op. cit.*, pp. 156-158.

³³ Chris Ogden, *Indian Foreign Policy: Ambition and Transition*, Cambridge: Polity Press, 2014, p. 141.

³⁴ B. M. Jain, *op. cit.*, p.112; and David M. Malone, 2011, *op. cit.*, pp. 160-161.

³⁵ B. M. Jain, *op. cit.*, p. 47.

³⁶ David M. Malone, *op. cit.*, pp. 164-167.

³⁷ Chris Ogden, *op. cit.*, p. 140.

changes across the world. The US-India relations improved rapidly when India had immediately extended its overall support for the US Global War on Terrorism (GWoT). By 22 September 2001, the US lifted all sanctions that were imposed on India after its 1998 nuclear tests.³⁸ This paved the way for further cooperation between them.

3.2 *The US-India Nuclear Agreement of 2008*

The US-India cooperation in nuclear sector dates back to 1950s when the US helped India in nuclear programme for civilian purposes. The US built a nuclear reactor at Tarapur in India at that time but the US isolated India, as already stated, due to few reasons including Indian refusal to sign the NPT and its nuclear weapons tests.³⁹ In addition, Indian weak economy, foreign policy, especially its intimate relations with the former USSR were also important factors behind the US policy towards India. However, according to Bajoria and Pan, "since 2000, the United States has moved to build a strategic partnership with India, increasing cooperation in several areas including spaceflight, satellite technology, and missile defense."⁴⁰

Most importantly, the year 2004 was a turning point for the relationship between the US and India when they formulated the Next Steps in Strategic Partnership (NSSP), which included the foundation for the nuclear deal of 2008. On 18 July 2005, the US and India announced the most-wide-ranging strategic global partnership in civilian nuclear cooperation, civilian space programme, high technology trade, military cooperation, energy security, and promotion of democracy.⁴¹

Finally, the US-India Civilian Nuclear Cooperation Agreement was formally signed on 10 October 2008, and it was cleared by the Nuclear Suppliers Groups (NSG) as well.⁴² Condoleezza Rice, the then US Secretary of State and Pranab Mukherjee, former Indian Minister of External Affairs, signed the US-India Civilian Nuclear Cooperation Agreement at Washington, D.C. It is to be noted that the framework for the 123 agreement was signed on 18 July 2005, by the then US President George W. Bush and the then Indian Prime Minister Manmohan Singh.⁴³ As per the Agreement, India will get access to nuclear technology and raw materials like uranium and plutonium. This

³⁸ *Ibid.*, pp. 147-148; and David M. Malone, *op. cit.*, p. 168.

³⁹ Jayshree Bajoria and Esther Pan, "Background: The U.S.-India Nuclear Deal", *Council on Foreign Relations*, 2010, available at <http://www.cfr.org/india/us-india-nuclear-deal/p9663>, accessed on 15 December 2015; and Sharon Squassoni, "U.S. Nuclear Cooperation with India: Issues for Congress", *CRS Report for Congress*, Congressional Research Service, The Library of Congress, 02 July 2005, p. 1.

⁴⁰ *Ibid.*

⁴¹ Sharon Squassoni, *op. cit.*, p. 2; and David M. Malone, *op. cit.*, p. 169.

⁴² "Secretary of State Condoleezza Rice and Indian Minister of External Affairs, Pranab Mukherjee at the signing of the U.S.-India Civilian Nuclear Cooperation Agreement", *U.S. Department of State*, 2009, available at <http://2001-2009.state.gov/secretary/rm/2008/10/110916.htm>, accessed on 14 December 2015; and Prashant Hosur, "The Indo-US civilian nuclear agreement: What's the big deal?", *International Journal*, Spring, 2010, p. 435.

⁴³ Jayshree Bajoria and Esther Pan, *op. cit.*; and Zahid Ali Khan, "Indo-US Civilian Nuclear Deal: The Gainer and the Loser", *South Asian Studies, A Research Journal of South Asian Studies*, Vol. 28, No. 1, 2013, p. 242.

will help India to fulfil its energy requirements while India has agreed to place 14 of its 22 nuclear reactors under the international inspection or safeguards permanently, especially by the International Atomic Energy Agency (IAEA), the United Nations' nuclear watchdog group, while the US expects to get multi-billion dollar reactor contracts in India.⁴⁴ The deal has not directed India to give up its nuclear weapons programme whereas the agreement has only imposed restrictions on further nuclear weapons test. If India tests any nuclear weapons, as per the agreement, this will merely lead the US stopping nuclear trade with India.⁴⁵ India has committed to strengthen the security of its nuclear weapons and agreed not to spread the enrichment and reprocessing technologies to other states. India, without signing the NPT, has also pledged to support international nonproliferation efforts.⁴⁶

For the US-India nuclear deal, both the US and India have to maintain some legal and strict procedures. For examples, in August 2008, the IAEA's Board of Governors approved the US-India nuclear deal and in September 2008, after much lobbying made by the US and India, the NSG agreed to specific exemption to India. Finally, the US Congress gave the approval to the bill on 01 October 2008.⁴⁷ The US government passed the new Hyde Act in order to exempt India from certain nuclear requirements of the US Atomic Energy Act of 1954.⁴⁸ In addition, the Parliament of India also had to approve the agreement in July 2008.⁴⁹ As Squassoni observed, "Separating civilian and military facilities, placing civilian facilities under IAEA safeguards, and applying an additional protocol are all positive steps but it placed India squarely in the company of nuclear weapon states. Many observers have noted that there are no measures in this global partnership to restrain India's nuclear weapons program."⁵⁰

Hosur noted that the US-India nuclear deal has introduced some critical issues. Firstly, it weakens the nuclear nonproliferation efforts in the world. Secondly, it sets a clear example for the countries like Iran, North Korea and Pakistan. Thirdly, this treaty gives India a huge opportunity to produce nuclear weapons, though it opens up Indian civil nuclear programme to the international bodies like the IAEA. Fourthly, this deal may lead to a nuclear competition in South Asia in particular.⁵¹ However, the US-India nuclear cooperation has many dimensions and objectives, *i.e.*, national interest in the age of globalisation. One of the vital and common objectives is discussed below.

⁴⁴ Prashant Hosur, *op. cit.*, pp. 435-436.

⁴⁵ *Ibid.*

⁴⁶ Jayshree Bajoria and Esther Pan, *op. cit.*

⁴⁷ *Ibid.*

⁴⁸ Prashant Hosur, *op. cit.*, p. 435.

⁴⁹ David M. Malone, *op. cit.*, p.170.

⁵⁰ Sharon Squassoni, *op. cit.*, p. 3.

⁵¹ Prashant Hosur, *op. cit.*, p. 436.

3.3 *China Factor: Balance of Power*

The US is the only superpower while China might be another emerging and decisive power at the same time. China's rise is one of the most important events in the post-Cold War era.⁵² China is the most populous country in the world and one of the largest countries in terms of its area. It is one of the permanent members of the UNSC.⁵³ Besides economically, China's position is only second to the US. However, recent data reveals that China has already become the world's largest economy according to the International Monetary Fund (IMF).⁵⁴ Therefore, China's economy might boost its political and military ambition in near future across the world, especially in Asia. In that case, the US and Indian strategic partnership might be an important counterbalance to maintain the current status quo, especially in South Asia and in the Indian Ocean. According to the US report for Congress, for the first time, China's war fleet visited Pakistani naval bases in 2005 and conducted combined naval exercises outside China's waters⁵⁵ while China for the first time in 2014 deployed its submarines in the Indian Ocean with a view to supporting counter-piracy patrols.⁵⁶ In response to regional concerns, "...the submarines were probably also conducting area familiarization, and demonstrating an emerging capability both to protect China's sea lines of communications and increase China's power projection into the Indian Ocean."⁵⁷

Strategically, China and India share one of the longest borders between any countries; most of it are not settled or defined between them.⁵⁸ At least, there is no permanent agreement or treaty between these two Asian giants yet. While India is the largest democracy, China still remains the world's largest one party state.⁵⁹

⁵² Jian Yang, "The Rise of China: Chinese Perspectives", in Kevin J. Cooney and Yoichiro Sato (eds.), *The Rise of China and International Security: America and Asia Respond*, New York: Routledge, 2009, p. 13; and Evelyn Goh, "US Strategic Relations with a Rising China: Trajectories and Impacts on Asia-Pacific Security", in *ibid.*, p. 64.

⁵³ Fabrizio Eva, "The Geopolitical Role of China: Crouching Tiger, Hidden Dragon", *Ekistics*; Vol. 70, No. 422/423, September-December, 2003, p. 341.

⁵⁴ "China overtakes US to become world's largest economy, says International Monetary Fund," *news.com.au*, 2014, available at <http://www.news.com.au/finance/china-overtakes-us-to-become-worlds-largest-economy-says-international-monetary-fund/story-e6frfm1i-1227085188115>, accessed on 12 December 2015; and "The world's biggest economies: China's back", *The Economist*, 11 October 2014, available at <http://www.economist.com/news/finance-and-economics/21623758-chinas-back>, accessed on 12 December 2015.

⁵⁵ Annual Report to Congress, *Military Power of the People's Republic of China*, Office of the Secretary of Defense, The United States, 2006, p. 12.

⁵⁶ Annual Report to Congress, *Military and Security Developments Involving the People's Republic of China*, Office of the Secretary of Defense, The United States, 2015, p. 19.

⁵⁷ *Ibid.*

⁵⁸ Mohan Malik, "India and China: As China Rises, India Stirs", in Harsh V. Pant (ed.), *Indian Foreign Policy in a Unipolar World*, London: Routledge, 2009, pp. 174-175.

⁵⁹ Gareth Price, "China and India: Cooperation and Competition", *Chatham House Briefing Paper*, 2007, p. 2, available at <http://www.chathamhouse.org/sites/default/files/public/Research/Asia/bpchinaindia0507.pdf>, accessed on 17 December 2015; and David P. Fidler, "The Asian Century: Implications for International Law", *Singapore Year Book of International Law and Contributors*, 2005, p. 9, available at <http://www.commonlii.org/sg/journals/SGYrBKIntLaw/2005/4.html>, accessed on 17 December 2015.

Though China politically remains communist till today, it liberalised its economy in the 1980s and joined the WTO in 2001 keeping ongoing domestic reforms, attracting more foreign investments, new technology, exports, and joining in the world trade decision-making process.⁶⁰

From a realistic point of view, the US prefers India as the strategic partner in order to counterbalance or contain China, particularly in Asia.⁶¹ In 2005, Manmohan Singh, the then Prime Minister of India, said that India started its journey inspired by some dreams and he welcomed the US on his side. When the US, India and some other allies conducted the Malabar naval exercise in September 2007, China termed that military exercise as anti-China.⁶² In the post-Cold War era, globalisation, global and regional integration, has made China very potential global actor besides the US, since the rise of China is one of the most significant factors, especially in terms of economy and military in the world.⁶³ While China played an important role against the then USSR in US's favour, both the US and China reconciled their disputes and established diplomatic relations in the 1970s.

However, in the post-Cold War era, especially after 9/11, the US found China as a potent competitor, especially in Asia. Based on its strong economy, China started developing its military with sophisticated weapons and technology challenging the US unilateral hegemony, especially in Asia. For example, by that time, China had developed the largest military numbering 2,225,000 active-duty personnel with about 800,000 in reserve.⁶⁴ China's military expenditure is the third largest after the US and Russia.⁶⁵

On the other hand, India is also one of the most significant rising powers, especially in terms of economy and military.⁶⁶ While India is the world's largest buyer

⁶⁰ Penelope B. Prime, "China joins the WTO: How, Why and What Now?", *Business Economics*, Vol. 37, No. 2, April, 2002, pp. 5-6.

⁶¹ Saadat Hassan, "Indo-US nuclear/strategic cooperation: Chinese response", *Strategic Studies*, Vol. 31- 32, No. 4-1, 31 March 2012, p. 45; Mohammad Samir Hussain, "India-United States Strategic Relations: China as a Factor", *Journal of Political Studies*, Vol. 19, No. 2, 2012, p. 72; and Ashley J. Tellis, "The Evolution of U.S.-Indian Ties: Missile Defense in an Emerging Strategic Relationship", *International Security*, Vol. 30, No. 4, Spring, 2006, pp. 116-120.

⁶² S. Amer Latif, "U.S.-India Military Engagement: Steady as they go", *Center for Strategic and International Studies*, A report of the CSIS Wadhvani chair in U.S.-India Policy Studies, 2012, pp. 24-25, available at <http://csis.org/publication/us-india-military-engagement>, accessed on 18 December 2015.

⁶³ Bruce W. Jentleson, *American Foreign Policy: The Dynamics of Choice in the 21st Century*, (3rd edition), New York: W.W. Norton & Company, 2007, pp. 321-322; David M. Lampton, *The Three Faces of Chinese Power: Might, Money, and Minds*, Berkeley: University of California Press, 2008, p. 165; and Louise Merrington, "Australia's Engagement with China and India, Australian-China Agenda", *The Australian-China Story*, Australian National University, 2013, p. 4, available at http://www.thechinastory.org/wp-content/uploads/2013/08/acap2013_merrington.pdf, accessed on 18 December 2015.

⁶⁴ Sean Kay, "Global Security", in Michael T. Snarr and D. Neil Snarr (eds.), *Introducing Global Issues*, (4th edition), Boulder: Lynne Reiner Publishers, 2008, p. 78.

⁶⁵ Bruce W. Jentleson, *op. cit.*, p. 322.

⁶⁶ *Ibid.*, pp. 338-339.

of conventional weapons, it has built one of the largest military forces in the world.⁶⁷ Since there is a competition between India and China, the US would benefit from the nuclear cooperation with India in two ways. Firstly, the US would sell huge weapons and technology to India. Secondly, the US-India partnership would work together to contain China, especially in Asia.

According to the Annual Report of the Ministry of Defence of India, China is a long term security challenge to India.⁶⁸ As C. Christine Fair has stated that the US views India either as a part of containment policy or as a partner in tackling the rise of China.⁶⁹ According to her, "... India could be a serious competitor to China and preempt China's singular rise in the region."⁷⁰ Malik also pointed out that India shifted its comprehensive strategy from non-alignment to a multidimensional 'multi-alignment' with the world, especially the US with a view to meeting China's challenges in the region. Firstly, Tibet, the Dalai Lama, China's post-1962 strategy like arming Pakistan with conventional and nuclear weapons are major concerns against China.⁷¹ Malik further contends that, "For India, Pakistan cannot be a threat without China's military support just as Taiwan cannot constitute a threat to China without US support."⁷²

Secondly, as Malik argues, China directly or indirectly supports different separatist movements in India by providing small arms and money.⁷³ Thirdly, China's efforts to modernise military with arms and high technology to India's neighbouring countries like Pakistan and Sri Lanka can be seen as a process of encirclement of India so that India can be considered as regional power, not global power at all.⁷⁴ According to Pardesi, the China factor and Sino-Pakistani cooperation were important factors for India in her nuclear tests in 1974 and 1998.⁷⁵ According to Siddique, the rise of China in terms of economy and military is increasingly challenging the US unilateral domination, especially in Asia in the contemporary world.⁷⁶ Therefore, it appears that the China factor was the main reason behind the US-India strategic partnership. In addition, China's military cooperation with Pakistan also played an important role in such US-India alliance.⁷⁷ The process of globalisation gave further incentives to these

⁶⁷ Shafei Moiz Hali, "Indian Military Expansion 2020: Implications for Pakistan's National Security", *Defence Journal*, Vol. 15 No. 9, 2012, pp. 69-75; and Walter C. Ladwig III, "Indian Military Modernization and Conventional Deterrence in South Asia", *The Journal of Strategic Studies*, Vol. 38, No. 5, 2015, p. 730.

⁶⁸ C. Christine Fair, "India and the US: Embracing a New Paradigm", in Harsh V. Pant (ed.), *Indian Foreign Policy in a Unipolar World*, London: Routledge, 2009, p. 138.

⁶⁹ *Ibid.*, p. 143.

⁷⁰ *Ibid.*, p. 150.

⁷¹ Mohan Malik, *op. cit.*, p. 170.

⁷² *Ibid.*

⁷³ *Ibid.*

⁷⁴ *Ibid.*

⁷⁵ Manjeet S. Pardesi, "China's Nuclear Forces and their Significance to India", *The Nonproliferation Review*, Vol. 21, No. 3-4, 2014, p. 338.

⁷⁶ Qandeel Siddique, "Deeper than the Indian Ocean? An Analysis of Pakistan-China Relations", *SISA Report No. 16*, Centre for International and Strategic Analysis, February 2014, p. 7.

⁷⁷ Mohammad Samir Hussain, *op. cit.*, p. 79.

partnerships, as these countries need to enhance their military alliance to sustain growth and protect sea lines of communication.

3.4 *China-Pakistan Relations*

Pakistan led by Mohammad Ali Jinnah became independent from the Great Britain on 14 August 1947,⁷⁸ while the Chinese Communist Party led by Mao Zedong and Zhou Enlai came to power on 01 October 1949, defeating the Chinese Nationalists led by President Chiang Kai-shek who moved to Formosa, now known as Taiwan.⁷⁹

Later, Pakistan became the Islamic Republic while the communist China became the People's Republic. Like India, Pakistan was one of the first states which extended its diplomatic support to the communist China. Pakistan was the first Muslim state, the second commonwealth and the third country in the world, which recognised the new China's government on 04 January 1950.⁸⁰ Both Pakistan and China have more than 520 kilometers of common border. Nawaz Sharif, former Prime Minister of Pakistan termed the friendship with China as "truly iron brothers" in April 2015 while Xi Jinping, President of China as the first China's President, delivered a speech in a joint session of the Pakistan National Assembly and the Senate.⁸¹ A brief discussion of Sino-Pakistan relation is required here for better understanding.

Mohammad Ali Jinnah expressed his desire on 15 November 1946 at a press conference in New Delhi to have an effective Monroe Doctrine in the subcontinent where Pakistan and India would be friendly states and would work together.⁸² However, the Kashmir issue remains the most complicated problem between Pakistan and India.⁸³ Consequently, Pakistan joined the US-patronised military alliances like the Central Treaty Organization (CENTO) and the Southeast Asian Treaty Organization (SEATO) in 1950s, which brought huge US military and economic aids to Pakistan.⁸⁴

⁷⁸ Tariq Gilani, "US-Pakistan Relations: The Way Forward", *Parameters, US Army War College Quarterly*, Winter, 2006, pp. 84-85.

⁷⁹ BBC, "China Profile", BBC News Asia Pacific, 2013, available at <http://www.bbc.co.uk/news/world-asia-pacific-13017882>, accessed on 18 December 2015; and Jeffrey Hays, "Communists Take over China", 2008, available at <http://factsanddetails.com/china.php?itemid=74&catid=2>, accessed on 18 December 2015.

⁸⁰ Raja Muhammad Khan, "Pak-China Relationship", *Defence Journal*, Vol. 15, No. 7, February, 2012, pp. 27-28; and Zhang Jiegen, "China-Pakistan Nuclear Relation after the Cold War and Its International Implications", *The Centre for International Strategy, Policy and Technology: Program on Strategic Stability Evaluation (POSSE)*, 2013, pp. 5-6, available at <http://posse.gatech.edu/publications/6-zhang-possevi-china-pakistan-nuclear-relation-after-cold-war-and-its-international-im>, accessed 20 December 2015.

⁸¹ Laurence Vandewalle, "Pakistan and China: 'Iron brothers' forever?", European Parliament: Directorate-General for External Policies, Policy Department, 2015, p. 4, available at [http://www.europarl.europa.eu/RegData/etudes/IDAN/2015/549052/EXPO_IDA\(2015\)549052_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2015/549052/EXPO_IDA(2015)549052_EN.pdf), accessed on 19 December 2015.

⁸² B. L. Sharma, *The Pakistan-China Axis*, Bombay: Asia Publishing House, 1968, p. 1.

⁸³ *Ibid.*, p. 21.

⁸⁴ *Ibid.*, pp. 53-70; Shang Quanyu, "China-Pakistan friendship is coming to an end?", in *Pakistan-China Relations in the Changing Regional Scenario*, University of Sind: Area Study Centre, Proceedings of One-Day International Seminar, 2005, p. 103.

Although Ayub Khan diplomatically proposed to form a joint defence with India in the Cold War period, Nehru did not agree since the solution of Kashmir issue was the precondition of such initiative.⁸⁵

However, the Sino-Indian War in October-November of 1962 was a significant turning point in the foreign policy of Pakistan towards China.⁸⁶ Firstly, the Sino-Indian War exposed the weakness and incompetence of Indian military as India was severely defeated. Secondly, Pakistan started rethinking of her relations with the US since it provided huge military aid to India. Pakistan opposed and criticised such military and economic aid to India during and after the war. Thirdly, Pakistan found China as a very trusted friend against India.⁸⁷ Therefore, Pakistan and China signed the Kashmir border demarcation agreement on 02 March 1963 when a gift of 2,050 square miles of Kashmiri territory was given to China. That territory is still claimed by India as her own land.⁸⁸ Due to the political pressure from the US and the former USSR, China could not intervene during the Indo-Pakistan War in 1965.⁸⁹ Interestingly, during the War of Liberation of Bangladesh in 1971, China and the US decided to reconcile their disputes with the help of Pakistan.⁹⁰ It is to be noted that in its War of Liberation against Pakistan, Bangladesh was supported by India and the USSR while China supported Pakistan whole-heartedly.⁹¹ However, China maintained friendship with Pakistan while opening the door for the emergence of Bangladesh in 1971.⁹²

According to Khoso, in the 1980s and in the post-Cold War era, China diplomatically took a cautious policy towards Pakistan, especially regarding Kashmir. China did not openly raise the issue and rather suggested that both India and Pakistan solve the Kashmir issue mutually and peacefully.⁹³ It can be argued that China took a cautious policy since China was emerging as a significant power and was going to join the globalised world with the cooperation of the west. That does not necessarily mean that China changed her policy towards Pakistan. In the post-9/11 era, Sino-Pakistan relationship needed to enhance to a great extent since the US-India strategic partnership began, especially by nuclear cooperation agreement.

⁸⁵ B. L. Sharma, *op. cit.*, pp. 71-83; and John W. Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century*, Seattle: University of Washington Press, 2001, p. 191.

⁸⁶ Claude Rakisits, "Pakistan-China Bilateral Relations 2001-2011: A Deepening but Cautious Partnership", *Security Challenges*, Vol. 8, No. 3, Spring, 2012, p. 84.

⁸⁷ John W. Garver, *op. cit.*, pp. 191-193.

⁸⁸ B. L. Sharma, *op. cit.*, pp. 93-94.

⁸⁹ *Ibid.*, p. 112.

⁹⁰ Tariq Gilani, *op. cit.*, pp. 86-87.

⁹¹ Raja Muhammad Khan, *op. cit.*, p. 29.

⁹² Mohammad Morad Hossain Khan, "India's and China's Political Role in the Independence War of Bangladesh in 1971: A Comparative Study", *Unpublished Master Thesis*, School of Culture and Society, Spring, Aarhus University (Denmark), 2017, pp. 78-84.

⁹³ Ghulam Murtaza Khoso, "Pakistan-China Relations in the Changing Regional Scenario", *Proceedings of One-Day International Seminar*, University of Sind: Area Study Centre, 2005, p. 98.

3.5 Sino-Pakistan Nuclear Cooperation

One of the crucial issues between China and Pakistan includes nuclear cooperation for both civilian and military purposes. Although these neighbours cooperated with each other in many other areas, their cooperation in nuclear field is often condemned by other countries like the US and India. Pakistan's nuclear weapon programme was mainly initiated and developed by Zulfikar Ali Bhutto and Abdul Qadeer Khan respectively.⁹⁴ After independence, Pakistan tried to get help for its nuclear programme from different countries including the US, France, Canada, and the UK. However, China was the most trusted ally which cooperated with Pakistan till today in this sector.⁹⁵ It is to be noted that China tested its nuclear weapons on 16 October 1964.⁹⁶ By that time, Sino-Pakistan friendship became very strong.

According to Small, the defeat of Pakistan by India during the War of Liberation of Bangladesh in 1971 played an important role behind China's decision to assist Pakistan in its military capabilities including nuclear weapons so that Pakistan would never face such a fate against India.⁹⁷ Especially, when India tested its nuclear bomb in 1974, Pakistan negotiated with China for the same cause and China gave its consent to Pakistan during the visit of the Foreign Minister of Pakistan to China.⁹⁸

As a consequence, the Foreign Ministers of China and Pakistan signed a Comprehensive Nuclear Cooperation Agreement on 15 September 1986 at Beijing where the former agreed to provide four reactors to the latter for nuclear energy.⁹⁹ Both the countries did not officially declare the treaty and did not reveal the specific content of the nuclear technology immediately.¹⁰⁰ As per the agreement, China was supposed to complete the construction of the four nuclear reactors namely Chashma (Punjab, Pakistan) 1, 2, 3 and 4 by 2011.¹⁰¹

According to Pardesi, China assisted Pakistan in the enrichment of uranium for making nuclear weapons while the former denied any military-related assistance.¹⁰² However, two reactors were installed successfully within a short period of time and remaining two were finalised for US\$ 2.375 billion in 2010.¹⁰³ According to the Center for Nonproliferation Studies, "The United States government concluded that prior to its 1992 accession to the Nonproliferation Treaty (NPT), China had assisted Pakistan

⁹⁴ Andrew Small, *The China-Pakistan Axis: Asia's New Geopolitics*, New York: Oxford University Press, 2015, pp. 32-34.

⁹⁵ Shelby McNichols, *Resources on India and Pakistan: Chronology of Pakistani Nuclear Development*, Center for Nonproliferation Studies: Monterey Institute of International Studies, 2000, available at http://cns.miiis.edu/archive/country_india/paknucch.htm, accessed on 21 December 2015.

⁹⁶ Manjeet S. Pardesi, *op. cit.*, p. 337.

⁹⁷ Andrew Small, *op. cit.*, p. 4.

⁹⁸ *Ibid.*, p. 33.

⁹⁹ Manjeet S. Pardesi, *op. cit.*, p. 341; Raja Muhammad Khan, *op. cit.*, p. 32.

¹⁰⁰ Zhang Jiegen, *op. cit.*, p. 6.

¹⁰¹ Raja Muhammad Khan, *op. cit.*

¹⁰² Manjeet S. Pardesi, *op. cit.*, p. 341.

¹⁰³ Raja Muhammad Khan, *op. cit.*, pp. 31-32.

in developing nuclear explosives. For example, in 1983, US intelligence agencies reported that China had transferred a complete nuclear weapon design to Pakistan, along with enough weapons-grade uranium for two nuclear weapons.¹⁰⁴

According to the above source, even Chinese scientists were involved in the uranium enrichment process and China provided all sorts of services and materials to Pakistan. Scientists from both China and Pakistan were engaged in the first nuclear test at China's Lop Nur nuclear test site in 1989.¹⁰⁵ As McNichols points out that China actively began assisting Pakistan in its nuclear activities since 1983 though in June 1986, A Q Khan, head of the Pakistan's nuclear programme, declared to have a programme in order to manufacture an indigenous nuclear reactor. Pakistan's agreement with China holistically included all necessary nuclear activities such as its design, construction and operation and, accordingly, in September in the same year, Pakistan conducted cold tests of a nuclear implosion device at Chagai of Baluchistan in Pakistan.¹⁰⁶

In September 2010, when China signed a pact based on an earlier agreement to transfer two additional plutonium-producing heavy water reactors to Pakistan, the US and India criticised and opposed such initiative.¹⁰⁷ From the point of view of China as well as Pakistan, since China signed the Nuclear Non Proliferation Treaty (NPT), which bans nuclear transfer or cooperation, in 1992 and became the member of Nuclear Suppliers Group in 2004, recent Sino-Pakistani nuclear cooperation did not violate any international law. The main reason is that China and Pakistan signed the nuclear agreement in 1986.¹⁰⁸ According to a report in March 2013, China and Pakistan signed another agreement to build another 1000-MW power plant at Karachi in Pakistan.¹⁰⁹

It is to be noted that like India, Pakistan is also a non-signatory of the NPT whereas 190 states have signed the treaty.¹¹⁰ However, Sino-Pakistan nuclear and military cooperation has also many dimensions and objectives. Many scholars and politicians term the friendship between China and Pakistan as all weather, uninterrupted and trust-bound.¹¹¹ This friendship is based on four main pillars:

¹⁰⁴ Center for Nonproliferation Studies, "Resources on India and Pakistan: China's Nuclear Exports and Assistance to Pakistan", Monterey Institute of International Studies, 1999, available at http://cns.miis.edu/archive/country_india/china/npakpos.htm, accessed on 22 December 2015.

¹⁰⁵ *Ibid.*

¹⁰⁶ Shelby McNichols, *op. cit.*

¹⁰⁷ Andrew Small, *op. cit.*, p. 64; Sharad Joshi, *The China-Pakistan Nuclear Deal: A Realpolitique Fait Accompli*, Center for Nonproliferation Studies, 11 December, 2011, available at <http://www.nti.org/analysis/articles/china-pakistan-nuclear-deal-realpolitique-fait-accompl-1/>, accessed on 23 December 2015.

¹⁰⁸ Raja Muhammad Khan, *op. cit.*, pp. 31-32.

¹⁰⁹ Andrew Small, *op. cit.*, p. 63; and Qandeel Siddique, *op. cit.*, p. 39.

¹¹⁰ *Ibid.*; and Anwar Iqbal, "Pakistan will not sign NPT, says foreign secretary", *Dawn*, 03 June, 2015.

¹¹¹ Urvashi Aneja, "Pakistan-China Relations: Recent Developments", *IPCS Special Report*, p. 3; and Rosheen Kabraji, "The China-Pakistan Alliance: Rhetoric and Limitations", *Chatham House, Asia Programme Paper, ASP PP/01*, December 2012, p. 4.

geography, history, economics and necessity. Geographically, China and Pakistan are neighbours; history makes the two neighbouring countries friends; economics makes them partners and necessity makes them allies.¹¹² Khan indicates that this necessity is their common political rival, India. However, the main objective is discussed below.

3.6 *India Factor: Balance of Power*

India's nuclear tests in May 1998 surprised China since India publicly indicated China, not Pakistan, as a major threat for her national security. Though China held positive views on the US efforts such as sanctions on India and Pakistan at that time, China was not ready to convince Pakistan not to do the same nuclear test at all, since China considers Pakistan as the closest strategic partner and India's most traditional rival.¹¹³ Since China and India find one another as potential competitor, especially in Asia, China intends to contain India by Pakistan in South Asia.¹¹⁴ However, like China, India is also a rising economic and military power. According to the World Bank (WB), India became the world's third largest economy in 2011.¹¹⁵ Besides, India is a neighbouring country of China and Pakistan. Since there is a historic rivalry between India and Pakistan, and also between India and China, China and Pakistan find their cooperation as a potential strategic counterbalance against India. India fought wars with both China and Pakistan and the cooperation with the US and India is the major concerns for both Pakistani and Chinese interests in this region of Asia.¹¹⁶ China considers India as anti-China partner of the US.¹¹⁷

Politically, 'Pakistan is China's Israel' as indicated by a Chinese diplomat in an interview with Al-Jazeera English Television on 28 October 2010, in response to a criticism by a US delegation regarding Beijing's generous military cooperation including nuclear weapons support to Pakistan.¹¹⁸ On the other hand, from the US point of view, India would be the next Australia or the United Kingdom (UK) since India also has the strong military capabilities and its army, navy and air forces are also considered to be highly professional in the United Nations Peace Keeping Operations (UNPKO).¹¹⁹ Strategically, according to Joshi, "It seems clear that China's motivations in undertaking the deal relate less to the likely impact on Islamabad's nuclear program, and more to Beijing's regional balance of power and strategic

¹¹² Raja Muhammad Khan, *op. cit.*, p. 35.

¹¹³ Robert G. Sutter, *Chinese Foreign Relations: Power and Policy since the Cold War*, Lanham: Rowman & Littlefield Publishers Inc., 2010, p. 249.

¹¹⁴ *Ibid.*

¹¹⁵ "India became third largest economy in 2011: World Bank", *The Hindu*, 01 May 2014, available at <http://www.thehindu.com/business/Economy/india-became-third-largest-economy-in-2011worldbank/article5963702.ece>, accessed on 25 December 2015.

¹¹⁶ Rosheen Kabraji, *op. cit.*, p. 23.

¹¹⁷ Robert G. Sutter, *op. cit.*, p. 249.

¹¹⁸ Qandeel Siddique, *op. cit.*, pp. 35-36.

¹¹⁹ C. Christine Fair, *op. cit.*, p. 158.

stability priorities.¹²⁰ As Sutter states, even though China tried to block the US-India nuclear deal at the NSG, China was not successful.¹²¹

However, "If the military relationship lies at the heart of China-Pakistan ties, nuclear weapons lie at the heart of the military relationship."¹²² From the point of view of Pakistan, since India was developing its nuclear weapons and Pakistan was weaker than India in terms of conventional weapons and military power, Pakistan needed to have such weapons in order to make a balance in South Asia.¹²³ From the Chinese point of view, China supplied nuclear weapons to Pakistan, especially for the India factor.¹²⁴ According to Robert Ross, China provided nuclear technology and missile weapons support to Pakistan and, thus, China and Pakistan have made a strategic partnership which will certainly help to contain India in the South Asian region.¹²⁵

Moreover, China and Pakistan signed the Treaty of Friendship, Cooperation and Good-Neighbourly Relations in April 2005, which was ratified in 2006.¹²⁶ According to Kabraji, this treaty is a fundamental instrument to strengthen strategic, economic and cultural relations between China and Pakistan.¹²⁷ However, according to Small, this treaty gives some legal justification for one side to come to the other's aid but no obligation, especially in terms of military requirement.¹²⁸ Malik mentions that China often calls upon India to change its attitude towards China because China considers itself as the global power only next to the US, whereas India is an emerging South Asian regional power from the Chinese point of view.¹²⁹ The nuclear alliance with the US would definitely embolden India significantly. The US-India strategic partnership at the beginning of the 21st century has mattered to China to a great extent since such alliance would enable the US to monitor and contain China in Asia.¹³⁰

According to Malik, the US-India nuclear deal would bring a major shift in the balance of power in South Asia, which ultimately went against the interests of China. Moreover, China also opposes India's 'Look East Policy' when India is invited to attend the summits of the ASEAN as the role of India enhances the US containment of China in the region.¹³¹ However, the US always welcomes the 'Look East Policy' of India while China intends to keep India engaged in the South Asian region only.¹³²

¹²⁰ Sharad Joshi, *op. cit.*

¹²¹ Robert G. Sutter, *op. cit.*, p. 246.

¹²² Andrew Small, *op. cit.*, p. 30.

¹²³ Zhang Jiegen, *op. cit.*, p. 6.

¹²⁴ Siddharth Ramana, "China-Pakistan Nuclear Alliance: An Analysis", *IPCS Special Report 109*, August 2011, p. 9.

¹²⁵ *Ibid.*

¹²⁶ Waheeda Rana and Hasan Mahmood, "Changing Dynamics of Pak-China Relations: Policy Recommendations for Pakistan", *American International Journal of Contemporary Research*, Vol. 5, No. 2, April, 2015, p. 99.

¹²⁷ Rosheen Kabraji, *op. cit.*, p. 7.

¹²⁸ Andrew Small, *op. cit.*, p. 30.

¹²⁹ Mohan Malik, *op. cit.*, pp. 164-165.

¹³⁰ *Ibid.*, pp. 166-167.

¹³¹ *Ibid.*, p. 169.

¹³² Andrew Small, *op. cit.*, p. 54.

4. Conclusion

The contemporary US-India relationship clearly indicates that the US was ready to accept India as a rising and significant power in Asia and the world. Therefore, India is increasingly seen as a valuable actor in the world politics, which was made possible due to the US efforts such as the nuclear treaty with India.¹³³ Therefore, the above discussion has clearly manifested that the US-India nuclear deal was basically signed with a view to containing China. The school of realism in international politics terms the US-India relations as a necessity. On the contrary, the Sino-Pakistani nuclear cooperation can distinctly be seen as a political as well as military response which equally indicates their strategic relationship against the US-India alliance. In this case, the major factor is the emergence of India as a regional power. Therefore, such alliance system divides the above four actors as the US, India, China and Pakistan, both politically and militarily. Such alliance and competition may lead to any armed conflict between these two nuclear as well as strategic partners in the future. The policy of containment in the name of balance of power by both the alliances may not bring any positive results to the world. "The containment strategy would give way to counter containment that would be highly disastrous and the objective of achieving the regional and global security would be under threat."¹³⁴ To summarise, it can be said that this new kind of military as well as nuclear cooperation and, thus, competition is caused by the fact that globalisation necessitated these countries to safeguard their interests by forging new strategic partnerships. This also implies that this type of competition and strategic partnerships may give rise to new alliance system in the world politics; and security might be more complicated and confrontational in this age of globalisation.

¹³³ Chris Ogden, *op. cit.*, p. 140.

¹³⁴ Mohammad Samir Hussain, *op. cit.*, p. 81.

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BREXIT: ANALYSING THE NEGOTIATION STANCES OF BRITAIN AND THE EUROPEAN UNION

Abstract

The paper attempts to analyse the prospects of the post-Brexit trade negotiation process. The key factors influencing the negotiation strategies of both the parties, namely the European Union (EU) and the United Kingdom (UK) are discussed in the paper. It also compares the negotiation stances of both the parties and tries to recommend the best possible options for them. The article mainly highlights that both parties' initial interest-based positions in negotiation could lead to a 'no deal' situation that would not be favourable for either the EU or the UK. The paper argues that giving up the positional bargaining and considering multiple phase negotiations on political, socio-economic and trade issues would link mutual interests. This approach would lead both the EU and the UK to go for a meaningful deal that would minimise the negative effects of Brexit.

1. Introduction

In a referendum, held on 23 June 2016, the majority of British people voted in favour of Brexit which refers to Britain's exit from the European Union (EU). In the aftermath of this poll, on 29 March 2017, in Brussels,¹ permanent representative of Britain to the EU, Tim Barrow, presented a letter to Donald Tusk, President of the EU Council. Filed as Article 50 of the EU's Lisbon Treaty,² this letter formally stated the United Kingdom's (UK) intention to leave the EU.

A nine-month long preparation was required for the Brexit process and both parties, the EU and the UK, will have two years to settle the pending issues and withdrawal terms before Brexit comes into being by the late-March of 2019.³

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¹"Brexit: Britain Files Article 50 Letter to Formally Leave European Union", *Australian Broadcasting Corporation (ABC)*, 29 March 2017, available at <http://www.abc.net.au/news/2017-03-29/britain-files-article-50-letter-to-formally-begin-brexit/8398998>, accessed on 30 March 2017.

² Article 50, a component of Lisbon Treaty, preserves the right of any EU member to break away from this organisation.

³ R. Ruparel, "The Mechanics of Leaving the EU – Explaining Article 50", *Open Europe*, 22 February 2015, available at <http://openeurope.org.uk/today/blog/the-mechanics-of-leaving-the-eu-explaining-article-50/>, accessed on 30 March 2017.

The two-year time period provides a breathing space for both the parties to initiate negotiations on these issues. However, finalising Brexit would be a complex affair due to four reasons. First, the process would require scrutinising many treaties and agreements on different subjects involving Britain. Second, Brexit would be the first of its kind for the EU or for that matter for any regional arrangements. Third, the process needs some intertwined issues to be resolved either jointly or separately by the two parties. For example, how would the UK laws be separated from the EU legislation or how would the new trade terms in the post-Brexit era govern trade between the UK and the EU. Furthermore, trade deals with the EU, following Brexit, are likely to be a difficult part of the negotiation as separate approval from different EU nations will be required.⁴

Against this backdrop, the purpose of the paper is to analyse the post-Brexit negotiation process, the key factors and their roles in determining the negotiation strategies of both parties. This paper also presents comparative scenarios of both parties' negotiation stances, and recommends the best possible options for them. The paper is organised in the following way. First, it provides a review of brief history of the EU. Then, the next couple of sections discuss negotiation interests of both the EU and the UK, respectively. In this process, it identifies key factors underlying the post-Brexit trade negotiation, and how these factors could affect the negotiation strategies for both the parties. The paper then presents a comparative analysis of the different negotiation outcomes for the EU and the UK resulting from these different strategies. The paper concludes by recommending the best possible strategies for both the parties.

2. A Brief History of the European Union

In 1946, Winston Churchill, the former Prime Minister of the UK, first proposed the idea of a unified Europe.⁵ However, it was the Schuman Declaration on 09 May 1950 that paved the way towards an integrated Europe.⁶ Based on the idea of Franco-German reconciliation treaty, the declaration resulted in an agreement between Germany and France on control of coal and steel production.⁷ A series of events led to the creation of the EU which in course of time became a successful regional bloc. Although the UK's accession to the European integration arrangement was not smooth, it was later able to join the EU as one of its important members.

⁴ See, K. Kalamur, "Brexit: So What Now? A Frequently Asked Questions", *The Atlantic*, 29 March 2017, available at <https://www.theatlantic.com/news/archive/2017/03/brexit-faq/521175/>, accessed on 09 April 2017.

⁵ "Peace through economics: A short history of the EU", *The Hindu*, 23 June 2016, (online version), available at www.thehindu.com/news/international/history-of-eu/article14399228.ece, accessed on 30 March 2017.

⁶ See, "Robert Schuman: The architect of the European integration project", *European Commission*, available at https://europa.eu/european-union/sites/europaeu/files/robert_schuman_en.pdf, accessed on 30 March 2017.

⁷ "Peace through economics: A short history of the EU", *op. cit.*

Britain's recent decision to leave the EU is, however expected to bring about many changes in the economic and political arena in Europe. The UK's departure has been dictated by its economic concerns, which, ironically, influenced it to become a member of the EU.⁸ Keeping it in context, the current review of historical background will identify the extent to which economic and trade issues shape and drive the regional economic integration process within the EU. It begins by examining the literature on the implications of trade, with a focus on issues of particular relevance to the EU and the UK. In the next part, the review assesses the UK's economic gain from the EU, and the factors leading the country to leave this European bloc. It then examines the costs and benefits of leaving the EU and how these pros and cons could shape Britain's negotiating options and strategies.

2.1 The Journey of European Integration through the Years

The European Communities (EC) established its common market in 1958 which subsequently lifted tariff protection on trade amongst the EC members and institutionalised the free movement of labour and capital.⁹ This common market under the Common Agricultural Policy (CAP) provided substantial agricultural subsidies, thereby protecting the EC's agricultural sector from external competition.¹⁰

To open up trade in industrial products among some West European countries, the EC ratified the European Free Trade Area (EFTA), a free trade area (FTA), in 1968.¹¹ The EFTA members entered into bilateral FTA agreement with the EC six years later in 1974.¹² In 1986, the Single Market Act of the EC pledged to remove all kinds of obstacles to ensure free movement of commodities, services, labour and capital by 1992.¹³ Known as EC92, this programme paved the way to a more integrated European product, service and financial market.¹⁴ The EFTA nations embraced the EC92 through the 1992 European Economic Area (EEA) agreement.¹⁵ The EU stepped towards deeper integration in 2002 with monetary union came into force.¹⁶ Currently, the EU has been regarded as an example of a successful regional economic bloc.

⁸ N. Campos and F. Coricelli, "Why did Britain Join the EU? A New Insight from Economic History", *VOX CEPR's Policy Portal*, available at www.voxeu.org/article/britain-s-eu-membership-new-insight-economic-history, accessed on 03 April 2017.

⁹ R. E. Baldwin and A. J. Venables, "Regional Economic Integration", available at http://graduateinstitute.ch/files/live/sites/iheid/files/sites/ctei/shared/CTEI/Baldwin/Publications/Chapters/Trade%20Theory/Baldwin_Venables_Handbook.pdf, accessed on 05 April 2017.

¹⁰ *Ibid.*

¹¹ *Ibid.*

¹² Jacques Pelkmans and Philipp Böhler, "The EEA Review and Liechtenstein's Integration Strategy", Centre for European Policy Studies (CEPS) Brussels, available at https://www.ceps.eu/system/files/EEA%20Review_Liechtenstein%20Final.pdf, accessed on 05 April 2017.

¹³ *Ibid.*

¹⁴ R. E. Baldwin and A. J. Venables, *op. cit.*

¹⁵ Jacques Pelkmans and Philipp Böhler, *op. cit.*

¹⁶ *Ibid.*

A large number of theoretical and empirical studies examine the question of how regional integration under the EU affects the member countries. A body of literature demonstrates that there was a resurgence of regionalism after the World War II, and the EU is one of the most successful among them.¹⁷ Majority of the literature identify that the EU by and large directly affects a large share of the world trade due to its connectivity with other regions, and there is a likelihood that this share will continue to surge. For instance, Europe and North America, jointly account for about two-thirds of global trade, have liberalised their regional trade in a greater degree than they have opened up trade with other nations of the world. As a result, in these two areas alone 40 per cent of the world trade is now taking place under the umbrella of regional integration arrangements (RIAs). Some other studies on RIAs have also argued for this kind of arrangements' proliferation as they tend to generate welfare gain for the member countries.¹⁸ Particularly, involvement with the EU yielded positive impacts on trade, welfare and overall economic growth.¹⁹

2.2 Britain and the EU

In 1957, with the signing of the Rome Treaty, the six European countries started initiation of greater integration among the European nations and in the process they established the EC in 1967.²⁰ At the early years of the EC, the general sentiment in Britain was against joining this bloc because of the prevailing perception that a deeper integration with Europe will cost British sovereignty.²¹ The tide changed in 1961 with growing economic stagnation in the UK. The then British Prime Minister Harold Macmillan proposed the idea to join the EC.²² However, in 1963, the then French President Charles de Gaulle vetoed the British membership as he doubted Britain's commitment and sincerity in its involvement with the EC.²³ As an alternative, Britain tried only to join as an FTA member of the EC. Later, the UK tried to form a commonwealth trade bloc, but both the initiatives did not materialise.²⁴ In 1969, De Gaulle's resignation from the office paved the way for Britain to achieve the membership of the EC. At that time, Britain's domestic sentiment also changed in favour of the EC membership because it was experiencing a rapidly declining GDP.²⁵ In 1973, under the leadership of Prime Minister Edward Heath, Britain became a member of the EC.²⁶

¹⁷ P. Giordano and R. Devlin, "Regional Integration", in José Antonio Ocampo and Jaime Ros (ed.), *The Oxford Handbook of Latin American Economics*, 2012, available at www.oxfordhandbooks.com/view/10.1093/oxfordhb/9780199571048.001.0001/oxfordhb-9780199571048-e-14, accessed on 07 June 2017.

¹⁸ P. Giordano and R. Devlin, "Regional Integration", *op. cit.*

¹⁹ "Long Term Economic Implications of Brexit", A Report to Scottish Parliament, Glasgow: University of Strathclyde, Business School, 2016.

²⁰ "Robert Schuman: The architect of the European integration project", *op. cit.*

²¹ N. Campos and F. Coricelli, *op. cit.*

²² *Ibid.*

²³ *Ibid.*

²⁴ Jacques Pelkmans and Philipp Böhler, "The EEA Review and Liechtenstein's Integration Strategy", *op. cit.*

²⁵ N. Campos and F. Coricelli, *op. cit.*

²⁶ *Ibid.*

The majority of available academic estimates show that Britain's membership in the EU has yielded a net economic dividend to the UK.²⁷ Studies suggested that the economic benefit the UK gained over the years from the EU is equivalent to roughly 4 to 5 per cent of its GDP. However, most of the analysis did not capture important angles, such as the effect of the EU single market on productivity and competitiveness.²⁸ It consequently raised question over the findings related to the EU-generated benefits. Particularly, studies have suggested that the factors, which are ignored, have positive impacts on benefit.²⁹

On the other hand, studies have shown that Brexit would generate more loss for the British economy compared to the EU.³⁰ In one study, the authors estimated the economic effects of Brexit on the living standards of the British people. Deploying a general equilibrium trade model, they estimated the potential welfare change caused by Brexit.³¹ Their study revealed a net welfare loss for the UK ranging from 1.13 per cent to 3.09 per cent.³² Taking into account the dynamic impacts, this loss might rise by two-folds.³³

This background would help understand the role that economic factors can play in formulating the negotiation stances of the both parties at Brexit. From the review, it is observed that there exist knowledge gaps in several interesting aspects of RIAs. First, previous works focus on how RIAs benefitted the member nations and factors leading to join such arrangements. Hence, there is a dearth of studies dealing with disintegration process or disintegration negotiation strategies. Second, studies on Brexit have mainly thrown light on economic effects and these works have been developed on the basis of one premise that the UK in post-Brexit era would not play by the existing trade rules of the EU. However, negotiations might result in different option, a middle ground, which would benefit both the UK and the EU.

3. The EU's Negotiation Interests in Brexit

The UK's exit from the EU single market would likely to bring about structural and administrative changes which in turn might affect the functionality of this

²⁷ See, for example, P. Boulanger and G. Philippidis, "The End of a Romance? A Note on the Quantitative Impacts of a 'Brexit' from the EU", *Journal of Agricultural Economics*, Vol. 66, No. 3, 2015, pp. 832-842; S. Dhingra, G. Ottaviano, T. Sampson and J. V. Reenen, "The Consequences of Brexit for UK Trade and Living Standards", *Centre for Economic Performance*, London School of Economics (LSE), 2016; and "Long Term Economic Implications of Brexit", *op. cit.*

²⁸ S. Dhingra et al., *op. cit.*

²⁹ *Ibid.*

³⁰ See, L. Martina and E. Morgenroth, "The Product and Sector Level Impact of a Hard Brexit across the EU", The Economic and Social Research Institute (ESRI), WP No. 550, 2016; and "Long Term Economic Implications of Brexit", *op. cit.*

³¹ S. Dhingra et al., *op. cit.*

³² *Ibid.*

³³ *Ibid.*

regional bloc's integrated system. Besides, annual output of the EU would be affected adversely. Several studies have reported a reduction in the EU's GDP by 2.5 per cent to 6 per cent.³⁴ This rather disappointing scenario has created a sense of uncertainty which already strained investment decisions and might dampen the overall business environment in the EU.³⁵

Against such backdrop, the main interest of the EU in the coming Brexit negotiation is to ensure stability and integrity of its single market that functions on the basis of free movement of goods, services, capital and labour. Besides, it would be of best interest for the EU to reduce uncertainty *vis-à-vis* European value chain and intra-EU trade flow.³⁶ These points have been highlighted by the EU Council President Donald Tusk in his proposal of the EU's priorities for the upcoming negotiations.³⁷ The priorities also include the protection of rights of the EU citizens in Britain. The other priorities are legal issues for the EU commerce in the UK, addressing any potential border rift between two Irelands, and retaining Britain's financial commitments to the EU.

In this context, the main goal would be to protect relevant socio-economic and political interests. The EU needs to protect the rights of more than 3 million EU migrants currently residing in the UK. This migrant affair poses several concerns for Brussels.³⁸ For instance, failure of ensuring migrants' proper status within the UK in the post-Brexit era would result in a massive influx of population within the EU, which could in turn strain the EU's social welfare system. Apart from that, a meaningful understanding with the UK is essential for broader security and stability of Europe. Specifically, issues relating to Northern Ireland would be critical in future EU-UK relations.³⁹ For Northern Ireland, which have chosen to remain in the EU, this regional bloc needs to formulate a functional framework with the UK to preserve the interests of the former nation. This relationship has also extended implication in the post-Brexit regime. The unsettling outcome of these political issues may instigate other territorial disputes in the region, such as the question of Gibraltar between Spain and the UK.⁴⁰

In addition, the understanding of economic interest underlining the negotiation process is crucial for both parties' trade off within the Brexit process. Before the UK joined the EC in 1973, its trade was roughly 33 per cent with that region.⁴¹ While

³⁴ *Ibid.*

³⁵ "Assessing the Impact of Brexit: Political Uncertainty vs Market Efficiency", *Rich*, July 2016, available at www.rich.co.ke/rcfrbs/docs/Brexit%20paper%20-%20HW%20reading.pdf, accessed on 30 March 2017.

³⁶ See, A. D. Green, "Brexit by Timetable: The Evolution of the EU's Position", *Financial Times*, April 2017, available at www.ft.com/content/e8f67ffb-0092-3833-a792-bd00e049b454, accessed on 30 April 2017; and S. Dhingra *et al.*, *op. cit.*

³⁷ A. D. Green, *Ibid.*

³⁸ D. Frum, "Why Britain Left", *The Atlantic*, available at www.theatlantic.com/international/archive/2016/06/brexit-eu/488597/, accessed on 02 April 2017.

³⁹ A. D. Green, *op. cit.*

⁴⁰ "Assessing the Impact of Brexit: Political Uncertainty vs. Market Efficiency", *op. cit.*

⁴¹ Chris Giles, "What has the EU done for the UK?", *Financial Times*, March 2017, available at <https://www.ft.com/content/202a60c0-cfd8-11e5-831d-09f7778e7377>, accessed on 30 April 2017.

27 other EU nations, in 2014, became market for 45 per cent of the UK exports and a source of 53 per cent of the UK imports.⁴² On the other hand, the EU exports were 13 per cent of the UK's GDP.⁴³ Currently, many EU members are enjoying surpluses in merchandise trade with the UK.⁴⁴ Thus, from the trade perspective, several member countries have expectations to the EU that it will defend their current trade interests through negotiation process. In this regard, it is crucial for this regional bloc to secure the current level of surpluses in merchandise trade.

Besides, sector-wise interests are also important in Brexit trade negotiations. In this regard, the EU has specific interest in retaining its domestic producers' market share in sensitive sectors, such as automobile manufacturing and servicing, following Brexit transition. Specifically, in the post-Brexit period, the EU has the potential to retain substantial market share of service sector, which would enable the EU to further its competitiveness in global service export, and would go a long way in creating a good number of white-collar jobs.⁴⁵

4. Britain's Negotiation Interests in Brexit

Brexit, the outcome of the UK's 2016 referendum, reflects Euroscepticism — the desire to curb the control of the EU. However, still a large number of people, 34 per cent of the UK voters participated in the referendum, opined for retaining the EU membership.⁴⁶ Keeping this mixed opinion in context, a consolidation of Britain's national interest is called for to fix the negotiation interest of the nation in the negotiation phase.

The influx of migrants to Britain is one of the factors that cause growing Euroscepticism in the UK. The UK population, between 1990 and 2015, increased by 8 million, despite the nation has a low native birth rate that is below the replacement level.⁴⁷ In 2015 alone, 630,000 foreign nationals immigrated to the UK.⁴⁸ This inflow of migration has been driven by twin factors: British association with the EU and the nation's successful economic policy. Since 2010, Britain has generated more jobs than the rest of the EU nations combined.⁴⁹ In this context, supporters of Brexit were able to mobilise people under the perception that the natives are not benefitted by

⁴² *Ibid.*

⁴³ *Ibid.*

⁴⁴ A. Petroff and I. Kottasova, "Brexit Triggered: 5 Huge Obstacles to an Amicable Divorce", *CNN Money*, 29 March 2017, available at www.money.cnn.com/2017/03/29/news/economy/brexit-article-50-uk-eu-deal-obstacles/, accessed on 16 April 2017.

⁴⁵ White collar jobs refer to high paid work.

⁴⁶ "EU Referendum Result", *The Electoral Commission*, available at www.electoralcommission.org.uk/find-information-by-subject/elections-and-referendums/past-elections-and-referendums/eu-referendum/electorate-and-count-information, accessed on 30 March 2017.

⁴⁷ D. Frum, *op. cit.*

⁴⁸ *Ibid.*

⁴⁹ *Ibid.*

British population growth. They pointed out that migration makes education, health care and housing more inaccessible to the native, especially with the inflow of rich migrants.⁵⁰ As this anti-migration rhetoric was crucial in the referendum outcome, the ruling party in the UK, who also controls the chief negotiating body, has substantial interests in formulating a tight immigration policy in the post-Brexit regime.

Over emphasising the migration policy could, however, be detrimental to other national interests of the UK which may create obstacle in establishing credible structures for future UK-EU regulatory cooperation. If the negotiation fails to develop a cohesive regulatory framework, it would incur heavy economic loss for the UK.⁵¹ For instance, the absence of a proper regulatory framework could isolate the UK's business concerns and stimulate the EU to opt for post-Brexit regulations and standards favouring EU companies. The EU, then consequently in the post-Brexit period, could well turn out to be an important and attractive centre for global investors, while the UK might be lagging behind in this regard.⁵²

Trade and finance are the two other issues of interest in the negotiation process for the UK. In 2016, other European nations were destination of 44 per cent of total British exports of goods and services. However, the elimination of tariff-free status following Brexit could threaten this British export market in the EU.⁵³ The UK also has some specific interests in some sectors. For example, automobile sector could be a case in point. Currently, British car industry imports roughly 60 per cent spare parts from the EU, and this region also accounts for 56 per cent of the British automobile export to the EU.⁵⁴ Without a favourable agreement with the EU after Brexit, the UK's auto industry would lose a significant degree of competitiveness in this sector, and thus, might incur potential loss of Foreign Direct Investment (FDI) in the long run.

Similarly, in the service sector, the UK has substantial interests. The financial and related service sector contributes 12 per cent to the UK's GDP.⁵⁵ Currently, it runs surpluses in service trade with the EU. The UK also controls 24 per cent of the current EU service sector, which includes 26 per cent of total EU banking; 22 per cent of EU insurance; and 41 per cent of EU asset management.⁵⁶ Besides, London is a prime centre for trade in interest rate derivatives denominated by Euro.⁵⁷ Thus, Brexit

⁵⁰ *Ibid.*

⁵¹ "European Union: Preparing for the UK's Brexit Negotiation", *The World Today*, Chatham House: The Royal Institute of International Affairs, available at www.chathamhouse.org/publications/twt/preparing-uks-brexit-negotiation, accessed on 06 April 2017.

⁵² "European Union: Preparing for the UK's Brexit Negotiation", *op. cit.*

⁵³ D. Pittis, "Britain Counts the Cost of Brexit as Negotiations with Europe Begin", *CBC News*, 18 June 2017, available at www.cbc.ca/news/business/brexit-eu-negotiations-cost-1.4163846, accessed on 30 March 2017.

⁵⁴ A. Petroff and I. Kottasova, *op. cit.*

⁵⁵ *Ibid.*

⁵⁶ D. Mabbett, "Waiting for the New Era of Trade Negotiations to Begin", *The Political Quarterly*, Vol. 87, No. 4, 2016, pp. 473-475.

⁵⁷ A. Petroff and I. Kottasova, *op. cit.*

without any agreement on trade relation would lead to increase in trade cost, both in terms of imposing tariff and non-tariff barriers.⁵⁸ Specifically, non-tariff barriers would include a wide range of measures that raise the costs of doing trade. Besides, alteration of current trade relations would also hurt welfare of society by raising prices for traded goods and reducing access to high quality goods.⁵⁹ It will also shrink the scope of future export options and job creation across the EU's integrated economy. Overall, the UK has an interest in maintaining the pre-Brexit trade status with the EU, while at the same time it should address issues, such as immigration and regulatory frameworks.

5. A Comparative Analysis of Negotiating Positions of the EU and the UK

The initial position of each party engaged in negotiation is driven by their interests. In this section, the paper identifies both the parties' position in the current Brexit negotiation process based on the interests identified in the previous sections of the paper. This section first analyses the negotiation stances, on the basis of respective interests of both the EU and the UK. Then it discusses the possible rational options that these two parties could explore to maximise the outcome from the negotiation process.

5.1 Negotiation Stance of the EU

As the EU has several interests, ranging from political to economic, it is clear that this regional body needs to prioritise its interests in the negotiation. It would decide the ultimate position of the EU because different prioritisation would lead to different stances, such as, if the EU focuses its negotiation objectives on the pre-Brexit status quo through maintaining same economic status with the UK. Logically, it should seek to keep the business environment as similar as possible to pre-Brexit levels.⁶⁰ Thus, to protect this interest through the negotiation, the EU will require taking the position of a 'soft Brexit'.

However, to retain stability within the EU member countries in terms of ensuring certainty about the 43 years old several entwined institutions, the EU needs to focus on position based on unity with the other members of the union.⁶¹ This approach has two-way implications for the Brexit negotiation. First, it will give the EU the leverage to take the lead in the negotiation process by listing the issues in the negotiation agenda. Second, this issue fixation will help control the negotiation process and facilitate effective preparation and planning in accordance with phases. However, the order will eventually narrow the first phase, addressing issues only

⁵⁸ *Ibid.*

⁵⁹ *Ibid.*

⁶⁰ S. Dhingra, *et al.*, *op. cit.*

⁶¹ A. D. Green, *op. cit.*

related to Britain's withdrawal. As the European Council President Donald Tusk says, "Once and only once we have achieved sufficient progress on the withdrawal, can we discuss the framework for our future relationship. Starting parallel talks on all issues at the same time, as suggested by some in the UK, will not happen."⁶² This stance, in contrary to earlier economic priority keeps trade relations within the Brexit process in the queue.

On the other hand, if the EU phases out the disintegrating process in context of time length, the EU's best interest would then be to minimise loss from this process. Subsequently, its main goal would be to protect socio-economic and political interests that may arise from the withdrawal of the UK. This would help keeping focus on ensuring the rights of EU citizens living in Britain, UK's financial commitments to the EU, and the legal matters for EU businesses in Britain.

From the above-mentioned priority-based negotiation stances, it is evident that the EU has logical ground to formulate its negotiation position on the premise that the UK should find itself in a less favourable situation compared to any other EU member states due to its decision to leave the regional integration process.⁶³ Furthermore, the EU wants the withdrawal to occur in a systematic orderly manner so that it can link the phases.⁶⁴ In the first phase, it wants to deal with the issue of disintegration, given the conditions of the Lisbon Treaty. In this phase, the EU has leverage over the UK because the cost of no deal would be "very hard" on the UK.⁶⁵ Thus, the EU seeks to use this leverage to dominate and influence the phase one outcome according to its desire. It then wants to carry this leverage into the next phase, which would be the phase for trade negotiation, by linking the phase one desired outcome as a pre-requisite for opening up the second-phase trade negotiation process.

From this analysis, one can assume that the EU will be in an advantageous position because it knows better about its needs, negotiating strengths and ways to fulfil the needs.⁶⁶ This will lead the EU in the negotiation process to adopt positional bargaining. Under this positional bargaining, the EU foresees the ultimate outcome from the negotiation would be damaging for both parties. Thus, it sees the negotiation process as a damage control option and its objective in the negotiation is to bear as small a proportion of the damage as possible. Hence, it could focus on either "hard Brexit" or "no deal"; and would go for to achieve a high stake in "hard Brexit" — protecting the interests of the EU 27, and thereby retaining integrity of the bloc by ensuring free movement of goods, capital, service and labour.

⁶² A. D. Green, *op. cit.*

⁶³ *Ibid.*

⁶⁴ *Ibid.*

⁶⁵ *Ibid.*; and D. Malhotra, "A Definitive Guide to the Brexit Negotiations", *Harvard Business Review*, 2016, available at <https://hbr.org/2016/08/a-definitive-guide-to-the-brexit-negotiations>, accessed on 07 April 2017.

⁶⁶ A. D. Green, *op. cit.*

5.2 Negotiation Stance of the UK

On the contrary, the UK will enter the negotiation process with some constraints.⁶⁷ For instance, it will not be completely free to choose options with the best cost-benefit relation. The institutional relationship with the EU has to be negotiated. Thus, the negotiating stance of the EU might restrain the UK while choosing the preferred option. Hence, the reality is that the UK's bargaining position is weak; in other words it has few cards of value.⁶⁸ Furthermore, the UK would mostly depend on a response strategy to follow the lead of the EU. The UK also faces time constraint because Article 50 gives two-year time before defaulting on World Trade Organization (WTO) rules and bilateral agreements.⁶⁹ This default position is perhaps the worst possible outcome for the UK. Thus, it badly needs to strike a deal with the EU partners.

To strike a possible deal with the EU, trade is the most important area of interest for the UK. Hence, bargaining chips are needed to be identified by the UK. Economic concerns and migration issue could serve the region best to form critical bargaining chips on the negotiation table. The economy of the UK, for example, is linked with the EU through trade of goods and services.⁷⁰ Any trade disruption in the post-Brexit period could result in substantial collateral damage. This leverage though might not be proved sufficient, enables the UK to hold off its own in the negotiation.⁷¹ The issue of migration can also play an important role in the UK's negotiation stance.⁷² As mentioned before, the restrictive view of the UK government on this affair is based on the anti-migration perception of the major portion of British people.⁷³ However, UK's advantage in Brexit negotiation lies in the restraints on people's free movement as the EU has substantial interest in this point.

Administering the negotiation through good preparation and a well-managed negotiation process, on the part of the UK is critical for favourable negotiation outcome.⁷⁴ It could address the unfavourable conditions for couple of reasons. First, given the weaker position and having to follow the EU's lead, the UK cannot afford to deviate further on the negotiation table. Second, only through efficient management of the negotiation process, will the UK be able to reduce the gap in its negotiation position with the EU. For the UK, expert negotiators will deliver the expected results.

⁶⁷ S. Dhingra, G. Ottaviano and T. Sampson, "A Hitch-hiker's Guide to Post-Brexit Trade Negotiations: Options and Principles", *Oxford Review of Economic Policy*, Vol. 33, No. S1, 2017, pp. 22–30; and I. Bremmer, "What a UK Exit from the EU could Mean", *Time*, available at www.time.com/4236991/what-a-u-k-exit-from-the-e-u-could-mean/, accessed on 01 April 2017.

⁶⁸ D. Mabbett, *op. cit.*

⁶⁹ Australian Broadcasting Corporation, *op. cit.*

⁷⁰ S. Dhingra *et al.*, *op. cit.*

⁷¹ D. Mabbett, *op. cit.*

⁷² D. Malhotra, *op. cit.*

⁷³ "Assessing the Impact of Brexit: Political Uncertainty vs Market Efficiency", *op. cit.*

⁷⁴ S. Dhingra *et al.*, *op. cit.*

But the country currently is in need of people possessing such negotiation skill and, thus, it requires investing in this area to develop such capacity.⁷⁵ These will lead the UK to formulate effective positions with different EU members to exploit the scope of two-level games in the negotiation process. Given this context, one needs to take into account that there are dissimilarities among the EU nation data on trade balance with the UK. Notably, a number of most influential countries in the EU (such as Germany) are the ones that are most dependent on trade with the UK.⁷⁶ Managing these relations is critical to the outcome of Brexit negotiation *vis-à-vis* the UK.⁷⁷

The UK should bring more issues to the table and needs to make links with other non-economic issues so that the negotiation domain becomes large enough for them to spread the trade-offs between unfavourable and desirable outcomes. The UK needs to be creative in linking the non-economic issues in order to impact the EU economic relations. For instance, if an agreement is to be reached, both parties will have to give way. In this regard, the UK may agree to provide working permit to the EU citizen according to specific terms and conditions in exchange of getting access to the EU single market. Furthermore, to restore sanity in the proceeding, the UK might stress on the fact that a bad deal would strain its security cooperation. Nobody gains if important political players like the EU and the UK diverge on security affairs. As such EU is not in a position to handle this subject lightly.⁷⁸ The EU also fails to gain anything if the UK feels hard done on the negotiation table as it would easily deteriorate the latter's ties with the former in the post-Brexit period. One cannot rule out such a possibility after the British people's expression of isolationist attitude in the last referendum.⁷⁹ Thus, with limited bargaining chip, the UK needs to use its cards judiciously and should focus on reaching some kind of deal with the EU rather than no deal at all.

5.3 *Logical Stances for both Parties*

From the analysis, it is evident that the EU has a stronger position compared to the UK because it has positional strength within the terms of negotiation under the article 50 of Lisbon Treaty. Especially, it enables the EU to conduct the negotiation process in phases which helps it to initially narrow the focus on the UK's withdrawal only. On the other hand, only to negotiate the terms of withdrawal in the first phase puts a great deal of pressure on the UK. It also narrows the scope of the UK without any desirable positions. At this stage, the UK needs to modify its negotiation objectives from a broader point of view rather than focusing only on the first phase of negotiation. It is in need to strike a meaningful deal in this phase, which in turn, would lead to opening up a more balanced negotiation position for the coming trade negotiation phase.

⁷⁵ *Ibid.*

⁷⁶ I. Bremmer, *op. cit.*

⁷⁷ D. Malhotra, *op. cit.*

⁷⁸ *Ibid.*

⁷⁹ *Ibid.*

One thing is quite evident within the current negotiation process: a ‘no deal’ would jeopardise both the parties. The EU based its stance on the assumption that eventually the UK’s withdrawal would hurt its unity as well as political and economic processes. The EU wants to set an example that leaving this bloc is a costly affair. Given the size of the economy, the EU finds its position relatively better than the UK when it comes to absorbing potential damage and shock. However, in context of the prevailing recession within the EU, the regional bloc should revise its rigid view on Brexit and minimise the damage. It should prioritise the achievable objectives within the UK’s withdrawal negotiation. This prioritisation is important because it would help the EU minimise damage while allowing the EU to carry its leverage to the next phase of trade negotiation. In the trade negotiation phase, both parties have substantial interest and scope to value-creating options.

This possibility should incorporate in both parties’ decision-making process because it would then facilitate each party to play their hand according to integrative objective. Only then it would be possible to find mutually inclusive outcomes. In this regard, the EU should use its leverage to direct the UK to strike a meaningful deal which would be the only way to minimise the damage caused from the latter’s withdrawal. Similarly, the UK should be prepared to make an initially hard deal rather than no deal because this is the only way it can push its economic terms for the next phase of trade deal. Both parties should play their cards on the basis of long-term goals. They should look forward to several phases of negotiation rather than the current process as the final and only one. If the parties view the current phase as the scope for extending and setting agendas for the next phases, only then can they be able to shift away from their rigid reservation values. These current values reflect a high probability of ‘no deal’. Both parties need to understand that the goal is not to “win” but to achieve their objectives. If that is the case, then both of them should focus on striking a deal: a deal that would ultimately minimise mutual damage.

6. Conclusion

Every negotiation process is an opportunity for participating parties to find an acceptable solution to a complicated conflict of interests. It mostly depends on the subject matter of a negotiation, nature of relationship between concerned parties, situation’s importance and complexity of the issues involved in negotiation.⁸⁰ Similarly, the outcome of Brexit negotiations will depend on “how each side plays the hand it has been dealt”.⁸¹ From the analysis, the article finds that both the parties’ current interest-based positions are conflicting — one party’s desired outcome is undesirable for the other. These opposing positions are currently causing the parties to adopt rigid positions. Such positions might yield nothing from the negotiation.

⁸⁰ J. Long, “Effective Negotiation: Strategies and Preparation”, available at <http://www.acc.com/legalresources/quickcounsel/ensp.cfm>, accessed on 08 April 2017.

⁸¹ D. Malhotra, *op. cit.*

Under this approach, the parties treat the negotiation as a zero-sum game in which only one party can 'win' the negotiation. This approach will definitely lead to a 'no deal' agreement with Brexit. However, the analysis identified that such outcome would not be beneficial for any party. In this regard, a better outcome is to strike a deal, which would lead to a continuation of the negotiation process on several other issues. As the entire Brexit negotiation is a complex process of dismantling a 43-year relationship between the two parties, the process should involve several meaningful negotiation steps. The negotiating parties should consider this necessity and adopt a compromising style in their negotiation which involves meeting halfway; feeling empathy for the needs and constraints of the other side. This approach can only lead current Brexit negotiations to a fair result striking a deal, which would open up the scope and allow several important phases of negotiation to continue in the days to come.

BOOK REVIEW

Understanding Bangladesh by S. Mahmud Ali, London, Hurst, 2010, xvii + 441 pp., ISBN 978-1-85065-998-3

Bangladesh has an exceptional history and a set of circumstances that have spurred its bloody birth into the world. Despite the odds, the country has maintained an impressive track record on growth and development since its inception. Its efforts in women's empowerment, poverty reduction, and disaster management have remained unparalleled in the field of development. Nonetheless, the country has been moulded by its particularly difficult past, and how it has risen from the ashes of war and genocide is of vital importance to both political scientists and war studies academics alike. Thus, *Understanding Bangladesh* is a brilliantly articulate foray into the political philosophies, military structures, and the eventual martial and governmental dissidence that have shaped the South Asian nation since its inception. In this publication, illustrious author and scholar, S. Mahmud Ali eloquently delves into the shifts in political and economic paradigms that have moulded the country's unique socio-economic climate throughout its formative years.

The book spans a total of 441 pages, including a preface followed by seven chapters, as well as general sections dedicated to other prefatory segments, notes with citations, a glossary, an appendix, a list of abbreviations, and an index. Each chapter begins with an abstract that provides a brief background-cum-summary of what it aims to cover. The research is augmented by Ali's training in the Pakistan Academy, his experience as a researcher at the Royal United Services Institute for Defence and Security Studies and at King's College, University of London, and his twenty years spent as a journalist for the BBC World Service, which have all provided the depth of knowledge necessary to create a factual and unbiased account of the events that sparked the Liberation War, and the ensuing political tumult that resulted in the years thereafter. Added to his literary repertoire, Ali is also an author of several volumes on Asia-Pacific security issues, demonstrating the necessary understanding of the issues that have plagued this young nation since its formation.

Nestled behind the eye-catching orange hardcover which depicts a Bangladeshi 10 *paisa* stamp, the book opens with a clear-cut table of contents, including a list of tables and a preface. Each chapter is designated a title with either allegorical allusions, or is alliterated for the reader's benefit and easy recall. The "Preface" begins with a concise background into the key individuals and events that have shaped Bangladesh's national, regional, and global politics. It further dissects the country's roots from as a part of India, then Pakistan, and finally into an independent state by dissecting its journey into several chapters. Following its nine-month long civil war which ended with a *coup de grace* delivered by Indian forces in the last month of the conflict (p. ix), Ali goes on to explain how Bangladesh was born

utterly debilitated. He further explains how the country's external interactions with key global players have also shaped the final outcome of the war, with the US-China-USSR strategic triangle serving as its backdrop. Also explained is that the foundation of the book is based on the rational-empirical model, and that the ultimate objective of the book is to "examine Bangladesh as an unusual case of state-formation, offering a detached but empathetic account of some of the watersheds marking its political experience" (p. xii). In order to achieve this, each of the consequent chapters is shortly summarised, and the chapter ends with a glint of hope, due in part to the country's growing macro-economic performance despite the nation's "abysmally poor record of governance" (p. xvi).

"Chapter One: The Past as Prologue" begins with the political developments that followed the legacy of colonial era politics. It marks the various actors that have influenced the country from 1757 to 1971, including the transitioning of "northern Hindu kingdoms" to give way to Afghan, Turkic, and Central Asian Muslim successors (p. 1). Also prevalent is the influence left behind by the various *Ashrafs* and *Zaminders*, and the British colonisation of India at the time. Thus, even in its earliest days, the Bengal region saw the exchanges of power between numerous foreign players. Under various sub-headings, the chapter goes on to explain the role of Pakistan and its oppressive military in paving the division between West and East Pakistan. Helpful tables supplement the explanation of inter-wing disparity between West Pakistan and East Pakistan, which played as a major factor culminating into the events of Liberation War of 1971. The chapter then brings to the fore an explanation of Sheikh Mujibur Rahman's *Six Point Charter* in breaking the bonds from West Pakistan and building the metaphorical road to Bangladesh, and ends on a harrowing note with "Operation Searchlight" underway, where "the Pakistan established in 1947 was coming to an end and Bangladesh's bloody genesis had begun" (p. 54).

Thus, begins "Chapter Two: War, Independence and Blood Feuds", which lists the major developments from the failure of the leaders of Pakistan's two wings in reaching a compromise after the parliamentary polls held in the 1970's, to the tragic death of Bangabandhu Sheikh Mujibur Rahman and his family due to a coup, ending Mujib's Second Revolution and heralding the foundations for the sanguinary third. The main contributions of this chapter are an analysis into the darkness of 'Operation Searchlight', the formation of Bangladesh, Mujib's presidency, the creation of Awami League, the flight of thousands of Bengali refugees into India amidst climatic catastrophes and famine-like conditions, and the roles played by India, the US, China, and USSR in choosing sides during the war. All of these occurred behind the backdrop of "flood damage, low stocks, hoarding perhaps compounded by some smuggling, weak administrative and distributive mechanisms, and party-political corruption" which brought millions of Bangladeshis to the brink of starvation (p. 108).

Hence, "Chapter Three: In the Valkyrie's Shadow" signals the main events of 1975 to 1990, through which the "period of violent uncertainty overtook Bangladesh after Sheikh Mujibur Rahman's assassination" (p. 115) and led to General Ziaur Rahman's ascension into command of martial law administration and then presidency. It highlights the emergence of the Bangladesh Nationalist Party (BNP), which used "religious iconography" to create a "Bangladeshi nationalist framework" as opposed to the "Bengali symbolism used by the Awami League" (p. 116). It goes on to explain the '*Sepoy Mutiny*', the expansion and clashes of the tribal insurgents '*Shanti Bahini guerilla*' with the government, and the controversial '*Islamising of the Constitution*' with abandonment of the 1971 campaign's aspects. Further, it explains both the contributions of Zia's regime to military and other expenditures, and finally the possible reasons behind the mutiny which killed Zia. Finally, it explains the events which led to General Ershad's presidency and administration, and its failings which led to his stepping down from the ironic legacy where "the army now made the emergence of a new democratic era possible" (p. 187). The chapter leaves with a trace of a rising conundrum that comes to mind, which is the distinction in the definitions of civil war and liberation war.

"Chapter Four: The Plight of Parliamentary Politics" then covers the events between 1990 and 2007, since the resignation of General Ershad. This chapter covers the yo-yoing power play between the two political parties, Awami League and BNP, listing both their socio-economic contributions and burdens upon the struggling nation. To this end, many helpful tables and statistics are provided to lay out a factual foundation of both administrations. The increasing scale of corruption in many government utilities providers that moved in tandem with the political and administrative corruption is also highlighted, in fact, Bangladesh had become the "most corrupt country in the world" (p. 242). It was similarly established that "violent political polarisation was now the established reality of democratic Bangladesh" (p. 227). Notwithstanding, the nation still made progress towards its Millennium Development Goals (MDGs) with the help from various international aid agencies and stakeholders, until the culmination of events led to a state of emergency being declared.

"Chapter Five: A Reformist Interregnum" continues from the growing concerns over the consequences of a "zero-sum conflict between Khaleda Zia's BNP-led administration and the Awami League-led opposition headed by Sheikh Hasina" (p. 251). This chapter describes how the elections were constantly delayed, until the Awami League's landslide victory finally became evident. The role of the military here is again constantly touched upon, and the dismal reality of politics slowing down economic progress is presented. An extremely relevant contribution of this chapter is laid out in the gradual rise of radical extremes of the political spectrum, which is particularly important in current affairs due to the growing threat of radicalisation in Bangladesh.

Thus, “Chapter Six: A Land of Anger” – Right, Left, Centre, and the Other returns with this narrative of various other factions that were also influential to the country’s politics. It highlights different clashing perspectives, and provides the roots of extremism, providing too a historical context, as well as the looming threat of the extreme left. It also focuses on the significance of student politics and activism in shaping the nation’s policies. It ends with brief accounts of the country’s situation regarding water, insurgency, trade, investment, and security issues, among others, finally climaxing with an analysis of the major problems that Bangladesh faces with India – the country that once helped it reach its independence – if Bangladesh were to become a “strategically and geo-politically” important hub and a significant global economic power.

Finally, “Epilogue: A Blood-soaked Restoration” provides an account of the despotic Peelkhana massacre, and includes possible reasons for its occurrence, as well as various considerable conspiracy theories. The book concludes with further explanations of the major challenges, aside from those falling under the political or economic continuum, that still plague the nation today. The effects of climate change, arsenic poisoning due to contaminated wells, and the exploding population – with the current figures estimating 156.6 million - are some issues that are brought to the fore.

As the focus on understanding the unique circumstances that have given birth to this turbulent nation is made apparent, politicians, as well as academic researchers in international relations, peace and conflict studies, analysts in defence studies, and other related disciplines of social sciences can benefit from learning the way this unique nation’s politics have shaped its economic circumstances, and *vice versa*. Likewise, any keen observer in South Asian policy and development can gain to learn from this book. Its importance is further augmented from Bangladesh’s proximity to India, Myanmar, Nepal, Bhutan, and China, as well as its participation and membership in various bilateral and multilateral trade agreements and regional organisations, such as the South Asian Association for Regional Cooperation (SAARC), the Organisation of Islamic Cooperation (OIC), the Trade and Investment Cooperation Framework Agreement (TICFA), and the Bay of Bengal Initiative for Multi Sectoral Economic Cooperation (BIMSTEC), deeming it of strategic importance in the international arena. Most appreciable, however, is the fact that the country was shaped by the only ever Language Movement which had led to the Liberation War of 1971, which brought about its independence and deemed it worthy of scrutiny by involved international parties and political scientists worldwide. Despite the odds, the country has made great strides towards development, which have not forgone Ali’s narrative.

The book is not without its criticisms, however. Considering editorial mistakes, there are a few spelling and grammatical errors that should be revised. The

main criticism, however, lies in the almost exclusively political stance – with some emphasis on economic viewpoints – which flavours the writing. As the title implies, for an even more holistic approach, legal and sociological perspectives may also be considered. Similarly, although the book focuses on mainly contemporary issues that impact the nation, a brief account of the anthropological roots which brought Bengali culture into prominence could be considered, as this has and still does play a pivotal role in shaping the country's identity politics. Further, the perspectives could be better shaped if some historical background on the tendency of political violence to uproot the nation is provided since previous centuries – digging into ancient times and the anthropological background into the various races that make up the melting pot of a nation today would also be a good contribution for a more complete approach. This could help provide insight into the background of the "Us vs. Them" mentality in the country's various political factions. Further, the book is based on the rational-empirical model. However, if the reader is to fully understand the benefits of using this approach, its assumptions and weaknesses should be briefly explained.

Finally, the epilogue chapter could also consider providing some accounts of Bangladesh's micro-credit successes, its migratory shifts – including both brain drain and the contributions by the Bangladeshi diaspora and climate displacement, its major strides in disaster management, and other relevant themes to further expand upon the scope of the book.

In conclusion, *"Understanding Bangladesh"* is a remarkable book that should be lauded for its holistic, chronological, variegated, and unbiased account of the events that had transpired both before and since Bangladesh's independence, hence providing a scholarly and objective perspective into the political upbringing of Bangladesh, as opposed to a purely emotional one. Further, the literary elegance provides a delightfully nuanced read. It provides detailed analysis on the key events of the events that transpired, as well as their consequences. Further, the wealth of empirical evidence and the necessary citations adds to the utility of this book. There is much for this small, riparian nation to learn if it is to emerge more triumphantly, and if the nation is to grow from its mistakes, books such as *"Understanding Bangladesh"* would be a good starting point to consider.

Reviewed by

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