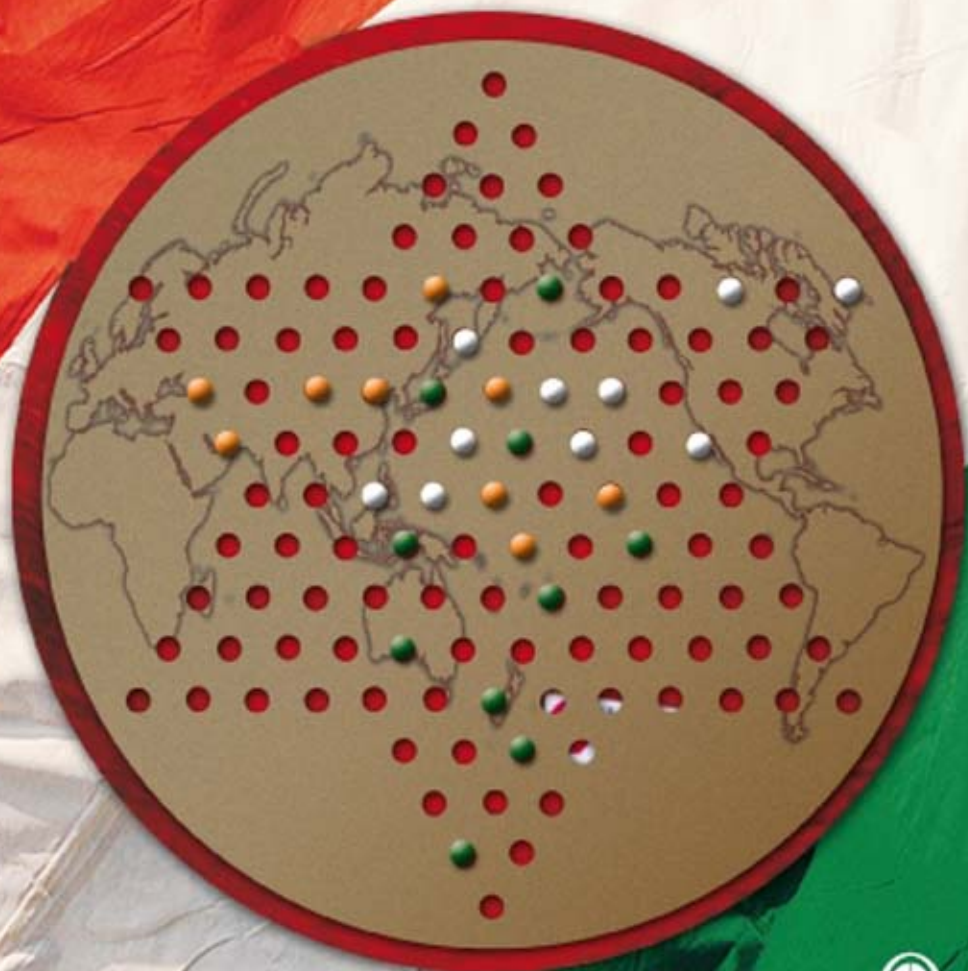


# CHALLENGE AND STRATEGY

Rethinking India's Foreign Policy

Rajiv Sikri



Foreword by Chinmaya R. Gharekhan



# Challenge and Strategy



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Rethinking India's Foreign Policy

RAJIV SIKRI

Foreword by Chinmaya R. Gharekhan

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*To my late father, Baldev Raj Sikri, who inculcated  
in me the love for books, and who inspired  
and encouraged me to join the Indian Foreign Service.*



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## List of Abbreviations

ACMECS	Ayeyawady–Chao Phraya–Mekong Economic Cooperation Strategy
ACSA	Acquisition and Cross-Servicing Agreement
ADB	Asian Development Bank
AFRICOM	Africa Command
AMU	Arab Maghreb Union
APEC	Asia–Pacific Economic Cooperation
APT	ASEAN Plus Three (China, Japan, the Republic of Korea)
APTA	Asia–Pacific Trade Agreement
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
ASEM	Asia–Europe Meeting
ASSOCHAM	Associated Chambers of Commerce and Industry
AU	African Union
AWACS	Airborne Warning and Control System
BCIM	Bangladesh–China–India–Myanmar
BHEL	Bharat Heavy Electricals Limited
BIMST-EC	Bangladesh–India–Myanmar–Sri Lanka–Thailand Economic Cooperation
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BOAD	Banque Ouest Africaine de Développement (West African Development Bank)
BRIC	Brazil–Russia–India–China
BSF	Border Security Force
CENTCOM	Central Command

CEO	Chief Executive Officer
CEPEA	Comprehensive Economic Partnership in East Asia
CHIBSA	China–India–Brazil–South Africa
CICA	Conference on Interaction and Confidence-Building in Asia
CII	Confederation of Indian Industry
CLMV	Cambodia–Laos–Myanmar–Vietnam
COMESA	Common Market for Eastern and Southern Africa
CSCAP	Council for Security Cooperation in the Asia Pacific
CTBT	Comprehensive Test Ban Treaty
CTF 150	Combined Task Force 150
DIA	Defence Intelligence Agency
DSU	Dispute Settlement Understanding
EAC	East African Community
EAS	East Asia Summit
ECCAS	Economic Community for Central African States
ECOWAS	Economic Community of West African States
EEZ	Exclusive Economic Zone
ERIA	Economic Research Institute for ASEAN and East Asia
EU	European Union
E-7	Emerging Economies of seven countries, namely Brazil, China, India, Indonesia, Mexico, Russia, Turkey
FBR	Fast Breeder Reactor
FICCI	Federation of Indian Chambers of Commerce and Industry
FMCT	Fissile Material Cutoff Treaty
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GMS	Greater Mekong Subregion
GRF	Gulf Regional Forum
GSP	Generalized System of Preferences

G-4	Group of four countries (India, Japan, Germany and Brazil)
G-7	Group of seven countries (Canada, France, Germany, Italy, Japan, United Kingdom and United States)
G-8	Group of eight countries (Canada, France, Germany, Italy, Japan, Russia, United Kingdom and United States)
G-15	Group of 15 countries
G-20	Group of 20 countries
G-33	Group of 33 countries
G-77	Group of 77 countries
HAL	Hindustan Aeronautics Limited
HINDRAF	Hindu Rights Action Force
HIPC	Heavily Indebted Poor Countries
IAEA	International Atomic Energy Agency
IAI	Initiative for ASEAN Integration
IB	Intelligence Bureau
IBSA	India-Brazil-South Africa
ICVL	International Coal Ventures Limited
IGAD	Intergovernmental Authority on Development
IISS	International Institute of Strategic Studies
IMF	International Monetary Fund
IMTRAT	Indian Military Training Team
IOR-ARC	Indian Ocean Rim Association for Regional Cooperation
IPI	Iran-Pakistan-India (gas pipeline project)
IPKF	Indian Peace Keeping Force
ISAF	International Security Assistance Force
ISAS	Institute of South Asian Studies
ISI	Inter-Services Intelligence
ITEC	Indian Technical and Economic Cooperation
J&K	Jammu and Kashmir
LDC	Least Developed Country
LNG	liquefied natural gas
LPG	liquefied petroleum gas
LTTE	Liberation Tigers of Tamil Eelam
LWR	Light Water Reactor

MEA	Ministry of External Affairs
MERCOSUR	Mercado Comun del Sur or Southern Common Market (Argentina, Brazil, Paraguay, Uruguay)
MFA	Multi Fibre Arrangement
MFN	Most-Favoured-Nation
MGC	Mekong-Ganga Cooperation
MTCR	Missile Technology Control Regime
NAFTA	North American Free Trade Agreement
NAM	Non-Aligned Movement
NAMA	Non-Agriculture Market Access
NATO	North Atlantic Treaty Organization
NDA	National Democratic Alliance
NEPAD	New Economic Partnership for Africa's Development
NGO	Non-governmental organization
NPT	Nuclear Non-Proliferation Treaty
NRI	Non-resident Indian
NSA	National Security Adviser
NSG	Nuclear Suppliers Group
NSSP	Next Steps in (India-US) Strategic Partnership
OBC	Other Backward Classes
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OIC	Organization of Islamic Conference
ONGC	Oil and Natural Gas Corporation
OPEC	Organization of the Petroleum Exporting Countries
OVL	ONGC Videsh Limited
O-5	Five Outreach countries (Brazil, China, India, Mexico and South Africa)
PACOM	Pacific Command
PFBR	Prototype Fast Breeder Reactor
PHWR	Pressurized Heavy Water Reactor
PIO	Person of Indian Origin
PLO	Palestine Liberation Organization
POK	Pakistan Occupied Kashmir
PPP	Pakistan People's Party
PTA	Preferential Trade Agreement

PTA Bank	Eastern and Southern African Trade and Development Bank
RAW	Research and Analysis Wing
ReCAAP	Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia
RIC	Russia–India–China group
R:P ratio	Reserves-to-Production ratio
RTA	Regional Trading Arrangement
SAARC	South Asian Association for Regional Cooperation
SADC	South African Development Community
SAFTA	South Asian Free Trade Area
SCO	Shanghai Cooperation Organisation
SLOCs	Sea Lines of Communication
SSM	Special Safeguard Mechanism
TAPI	Turkmenistan–Afghanistan–Pakistan–India (gas pipeline project)
TEAM-9	Techno-Economic Approach for Africa–India Movement
TERC	Trade and Economic Relations Committee
TPA	Trade Promotion Authority
TRIMs	Trade-Related Investment Measures
TRIPS	Trade-Related Aspects of Intellectual Property Rights
ULFA	United Liberation Front of Asom
UN	United Nations
UNCLOS	United Nations Convention on the Law of the Sea
UPA	United Progressive Alliance
WTO	World Trade Organization



## Foreword

**F**oreign policy is an instrument available to a country to protect and promote its national interests. There is broad agreement on the concept of national interest, namely that it comprises the obligation to defend the country's national security, to maximize economic benefits for its citizens from international trade and commerce, as also to enhance the effectiveness of its 'soft power' through propagation of its core cultural assets. The tool of foreign policy is also used energetically to promote and export a country's ideological agenda such as spread of communism or religious revolutionary fervour or, in more recent times, export of democracy. The objective of the foreign policy of a country should be to create more space and more options for itself in the international arena. This calls for flexibility and pragmatism of a high order.

Palmerston's dictum that a country does not have permanent friends or enemies but only permanent interests does not tell the full story. A country, in fact, can have relatively permanent friends, as can be seen from the 'friendship' between Pakistan and China which has lasted for over five decades. Pakistan also seems to regard India as a permanent enemy. India, on the other hand, falls under Palmerston's dictum and does not have permanent friends or enemies. It can perhaps be said that the weaker a country, the more its need for permanent friends. Obversely, the stronger and more self-confident a country, the less it needs permanent friends. The modern trend is for countries to establish 'strategic relationships or



partnerships'; India has strategic relationships with as many as 30 countries. As far as national interests are concerned, while it is true that a country will permanently have national interests, the content of the national interest will vary with time and circumstances. In the ultimate analysis, it is for the government of the day to determine what the country's interests are at a given point in time. A successor government may take a different view and reverse the decision of the previous government on precisely the same ground of national interest.

A country's foreign policy is often described as an extension of its domestic politics. This is certainly true. Presidents and Prime Ministers will often lobby for the sale and export of a particular commodity because the producers of that commodity form part of their electoral constituency. Mrs Margaret Thatcher felt no compunction in making a strong sales pitch in India for Westland helicopters since the manufacturing unit was located in her constituency.

What is different and new in today's world is the impact that foreign policy has on domestic politics in many countries. The most obvious example for India is the huge controversy that the India-US civil nuclear cooperation agreement generated in the country. It was probably for the first time that a government in India was obliged to seek a vote of confidence on a foreign policy issue. There are other, more serious, issues on which the government of the day will have to tread carefully and cautiously because of their impact on the internal situation within the country. Nothing is more crucial than to avoid doing anything in the field of foreign affairs that could have negative consequences for peace and harmony among all the communities that form our multi-religious, multi-ethnic and multi-cultural society. The government will have to be vigilant and sensitive to this aspect in the conduct of our international relations.

By and large, the governments in New Delhi since the end of the Cold War have followed realistic and pragmatic foreign policies. This is not to suggest that Mr Nehru was simply an idealist and followed a strictly 'principled' foreign policy. He was ready to take the war to Pakistan in 1948 when things were getting difficult in Jammu and Kashmir but was overruled by his British army chief. He took the Kashmir question to the

United Nations under pressure from the British Governor General of India. In the early years of India's Independence, he was faced with a difficult decision on the question of Palestine. The way he handled the issue was a shrewd combination of principle and pragmatism. India voted against the proposal for the partition of the Palestinian land and deferred recognition of the State of Israel for a few years after it was admitted to the UN. He was acutely conscious of the impact that this question had on the domestic scene in India. Similarly his criticism of Soviet action in Hungary in 1956 and Czechoslovakia in 1968 was less than forthright, even though principles of non-alignment would have called for a severe condemnation. Mrs Indira Gandhi was, if anything, even more pragmatic.

Over the past decade and a half, the 'strategic' community in India has been talking excitedly about India becoming a major or global power, one of the half dozen 'poles' in the international firmament; we feel offended if our country is described merely as a regional power. True, we have done well in terms of our economic growth rate though we started from a low baseline. We still have huge poverty in India. Our share in world trade has barely touched 1 per cent. India has yet to acquire the kind of economic clout that China already has. Furthermore, surely, one of the criteria to be counted as a major power ought to be the capacity to produce at home the major weapons systems needed for modern warfare—fighter and bomber aircraft, long range artillery, tanks, AWACS, helicopter gunships, and so on. Woefully, more than 60 years after Independence, we are totally dependent on foreign suppliers in respect of all these strategic items. Having a few nuclear warheads and missiles is not going to make us a global power; even Pakistan has them. But the more relevant question to ask is: why are we anxious to become or be acknowledged as a major power? Is it because it will make us feel good about ourselves? Or, are we planning to use that status for some defined objectives?

There has been a lot of discussion in India in recent years about an independent foreign policy. People in all countries are sensitive if their government is perceived to be more concerned about some other country's concerns than to their own. Public opinion in England was extremely unhappy with

Prime Minister Tony Blair, who was perceived by the British people as sacrificing Britain's independence and dignity when he decided to support President George W. Bush on the Iraq intervention in 2003, no matter what. The people of India are proud of their heritage and expect their leaders to show sensitivity to this aspect in their dealings with foreign countries. Nevertheless, situations can arise when a country might have to temporarily compromise on the independence of its foreign policy when national interests clearly, conclusively and transparently demand it and a vast majority of the public opinion endorses such action.

While foreign policy is the preserve of the government, diplomats have to implement it. In actual practice, diplomats do, from time to time, contribute to the formulation of policy but they are principally engaged in the art and practice of conducting negotiations with representatives of other States. In order to be able to conduct diplomacy meaningfully, diplomats need to have a more than passing acquaintance with the problems and issues they have to contend with during their professional career. Rajiv Sikri's book provides an extremely useful guide to the increasingly complex questions which Indian diplomats are called upon to deal with. Concise yet comprehensive, it is a highly commendable professional effort. Happily, he has adopted a thematic as well as a regional and sub-regional approach in his analysis and has not let any personal prejudices affect his judgement and observations except perhaps once, and that too obliquely. His primary concern is with national interest and that would put him in the 'realist' school of foreign policy. At the same time, he has emphasized the importance of not neglecting its moral dimensions. This is a very useful contribution to the study of India's foreign policy challenges and opportunities and should be of much help to academics as well as practitioners of diplomacy.

**Chinmaya R. Gharekhan**

## Preface

The idea of this book originated during my association with the Institute of South Asian Studies (ISAS) in the National University of Singapore in 2007. Veena, my wife and colleague in the Indian Foreign Service, prodded me into this venture with her persistent and infectious enthusiasm.

A wide cross-section of the Indian intelligentsia, be they politicians, officials, businessmen, professionals, intellectuals or simply concerned citizens, think that India can and should play a larger and more active role in the world of the 21st century. An essential pre-requisite for this is that India's decision-makers and the public be more knowledgeable on foreign affairs. The controversy over the India–US nuclear deal has brought this out most emphatically. I hope this book can spread awareness of India's foreign policy challenges in the 21st century by stimulating an informed debate on India's policy options among Indians, particularly the younger generation.

This is neither an academic textbook on foreign policy nor a diplomat's memoirs. It does not claim to be comprehensive. My monograph on *India's Foreign Policy Priorities in the Coming Decade* written during my stay in Singapore provides the framework for this book though it has been expanded to cover additional topics. I have tried to concentrate on India's strategic relationships and issues. The emphasis is on trends rather than events, regions rather than individual countries and underlying long-term factors rather than details. Some new, possibly controversial, ideas have been put forward. The

views expressed are strictly personal, based on my academic grounding and practical experience in foreign affairs. Having no pretensions to omniscience, I do not offer definitive solutions.

Many institutions and individuals have helped me in this project. I would like to acknowledge with gratitude the assistance and generous support of the Institute of South Asian Studies, in particular of Mr Gopinath Pillai and Professor Tan Tai Yong. Without that, it would have been difficult to undertake this venture. With her many ideas and constructive suggestions, my wife Veena was an invaluable sounding board-cum-critic. She also helped me immensely in the editing of the manuscript. I deeply appreciate the numerous suggestions of many former colleagues, friends and other well-wishers. Finally, my thanks go to the Indian Government, in particular the Ministry of External Affairs. My lifelong career in the Indian Foreign Service gave me the opportunity to learn about diplomacy and foreign affairs firsthand. In addition, had the government not created the circumstances that led to a premature parting of ways two years ago, this book might not have seen the light of day!

New Delhi  
December 2008

**Rajiv Sikri**

## Chapter 1

# The 21st Century World

The world has been in flux for nearly two decades. The fall of the Berlin Wall in 1989 signalled the end of the post-World War II era. This momentous event, full of symbolism, signalled the defeat of the Soviet Union in the Cold War, triggered off the disintegration of sovereign states and emboldened the United States (US) towards triumphal and unilateral behaviour. A 'new world order' was proclaimed. Long-established principles of international relations like the sovereignty of States, equality between States and non-interference in internal affairs of States were cast aside in the name of 'humanitarian interventionism', or to tackle the problem of 'failed States'. International treaties and agreements were given the go-by if they did not suit the US. A decade and a half later, the world is saddled with the disastrous situations in Afghanistan and Iraq, a looming crisis over Iran, and the global spread of terrorism and drug trafficking. It is clear that, contrary to Francis Fukuyama's confident prediction, there has been no 'end of history'. Rather it is, as Robert Kagan ruefully notes, 'the return of history and the end of dreams'. The same logic of hard power that converted, briefly, a bipolar world into a unipolar world is now gradually giving way to a multipolar world. US global dominance is apparently not immutable. Nor is the rest of the world, it turns out, prepared to accept perpetual US global 'leadership'.

The post-World War II international order is slowly but surely dying out, but a new stable balance of power and a new pattern of inter-State relations have not yet emerged. It is a

remarkable coincidence that the global scenario is so similar to the situation in Europe exactly two centuries ago. The French Revolution of 1789 triggered off a quarter century of disorder, instability, wars and even chaos before a new European order emerged at the Congress of Vienna in 1815. Similarly, in an uncanny re-run of the past, it looks as if it may take another decade or so for the incipient trends in the global balance of power to get consolidated and for the pieces of the new global kaleidoscope to fall into place.

Whatever its exact pattern, one can be confident that the 21st century world will be more open, more integrated, and more inter-dependent. It will be a globalized world though not in the way it was originally imagined. The self-serving assumption of its early advocates that globalization would be a euphemism for the Americanization of the world has turned out to be misplaced. Globalization is no longer a monopoly of the West. The law of unintended consequences is at work. Technology is increasingly driving many changes. One of the key questions nations are grappling with is how to retain or develop a technological edge in critical areas, for it is the mastery of new technologies in advanced science and technology fields, including nanotechnology, biotechnology, information technology and materials that may determine the global clout and standing of a country more decisively than hitherto.

Countries have become increasingly multi-cultural. The gap between the rich and the poor is widening, both within countries and in the world as a whole. Inequality, of course, is nothing new. But globalization has accentuated the alienation and feeling of humiliation of the dispossessed, even as it has created Thomas Friedman's 'flat' world where weaker sections of society and smaller countries feel empowered. Throughout the world the common man's awareness of his rights is unprecedented. With socialism and communism no longer the philosophies that motivate leaders and inspire the youth (as they did during the 20th century), disillusionment with existing political systems finds new outlets. Unless societies develop the political institutions and social attitudes that take cultural diversity into account, they could become dangerously brittle. The world's marginalized who cannot aspire to a hedonistic

cornucopia of material comfort have tended to fall back on that old Marxian opiate, religion. Regrettably, the modern interpreters of religion continue to cynically exploit people by taking recourse to more fundamentalist and intolerant versions of religion—not just Islam but also Christianity, Judaism, Buddhism and Hinduism.

Regional and sub-regional cooperation have emerged as new buzzwords in the international lexicon. This widespread global phenomenon is, first, the result of globalization, for it is impossible to reconcile a globalized world with autarchic policies that restrict border trade and people-to-people contacts. Second, as the end of the Cold War has thawed relationships and reopened long-frozen borders, new opportunities for economic cooperation have opened up. Third, the post-decolonization paradigm of colonial borders that served well the newly independent countries during the second half of the 20th century seems to have outlived its utility. The colonial powers often created artificial borders that led to the disruption of traditional economic, social, cultural and family linkages that had evolved over centuries. In the immediate aftermath of the colonies gaining independence their links with their former imperial masters were invariably stronger than with their own neighbours. These colonial ties have weakened and are relatively less important. In any case, the former imperial powers no longer have the resources to sustain the colonial-era level linkages with their former colonies. For many countries, the challenge is how to reconcile their quest for optimal and integrated economic and social development, which impel towards sub-regional cooperation, with political compulsions like preserving their national sovereignty, independence and dignity.

The current and looming foreign policy challenges are radically different from those of the 20th century. Unfortunately, there is a worrying mismatch between the existing mindset, structures and institutions set up after the Second World War and the complexity, dynamism and volatility of the contemporary world. The United Nations (UN) Security Council reflects the mid-20th century power balance rather than today's realities and is, therefore, unsurprisingly ineffective in its core



purpose of ensuring peace and security. But the answer is not what the West in general and the US in particular is prescribing, namely the brazen licence to undertake military operations without UN authorization under various euphemistic pretexts, namely ‘humanitarian intervention’ (Yugoslavia in 1999), the so-called war on terror (Afghanistan in 2001), the elusive search for weapons of mass destruction (Iraq in 2003) and out-of-area operations (Afghanistan today). Where the US cannot or does not want to act on its own, a supine European Union (EU) or an obedient North Atlantic Treaty Organization (NATO) is brought in. In Kosovo the EU is taking over the functions and responsibility that belongs to the UN. In Afghanistan, NATO has arrogated to itself the right to operations while keeping Afghanistan’s neighbours out. Such might-is-right philosophy cannot but give rise to unease around the world.

There are similar anachronisms on the economic side. Just a decade ago, the International Monetary Fund (IMF) was in the forefront of leading a bailout of stricken economies in Russia, Argentina and many Asian countries. The role of the IMF as the lender of last resort has atrophied. The IMF and the World Bank no longer reflect today’s economic realities. It is ludicrous that China and India combined should have a quota in these organizations that is smaller than Germany’s! How relevant and effective can the G–8 be without the full involvement of economies like China and India? On the trade side, the inability of the West to impose its views on the rest of the world over establishing a new framework for promoting global trade signals the end of US and European domination of the World Trade Organization (WTO). Western multinational companies have a steadily shrinking share of the global economic pie and no longer dominate global investments. The size of national oil companies of oil producing countries is much larger than that of the Western ‘independent’ oil companies—‘the Seven Sisters’—that dominated the global oil business for decades. Much of global wealth is in the hands of companies and individuals from India, China, Russia, Arab, and other Asian and Latin American countries. Their companies are snapping up businesses in the West. Their citizens make up a significant proportion of the world’s billionaires.

Troubling paradoxes remain in the way the world is organized and managed. New States and Statelets that are acutely conscious and protective of their sense of national identity and sovereignty continue to mushroom, even as many states, both old and new, are losing control of their destinies, even their identities. They are like winnows in a sea full of sharks and whales. Their predators are not only the large and powerful states but also non-State actors like terrorist groups, drug mafia, non-governmental organizations (NGOs), multinational corporations and a ubiquitous and invasive international media. However, the essentially 19th century European construct of a 'nation-state' retains its legitimacy as the basic political unit in the world. The UN has 192 members today, up from 51 in 1945. The functioning and interests of the modern nation-state require restrictions on migration. But modern-era restrictions on international migration go against natural trends of unrestricted migration seen globally throughout history. They also defy the logic of globalization. One cannot but be concerned about the alarming tendency in the West to give legitimacy to the creation of culturally and/or ethnically pure states through the break-up of long established States. This kind of interpretation of the right of self-determination goes against the accepted UN principle that self-determination applies only to States under colonial rule; it should not be a legal fig leaf for big powers to dismember States, and create new fictitiously sovereign and unviable entities (the latest Statelets being Kosovo and South Ossetia). These trends also disturbingly discount the model of a tolerant multi-cultural State that in today's globalized world is often the only safeguard against potential instability and strife. Such policies will only contribute to making Samuel Huntington's theory of the 'clash of civilizations' a self-fulfilling prophecy.

The world has unfortunately not tried to analyze the root causes of the depressing phenomenon of 'failed' and 'failing' states dotted around the world that are surviving only with the help of economic, financial and military life-support systems of major powers and international aid agencies. This cannot be a sustainable long-term pattern. Such States are like dormant volcanoes that may erupt any time, bringing destruction

and misery to regions in their vicinity. At the same time, the cooperation of these small, seemingly insignificant States is crucial to tackle new global threats like terrorism, arms smuggling and drug trafficking, as well as key issues of human survival such as water, energy, food and climate change over which war could break out among nations. A stable new world order will have to squarely deal with these contradictions.

### **US Power Plateau**

Uncertainties remain about the relative global weight of the major powers in the coming decades. There are legitimate question marks over whether the US can retain its 'full spectrum' domination of the world for too long. Influential writers and thinkers in the US are conscious of the global power shift taking place. Fareed Zakaria talks about the 'post-American world'. Official America's assessment is not so dire, but points to a similar direction. Recent US official reports such as the National Intelligence Council Report entitled *Mapping the Global Future* (2004), *National Defense Strategy* (2005), *Quadrennial Defense Review Report* (2006), *National Security Strategy* (2006) and *National Defense Strategy* (2008) reveal that the US, even as it remains the preponderant and uniquely global power, acknowledges that its influence has probably reached a plateau. The ongoing wars in Afghanistan and Iraq, where the US has been unable to prevail despite its massive use of military power, bring out the limits of US military power. The overwhelming military superiority that the US has over all other countries—its military spending is about half the world's total military expenditure, and more than the military budgets of all the major powers combined—is being threatened by the development of asymmetrical capabilities in space by Russia and China to neutralize the US military advantage. American political influence around the world is also on the decline. Russia is once again successfully challenging the aggressive US forays into its strategic neighbourhood. The Arabs, even traditionally loyal ally Saudi Arabia, refuse to obediently ramp

up oil production to bring down oil prices and are moving their money out of the US. In Asia, new organizations like the East Asia Summit (EAS) and the Shanghai Cooperation Organisation (SCO) include other major powers but leave out the US. Even Latin America, the US' traditional backyard, is wriggling out of the US grip.

The situation is no better on the economic side. It is true that the size of the US economy (more than \$13 trillion) is larger than the combined size of the next four largest economies, namely Japan, Germany, China and France. But the rise of Asian economies has reduced the share of the US in global economic output. The US dollar is at risk of losing its status as the world's reserve currency as Asian countries quietly diversify their enormous foreign exchange holdings, international transactions, including oil, and currency pegs away from the dollar. The rising clout of sovereign wealth funds in the hands of the central banks of geopolitical rivals like China and Russia and plentiful petrodollars in the hands of Organization of the Petroleum Exporting Countries (OPEC) members is an undeniable reality that cannot be wished away. The sudden collapse of many venerable Wall Street banks and financial institutions has dramatically underscored how the long dominant economic position of the US is under serious threat. It is cold economic logic that the US cannot continue to remain the world's largest debtor (more than \$10 trillion), yet simultaneously hope to indefinitely retain its global dominance on the basis of military power alone. US 'soft power' has lost some of its attractiveness. Even though the US still arouses more admiration as well as envy than any other country, global awareness about environmental challenges and climate change have made growing numbers of people realize that the US lifestyle is both unattainable and unsustainable. Thanks to the mindset generated by 9/11 and the resultant US obsession with security, the image of the US in the world has changed. Instead of being regarded as a welcoming beacon of hope, refuge, freedom and prosperity, the US is viewed as an armed fortress that seeks to protect an insecure and self-absorbed society. Bereft of the ideological cloak of the Cold War, the legitimacy of US hegemonic policies has eroded. America's

self-appointed 'leadership' role is being increasingly questioned. Its platitudinous concern for democracy and human rights is regarded with suspicion and mistrust by millions around the world.

From the perspective of its own national interests, the US is understandably searching for a strategy that would preserve its unquestioned primacy in the world. It is looking for ways to counter these disturbing trends that credibly threaten to dislodge it from its lofty and safe perch, and to hedge against looming uncertainties. It is, therefore, pursuing a foreign policy course that would enable it to retain its global domination—euphemistically termed 'leadership'—in all respects—political, military, economic, technological and cultural. Although most Americans would recoil with horror at the thought, the US is an empire albeit a declining one. As with most empires, the decline is likely to be long, bloody and messy. We are witnessing the end of an era.

### **China Rising?**

Will China dominate the 21st century world? China is growing impressively and seemingly inexorably, but its economic miracle could soon run out of steam. Its model of economic development requires an ever-expanding availability of raw materials and commodities that cannot be taken for granted. Global resources are likely to run out sooner rather than later. China's growing demands will also eventually bring it into conflict with competing consumers including the US. China's dilemma is that the political legitimacy of the Communist Party of China's monopoly on power depends on its ability to deliver a high level of economic growth. This makes for an inherently unstable political system. No country as large as China has been able to combine a consistently high economic growth over a long period with an authoritarian political system. It is extremely doubtful if the Chinese have developed a superior management technique that has eluded all other societies and managed to evolve a model of economic development

that successfully overcomes irreconcilables. There is enough evidence of fundamental weaknesses in the Chinese system that would seem to rule out a linear model of China's economic growth—the rickety financial and banking system; the unprofitable state-owned enterprises; the simmering discontent in the rural areas; growing economic and regional disparities and looming environmental disasters. If, despite the odds, China proves the sceptics wrong, this would create headaches for many countries, including India.

Nor does China's 20th century political history give cause for comfort. Political change in China over the last century has come through violent means. In the absence of a reliable mechanism to transfer political power from the Communist Party of China to a more broad-based coalition of interest groups, the danger of destabilizing political violence cannot be brushed aside. China suffers from a 'pressure cooker syndrome'. China pulled out all the stops so that no annoying steam or heat should sweat the brow nor any shrill whistle jar the ear as China held its coming-out Olympics party in the hushed elegance of a spruced-up Beijing. The unwashed and unemployed hoi polloi were magically swept away from the heart of Beijing (and other cities) to forgotten corners of China. The trouble is that parties are not eternal, and the patience of suffering people not infinite. Now that the red carpets have been rolled up, the festering sores in China's social, economic and political systems are more visible; the contaminated milk scandal is only the first of many more that are likely to erupt in the coming months and years. Will China's pressure cooker one day explode with a bang?

Although China has for the moment managed to put down the upheavals in Tibet that flared up in March 2008, the Tibet story is not over. Troubles could break out again. It is noteworthy that the disaffection of the Tibetans extended deep into the interior of Tibet. Similarly, the authorities' clampdown on dissent with a heavy hand in Xinjiang could not forestall attacks on Chinese security personnel in Xinjiang at the time of the Olympics. This cannot but worry the Chinese authorities. A truly serious problem would arise if myriad revolts across the country involving the Tibetans, Uighurs and other disaffected

groups like the Falun Gong coalesce into a common movement. The biggest potential threat to China may not be from Taiwan but from Tibet and Xinjiang. Taiwan is a dispute in the Han Chinese family; Tibet and Xinjiang are non-Han areas of the Chinese empire whose people have been brutally suppressed but refuse to be cowed down. In the 20th century between the fall of the Manchu dynasty in 1911 and the Communist takeover of China in 1949, both Tibet and Xinjiang functioned as de facto independent States, which were recognized as such by other States. The unpleasant reality about China is that it is an imperial power. Like other empires, China too will find it nigh impossible over the long term to hold on to its conquered domains, the sprawling buffer zones of Xinjiang, Tibet, Manchuria and Inner Mongolia, unless all its citizens—Han and non-Han—feel that they are equal stakeholders, not rulers and subjects. The more repression there is, the less credible is China's claim to 'peaceful rise'.

### **Russia's Resurgence**

Defeated though it may have been in the Cold War, and its Soviet and East European empires dismembered, Russia is not to be underestimated in the 21st century. From being the co-equal of the US in its incarnation as the Soviet Union, Russia was contemptuously, if mistakenly, relegated by the West to strategic irrelevance in the post-Cold War era. Under President Putin, Russia got back on its feet, reasserted the power of the State and regained its badly dented self-confidence. High oil prices have put Russia on the high road of economic recovery and growth. With its debts repaid and huge foreign exchange reserves in its kitty, Russia today is in a combative and chauvinistic mood. Russia's immediate priorities are, first, to rebuild its military through an ambitious programme of expansion and modernization that would enable it to counter US efforts to permanently weaken it and, second, to regain political primacy in its 'near abroad'. Russia's blitzkrieg against

Georgia in August 2008 was an emphatic demonstration of the resurgence of Russian power. Russia remains a technology leader in many critical areas, and will do its utmost to ensure that it retains the unique capacity to be able to threaten the physical destruction of the US—the principal remaining reason why the US continues to take Russia seriously. Although Russia has regained its appetite to be an assertive global player, especially as an energy superpower, it faces formidable challenges, including a declining population, threats to its internal cohesion and stability, and a still somewhat immature political system.

### **Rise of Asia**

The fulcrum of global politics and economics is inexorably shifting towards Asia. What K.M. Panikkar called the 'Vasco da Gama' era of Asian history is coming to an end after five centuries. The coming 'Asian century' is now no longer disputed, the only question being the rapidity with which the shift will take place. Sometimes a question is raised whether, seeing that many regions in Asia have little in common with one another, there is really a single Asia. Such assertions beg the question, namely if there can be a Europe based on a civilizational unity despite a centuries-old tradition of rivalry and conflict, how can one deny that Asia represents a distinct civilization? Just as the European civilization is based on Graeco-Roman traditions, religions like Christianity and Judaism and values like democracy and the rights of the individual, so do Asian societies have common roots in the spiritual and philosophic traditions of Hinduism, Buddhism, Jainism and Confucianism that stress collective social harmony and obligations over individual rights. What about Islam? The Arab world straddles Europe and Asia, its religious moorings deriving from the same traditions as other religions of the book, its social mores more akin to those of other Asian countries. It is noteworthy that, unlike the experience of Europe, there is no history of religious



conflicts in Asia. Even Islam in Asia (South Asia, Indonesia and Malaysia) does not have the same edge as in the Arab world. It is Europe's experience of divisiveness and conflict that led it to follow divisive policies in Asia (and Africa) during colonial times and even today. Of course, this is not to minimize other differences among Asians, nor to suggest that Asia can become a European Union clone. Yet there's a definite search for an elusive contemporary Asian identity based on its common heritage of civilization and spirituality and its colonial experience, presaged in the Asian Relations Conference of 1947 and in more recent times by organizations like the EAS and the Asia Cooperation Dialogue.

### **Whither India?**

The global standing of India in the 21st century will depend to a large extent on whether India lives up to its promise and potential, whether China manages to sustain its economic growth, and the inter-relationship between the two giants. Not to be forgotten are the dynamic East Asian economies of Japan, South Korea, Taiwan and Hong Kong, and the Association of Southeast Asian Nations (ASEAN) region. This region from the Himalayas to the Pacific stretching eastwards from India is the so-called 'arc of prosperity' that includes half the world's population and many of the world's largest and most dynamic economies, which account for a significant proportion of global trade and control the bulk of global foreign exchange reserves.

To India's west is the growing weight of a second arc, the so-called 'arc of energy' starting from the Persian Gulf, going through the Caspian Sea on to Siberia and Russia's Far East. As three-fourths of the world's oil and gas reserves are located here, this region will remain a key strategic arena where major global powers' interests will intersect, and probably clash.

The third arc in Asia, 'the arc of instability,' is perhaps the most dangerous one since it envelops India on all sides—to the

west from Pakistan to the Mediterranean, passing through the tinderboxes of Afghanistan, Iran, Iraq and Palestine; potentially to the north in the newly-independent States of Central Asia; within South Asia in Nepal, Bangladesh and Sri Lanka, not to ignore the incipient instability within India itself as left-wing radicalism spreads through large swathes of India's heartland. Its traditional policy of dominating the Gulf unchanged, the US remains firmly entrenched at multiple locations on land and sea in this region. The US presence here has stabilized regimes, but not countries. The already complex traditional geo-politics of this region, marked by myriad inter-State disputes and instability, have been immensely further complicated by energy geo-politics and created enormous tensions and potential deadly conflicts.

Finally, there is the 'arc of communications'. The north Indian Ocean, earlier the principal conduit for the colonization of Asia and eastern Africa, today controls the energy flows from the Persian Gulf and the Sea Lines of Communication (SLOCs) between Europe and Asia. With the interests of so many powers at stake, it is little wonder that the area of the northern Indian Ocean, the Arabian Sea and the Persian Gulf, and adjoining landlocked Central Asia, has become the most militarized region in the world, much like Europe was during the Cold War era. India, which has given the Indian Ocean its name, is at the heart of Asia, with links to all the sub-regions of Asia. Its geographical location puts India at the vortex of these four arcs that carry both potential and peril. Against this backdrop, India's foreign policy will need to be imaginative, agile and flexible in order to ensure India's military, economic, energy and environmental security in its strategic neighbourhood.

India's foreign policy priorities in the 21st century will depend in the first instance on India's assessment of the likely evolution of the world order. Predictions are fraught with uncertainty. Even the US, for all its power, is uncertain about the future. A single unexpected event, or a development in a seemingly unimportant part of the world could trigger off a chain reaction that draws in the great powers and leads to unforeseen consequences. Witness the assassination of Archduke Ferdinand of Serbia that led to World War I. Or the

Soviet invasion of Afghanistan that has made this country a cockpit of international rivalry and a morass of instability that has spawned terrorism and drug trafficking all over the world. Or 9/11? One cannot be sure of the long-term consequences of the ongoing Iraq war or the unilateral declaration of independence of Kosovo. Will Israel or the US attack Iran? How will North Korea stabilize? Will Afghanistan go back to its Taliban past? Whither Pakistan? What of natural disasters and epidemics? Will the global financial crisis change the shape of Western society? Had the Asian tsunami of 2004 struck a developed country, the ripples would have been felt all over the world. The past is rarely a reliable guide to the future. A study of history reveals that events often follow a non-linear path and that present realities and trends are, at best, a rough guide to the future. For centuries, Europe dominated the world and the rivalries among European powers both in Europe and in far-flung colonies had a global impact. Yet today, despite its economic strength, Europe is not a major military power or a serious global geopolitical player, with most of its diplomatic energies focused on trying to handle the problems of EU integration and expansion, and in preventing the re-emergence of old fault lines.

If the world has changed, so has India. For the first time ever, a government has barely survived a confidence motion on a foreign policy issue. That is a huge turning point for a country that is sometimes suspected of not even having a foreign policy. Till recently, India's attention was primarily on domestic issues; foreign policy was not seen as a matter to which the country needed to give special attention or an area where India needed to work out a careful strategy. In the years immediately after Independence, there were impassioned debates about the domestic policies that India should take—the capitalist or the socialist form of development, the emphasis on industry versus agriculture or the importance given to higher education compared to primary education. Similar debates were missing in the foreign policy arena. Not that India had many choices. India was relatively weak, its future uncertain, and the influence of foreign powers on India considerable. Half a century later, the situation is quite different. India is stronger,

more confident, more ambitious and increasingly globalized. It remains subject to outside pressures, but it is no longer a mere pawn on the world stage; it is also a player. India won't be in the top league of players in the coming decade, but if it aspires to a place at the head table some time later in the 21st century, it is the next decade that will be critical for India to put in place policies that will lead to this goal. The new generation of Indians is not content to see India as an 'also-ran'; it has the ambition and the confidence that India can be a major player in the emerging global scenario. Therein lie the challenges for India's foreign policy in the coming years.

## Chapter 2

# India and South Asia

**W**hy does India have so many problems with its neighbours? The short answer is: the baneful effects of the politics of cultural identity throughout South Asia arising out of a collective failure to recognize and acknowledge that South Asia has a distinctive personality and intertwined history arising out of its definite geographic identity. Virtually cut off from the rest of the world by the Himalayas to the north, the Indian Ocean to the south, thick forests to the east, and deserts to the west, its inhabitants traditionally had relatively few contacts with the outside world. At the same time, the absence of any significant internal geographical barriers, other than the Central Indian forests and mountains (accounting for the somewhat different history north and south of the Vindhya) created an inevitable geographical, cultural, economic and ecological interdependence of all parts of this vast expanse of territory. These circumstances gave to the heartland of the South Asian sub-continent, covering the bulk of the territory of present-day India, Pakistan and Bangladesh, a broadly common history and led to the evolution of a unique civilization and culture. Remote and protected in the pre-modern era from the cultural influences of the mainland by the sea and the mountains, the periphery of the sub-continent (Sri Lanka, Maldives, Nepal, Bhutan, Baluchistan, the northwest frontier and tribal regions of Pakistan and India's Northeast Region) had a more autonomous development and therefore more distinctive cultures. But even these regions had considerable interaction with, and were greatly influenced by, the heartland.

## South Asia's Cultural Unity

Generally, culture is the most important component of an individual's personality. It is also, for most countries around the world, the prime component of a nation's identity. This is even more true for a land as steeped in culture and tradition as South Asia, with religion as the key element shaping the collective personality of the people and governing their daily lives. South Asia's religions have many common elements. An offshoot of Hinduism, Buddhism rejected the evils of the Hindu caste system, but retained its moral and ethical codes, and the principal features of its philosophy. Buddha is revered among Hindus as an *avatar* of Vishnu. Islam, as practised in South Asia, has a distinct sub-continental character, very different from the Islam practised in the Arab world, Southeast Asia and Africa. It has not been able to transcend many Hindu traditions, including the caste system (whence the unique category of 'Dalit Muslims'). This is not so surprising, considering that the overwhelming majority of the Muslims in the sub-continent are converts from Hinduism. For the same reason, there are Dalits among South Asia's Christians too. Despite the fundamental anti-caste character of Sikhism, the caste system has carried over into Sikh traditions as well. The dividing line between Hinduism and Sikhism, at least in popular perceptions, is not clear. Hindus and Sikhs freely visit gurudwaras and temples, and inter-marry. Some Hindu families have a tradition that one son becomes a Sikh while the others remain Hindus.

In South Asia, neither religion nor race nor language constitutes a basis for developing a unique national identity. On the other hand, there is a commonality in dress, food habits, marriage and social customs and, most importantly, the way of thinking of the South Asian people, regardless of religion. The South Asian obsession with cricket reflects a common culture. Popular films, music, songs and dance also transcend all political frontiers. All South Asian countries have an uncanny common political culture. The politics of agitation like *bandhs*, *gheraos*, and so on as a form of protest and a means to seek

redressal of grievances are widespread. Other commonalities are the political legitimacy of heredity and kinship, the ability of women to become political leaders and, regrettably, political violence. Probably in no other part of the world have there been so many political assassinations. All these common characteristics of the people of South Asia can be explained by the deep cultural and psychological bonds, a kind of emotional unity, among the people of South Asia, arising out of their subconscious recognition that South Asia constitutes a distinct civilization.

Outsiders too have regarded India—not the modern nation-state of India but the geographical entity of South Asia—as a distinct civilization. Tales of India's fabled wealth and rich culture fascinated them and aroused their curiosity. Soldiers and plunderers, traders and travellers strove to reach *India*, whether it was the Macedonian Alexander the Great or the Chinese travellers Xuan Zhang and Fa Hien, the Arab Ibn Batuta or the Turks and Mongols from Central Asia. When the Spanish and the Portuguese started their voyages of exploration in the 15th century, it was in search of *India*. While Vasco da Gama actually reached India in 1498, Christopher Columbus who reached the shores of the American continent a few years earlier thought he had reached *India*. In the pre-modern era, Europeans understandably initially mistook other parts of the world with which they came into contact to be India since they were aware of only the Indian civilization as another flourishing developed civilization. Thus, the European immigrants to the Americas called the indigenous people of the Americas *Indians*, be it the 'Red Indians', or the 'Indians' of the Mayan and Inca civilizations in Central and South America. The West Indies and the East Indies got their names in a similar fashion. The impact of 'Indian civilization' extended to countries on the Indian Ocean rim, and even across the Himalayas to Central Asia, where the fascination for India continues unabated. It is worth recalling all this to emphasize that, throughout history, outsiders recognized and admired India's unique civilization and culture.

British colonial rule gave rise to a shared elite culture in undivided India. The thinking and attitude, even the language

(a mix of English with the local languages), of the elite in India, Pakistan, Bangladesh and Sri Lanka in the immediate post-colonial period were common. So were the institutions and laws. In countries where the British impact was not so direct, for example Nepal and Bhutan, their respective elites are distinctive.

Historically, the dividing lines between different religious, linguistic, ethnic and other South Asian communities were never sharp or clear-cut. All modern South Asian countries are multi-ethnic and multi-religious societies, and attempts to repudiate the reality that religious and cultural roots extend beyond national frontiers lead to many inconvenient and illogical contradictions. The Holy Vedas of the Hindus have their origins in the territory of present-day Pakistan. The sub-continental Muslim culture and the Urdu language, which Pakistan claims as its cultural heritage, have their roots in Delhi and western Uttar Pradesh. The holy places of Buddhism, the dominant religion in Bhutan, Sri Lanka and northern Nepal, are in India and the Terai belt of Nepal where Buddhism does not have any strong roots or large following. Nankana Sahib, the birthplace of Guru Nanak, the founder of Sikhism, is in present-day Pakistan. The word 'Hindustan', which means the abode of the Hindus, derives from the word 'Hind' or 'Sindh'. To invaders streaming down the Khyber Pass, 'Hindus' were the inhabitants of the land beyond the first major natural barrier, the river Sindh, or Indus. Pakistan's attempts to find a new identity for itself, by clawing at tenuous linkages with West and Central Asia, while denying its deep historical, cultural and other links with the South Asian sub-continent, have proved futile. It is not easy to uproot or disown the cultural inheritance going back many centuries.

The question of cultural identity is not merely theoretical but has a profound practical relevance. It has affected the politics of the South Asian countries, both within the respective countries as well as in intra-State relations. Differences over culture have retarded development in all countries. The creation of Pakistan was a manifestation of cultural separatism, the essence of its ideology, a denial of its common cultural roots with India. Cultural identity figures high in the politics of other South



Asian countries too. For Bangladesh, its War of Independence in 1971 was about preserving its cultural identity against West Pakistani, specifically Punjabi, political and economic domination. However, in reasserting Bengali nationalism, it has excluded the other cultural and social groups like the Adibashis, the Chakmas and the Garos. In recent years, it has understated its Bengali character, which it has in common with West Bengal, and over-stated its Islamic character. Nepal, at least till recently, retained its sense of identity by emphasizing the role of the Hindu monarch as a factor of unity, as well as by small but telling practices like a unique time zone, a unique flag shape and a unique official dress. Bhutan's deliberate policy of remaining in isolation is intended to preserve its cultural identity. The origins of the conflict in Sri Lanka lie in the attempt of the Sinhala community to evolve a Sinhala-Buddhist cultural identity to the exclusion of its Tamil heritage. Maldives, isolated from the mainland, developed a unique national identity created out of the interplay of influences from India, Sri Lanka as well as the Persian and Arab world. But by designating Islam as the official religion and prohibiting the citizens of Maldives from practising any other religion, the 1997 constitution and former President Gayoom's policies of using religion for political purposes have created an intolerant fundamentalist society.

### **Common Heritage vs Modern Identities**

The modern nations of South Asia have emerged as separate entities just over six decades ago, a relatively short period in the history of this ancient land. As sovereign and independent countries, they have acquired new political and juridical personalities, taken separate paths of development, and understandably seek to project a distinct cultural tradition as an expression of their nationalism and separate identity. Without that, their very *raison d'être* would weaken. South Asian leaders who routinely and grandly proclaim that poverty

alleviation and people's welfare are the foremost concerns for all countries should first try to analyze why the whole of South Asia is so backward. Obviously, it is not because of paucity of resources—no other part of the world is so blessed with abundant sunshine and water, or because people are not talented or hard working, South Asians seem to do very well when they migrate abroad. South Asia has not developed or progressed as much as it could have because the people of South Asia over-emphasize their newest identity as citizens of one country or another and underplay their shared cultural heritage and traditions with other South Asians. South Asia's tragedy is that its people have been artificially divided on the bases of ethnicity, caste and religion, first by their colonial masters and then by their own political elites.

A major challenge before all South Asian countries is how to reconcile and harmonize the common cultural heritage of the South Asian sub-continent with the preservation of their separate modern political identities. Questions arise. How long can a country keep alive its artificially cultivated identity by a selective emphasis of some, and a deliberate denial of other, elements of its past? Are the centuries-old traditions less important than the decades-old ones? Is the religious identity more important than the regional or cultural identity? Is the modern experience more relevant than the ancient inheritance?

The way it has been handled in South Asia so far, culture has been a divisive and debilitating factor. It need not be so. The common cultural heritage of South Asia can, and should, promote unity, harmony and mutually beneficial development. South Asia has had a long tradition of communal harmony and peaceful coexistence through the centuries, at least till the colonial era. Rulers may have been intolerant, but at the popular level South Asia was spared prolonged bloody religious wars like the Crusades or the Catholic–Protestant enmities of the medieval times. However, since the birth of new nations in South Asia in the second half of the 20th century, this region has been beset with enormous violence and killings.

Modern South Asia's political borders are colonial, not natural. True, South Asia has never been a homogeneous

political unit. But never in its history has it been divided along such irrational lines. It is not possible to have mono-religious, ethnically or linguistically homogeneous States in South Asia. The idea was tried through the creation of Pakistan in 1947, but has failed. The Tamil conflict brings out that it is not possible to have a stable Sri Lanka with Sinhala–Buddhist domination. The Nepali ruling elite, dominated by people from the hills, cannot wish away the Madhesis of the Terai who constitute nearly half the population of Nepal. Unfortunately, many South Asian countries have wrapped their respective national flags around an exclusivist, somewhat artificial, identity based on religion or ethnicity. Therein lie the roots of many of South Asia's political and economic problems. Is South Asia home to so many so-called failed States because the concept of nationhood in South Asia is flawed? Is South Asia one of the poorest regions in the world because South Asian political leaders have deliberately chosen to underplay the interdependence, complementarities and commonalities of the region? Instead of taking advantage of their common cultural heritage and natural synergies—including institutions and inter-connected physical infrastructure inherited from colonial times—to collectively play their rightful role in the world, South Asians are a divided lot working at cross-purposes. Instead of using their common traditions to increase their collective strength and bargaining power, South Asians are enfeebled by internal rivalries and jealousies.

### **Challenges before India**

How to change this state of affairs? Here the lead must inevitably be taken by India. The challenges are formidable. India's neighbours, fearful of its overwhelmingly larger size, power and hence influence over individual countries as well as in the region as a whole, are both envious and suspicious of India and do not fully cooperate with it on its political and security concerns. It does not help that the generally

boorish, overbearing and condescending behaviour of most Indians towards its neighbours has created the image of the 'ugly Indian' in these countries. Thus India's neighbours have traditionally sought some countervailing force to balance its all-round domination of South Asia. This has taken the form of using available leverages against India, and by obstructionist, often openly hostile, policies deliberately designed to hurt it economically (for example, Bangladesh's refusal to give transit access to the Northeast Region or Nepal's reluctance to more effectively harness its hydropower potential), and politically (for example, by allowing outside powers to exercise a degree of influence on their policies that makes India uneasy). India's neighbours have shied away from too close a relationship with it since that could blur their essential identity of projecting themselves as *not* Indian. But there is a conundrum—while they see India as a threat to their identity, all of India's neighbours (except, of course, Pakistan and to some extent, Bangladesh) also view it as the ultimate guarantor of their own security.

India's policies towards its immediate neighbours over the last six decades have not proved terribly successful. A change in India's approach is called for. India's hard-nosed self-interest itself dictates the need for fresh thinking. Even though India has managed an 8 to 9 per cent annual rate of economic growth in recent years, its ability to take along its smaller neighbours will be a key determinant in India's long-term ability to carry on its current impressive growth story. India cannot hope to remain prosperous if its neighbours languish. Growing economic opportunities in India will inevitably generate cross-border flows of legal and illegal economic migrants across porous and laxly policed borders from the poorer regions in South Asia. The open border regime with Nepal has led to a regular flow of Nepali immigrants to India; it has also acted as a safety valve in Nepal. From Bangladesh, a steady stream of illegal migrants numbering more than 20 million has fanned out across India and changed the demographic profile in the neighbouring states of West Bengal, Tripura and Assam, as well as in Delhi. Illegal immigration has severely compromised India's security. It has spawned many terrorist cells within India. But India has been unable to insulate itself from its neighbours by creating an

effective *cordon sanitaire* around itself. Only along the India–Pakistan border has the fencing worked, that too because a strip of land along the border has been cleared of population. Border fencing on the Bangladesh border has been ineffective in stopping illegal Bangladeshi migrants from coming into India. This is hardly surprising. Even the US, with its vastly superior resources and technology, has been unable to control illegal migration from Mexico across a riverine border running through thinly populated arid territory. Where is the hope that India can control borders that cut through thickly populated areas with dense vegetation, particularly when the country on the other side of the border is covertly encouraging emigration to reduce its own problems?

A change of strategy is called for. In order to foster greater mutual confidence and trust, India has to devote much more time and attention to its neighbours. There should be more frequent high-level visits, telephonic conversations and informal contacts, using pegs like private visits, religious pilgrimages and transit halts in order to make personal assessments, exchange views, resolve problems—and massage egos! Discussions should not be confined to purely bilateral issues but cover regional and global issues too. This would convey the message that India considers its neighbours sufficiently important to have an exchange of views on a broad spectrum of global and regional issues. It only exacerbates the apprehensions and frustrations of India's neighbours if India ignores or looks down upon them.

India also has to be generous and magnanimous in stimulating the economic development of its neighbours. It has to make its neighbours willing partners in its own growth and prosperity. While fully respecting its neighbours' sovereignty, independence and sensitivities, India has no alternative but to treat them like India's own states from an economic perspective. The steps taken by India so far can be supplemented by generous technical and economic assistance and large-scale investments in order to build up their infrastructure. These must be high visibility projects that impact on and improve the lives of common people in the neighbouring countries, not projects that can be criticised as bringing benefit to India only. Second, the Indian Government must encourage, through tax

and other incentives similar to those given within India for certain regions and states, India's private sector to invest in these countries to promote their industrial development, create local jobs and produce value-added products for export to India and elsewhere. Hopefully, this would reduce the pressure for people to want to migrate to India in search of greener pastures. Reciprocally, India should welcome investment by businessmen from neighbouring countries. That would give their ruling elites a long-term stake in India's stability, growth and prosperity. Finally, India needs to put in place more liberal and streamlined border trade arrangements. In the absence of a clear strategic approach to promote the economic development of its neighbouring countries, India has left the space open for other countries like China, the US, the United Kingdom as well as a host of smaller donors belonging to the West, whose economic influence in these countries easily gets translated into political influence.

### **The Future of South Asian Association for Regional Cooperation (SAARC)**

All over the world, most countries normally have a fairly large percentage of their overall foreign trade with neighbouring countries, but this is not the case in South Asia. South Asia's forays into sub-regional cooperation have been unimpressive. This is an anomaly. Unwarranted mutual suspicions and political hesitations have stunted the natural integrated growth and development of the countries of the region. Despite so many agreed areas of cooperation, innumerable institutional mechanisms and a permanent Secretariat, South Asian Association for Regional Cooperation (SAARC) has not taken off as a meaningful framework for regional cooperation. Even summits have not been held regularly. In 23 years, SAARC has held only 15 summits, of which four were held in consecutive years between 1985 and 1988 in the immediate aftermath of the formation of SAARC. The absence of any substantive cooperation is masked by an overly exaggerated emphasis on

hyperbole, public rhetoric, formalism, protocol and pomposity. So far SAARC has been basically a talk-shop, or at best a consultative body, without any concrete collaborative project to show. The silver lining is that the relatively low level of regional trade and economic activity in the region only underlines the large potential for expanding trade and investment, which will translate into jobs and economic growth for all countries in the region.

India, Pakistan and Bangladesh, the three largest countries of South Asia, who constitute the core of SAARC, bear collective responsibility for this situation. The remaining five SAARC member-countries are, in geographical, demographic and economic terms, on the periphery of SAARC. Three (Nepal, Bhutan and Afghanistan) are landlocked, and the other two (Sri Lanka and the Maldives) islands. India has no serious problems with any of these five smaller States, which are happy and eager to take advantage of India's proximity and economic dynamism. When President Zia-ur-Rahman of Bangladesh first proposed the setting up of SAARC in the early 1980s, it was not born out of any genuine desire for regional cooperation. SAARC was a mechanism for India's smaller neighbours to gang up against India. India was understandably not enthusiastic about SAARC. It could not openly oppose SAARC, but remained indifferent to it. India has tended to regard SAARC summits mostly as a venue for bilateral diplomacy with Pakistan, or to signal unhappiness with a neighbour. Pakistan also bears considerable responsibility for SAARC's failure to take off. Pakistan continues to link implementation of the South Asian Free Trade Area (SAFTA) agreement with a resolution of the Kashmir issue. Bangladesh too is not blameless. It should not be forgotten that Bangladesh was once part of Pakistan and its ruling elite, particularly the military, remain under considerable Pakistani influence. The problem with Pakistan and Bangladesh is that they have a mindset that is not matched by objective realities. Their quest for 'equality', especially in the case of Pakistan, engenders a competitive rather than cooperative approach. They realize, but do not acknowledge, that they cannot match India, but their response is to seek to bring India down.

SAARC suffers from some fundamental structural flaws. Unless all the countries of the organisation share a common security perspective, it will be difficult to move forward in any meaningful way on regional economic cooperation. Regional economic cooperation—the European Union and ASEAN are good examples—requires a degree of trust and goodwill, which in turn presupposes that all participants share a common political and strategic perspective. Since Pakistan and Bangladesh continue to foment terrorist activities against the Indian State and people, such a precondition is clearly missing. Unsurprisingly, SAARC has floundered for more than two decades. India's overwhelming dominance and the fact that no other member of SAARC has common borders with any other SAARC country except India (this has changed after Afghanistan joined SAARC) put psychological and physical barriers to regional cooperation. Nor has SAARC shown itself to be meaningful to ordinary people; there is no domestic constituency for SAARC in the member-countries.

Things may be changing. The last two SAARC Summits held in New Delhi in April 2007 and in Colombo in August 2008 hold out the hope that SAARC might—just might—evolve into a meaningful regional organization. With Afghanistan joining SAARC, its membership has expanded for the first time since its inception. Now SAARC is not merely a South Asian construct, since Afghanistan is as much Central Asian as South Asian. The second important development is the participation of major world and regional powers like China, Japan, South Korea, the US and the European Union as Observers. Important countries in India's strategic neighbourhood like Iran, Myanmar, Mauritius and Australia have also subsequently joined as Observers. SAARC has clearly begun to look beyond South Asia, and the world too has begun to look at SAARC more seriously. The major world powers that have become Observers in SAARC are understandably interested in the success or otherwise of the SAARC experiment. All of them are deeply engaged with India. Some are wooing India, others seeking to contain it. Given the global significance of the long-term direction that South Asia takes, the world is understandably interested in the future of SAARC. Perhaps the gaze and scrutiny of outsiders will induce



mature and responsible behaviour among SAARC countries. Cooperative, trustful and harmonious relations between India and its neighbours could make South Asia a truly dynamic engine of growth for the region and a pole of influence in the world. Perhaps the South Asian countries can achieve through SAARC what they could not bilaterally.

If SAARC shows potential, it is primarily because India's traditional mindset about SAARC has changed of late. This is welcome. India's changed attitude towards SAARC is not only because India realizes that its traditional approach in dealing with its neighbours has been ineffectual in securing India's interests; it is also in part the result of globalization and India's own growing prosperity. India is more self-confident, its economy more open and its foreign policy more diversified and pragmatic. It follows that India should be far more open-minded about other countries' involvement in SAARC when it has itself joined many regional and global organizations such as the East Asia Summit (EAS), the Shanghai Cooperation Organisation (SCO) and the Asia-Europe Meeting (ASEM). India is a regular invitee to the G-8 outreach meetings, has emerged as a key player in WTO negotiations, and is a member of potentially significant trilateral groupings like Russia-India-China (RIC) and India-Brazil-South Africa (IBSA). As a rising power aspiring to play a greater regional and global role and to become a Permanent Member of the UN Security Council, India would hardly want to be perceived as being obstructionist, narrow-minded and insecure.

As the largest country in SAARC, India carries a special responsibility. It must show that it is a true regional leader, not the neighbourhood bully. Bold measures on India's part are called for. SAFTA agreement is a wholly inadequate framework for trade liberalization within South Asia. The range of the tariff cuts is very modest (0-5 per cent); the period over which the reduction is to take place is too long; the range of products excluded from tariff cuts ('negative lists') is too large; non-tariff barriers are excluded; there is no provision for liberalization in the areas of investment and services; Pakistan does not extend the SAFTA agreement benefits to India because it denies India Most-Favoured-Nation (MFN) treatment and the extent of

trade liberalization that has been envisaged under the SAFTA agreement is much less than what the South Asian countries themselves are pursuing within the framework of the WTO. India appears to have understood this.

By giving duty free access to the Least Developed Countries (LDCs) within SAARC—which would in practice benefit only Bangladesh, since Nepal and Bhutan already enjoy duty-free access to India and Afghanistan cannot really benefit unless Pakistan gives transit facilities between India and Afghanistan—by accepting the concept of ‘asymmetrical responsibilities’, and by its restrained approach to Pakistan’s non-implementation of its obligations to SAFTA agreement, India has taken a few welcome steps in this direction. These initiatives need to be followed up. It is only India that can give SAARC a truly new direction from the ‘declaratory to the implementation phase’. Grant of unilateral trade concessions to India’s neighbours would not cause significant commercial harm to India though a few sectors like textiles, ready-made garments, tea and rubber would feel the impact. However, the potential of non-economic gains, particularly a change in the psychology of the ruling elites and even more so of the ordinary people in India’s neighbouring countries would far outweigh the economic sacrifices. India needs to take a political view on marrying India’s long-term political and strategic interests with possible commercial losses.

One of the priority areas for SAARC is connectivity, which is woefully inadequate at present. If people belonging to different countries within the region do not interact with and understand one another sufficiently well, there can hardly be meaningful regional cooperation. Hence the importance of people-to-people contacts, for which better physical connectivity is an essential pre-requisite. The South Asian countries are denied the economic advantages of large-scale cross-border trade and economic activity like tourism. Personal and family contacts have been disrupted. Without wide-ranging people-to-people interaction, misunderstandings and apprehensions are not likely to go away, nor can there realistically be any meaningful regional cooperation. The establishment of direct air flights between the SAARC capitals is a good start, but it is overland connectivity that is crucial. Fortunately, some small steps have

been taken between India and both Pakistan and Bangladesh in recent months. The real challenges will be in establishing transit facilities from India across Pakistan to Afghanistan and across Bangladesh to the Northeast Region of India.

SAARC should also concentrate on forging a South Asian identity, and focusing on areas where the common interests of the member-countries outweigh their differences. Environmental challenges, control of communicable diseases and pandemics, countering drug smuggling and tackling the trafficking of women and children are some promising areas of cooperation. Above all, the South Asian countries have a common interest in cooperation on water resources. Although differences remain, the countries of the South Asian sub-continent are already engaged in much deeper cooperation than countries similarly placed elsewhere in the world. The Indus Waters Treaty between India and Pakistan and the Ganga Waters Treaty between India and Bangladesh constitute an excellent starting point for further cooperation. One fundamental truism that all South Asian countries have to grasp and internalize is that they share a vital common interest in ensuring that the rivers that flow into the sub-continent from Tibet—not just the major rivers like the Indus, Sutlej, Karnali/Ghaghra and the Brahmaputra but the smaller ones too—are not obstructed in any way. Upper riparian India bears the brunt of any untoward happening in Tibet—as happened when the Sutlej River flooded large parts of Himachal Pradesh in 2000, and the Parechu River threatened to do in 2004—but any depletion of water flows into India will ultimately affect lower riparians Pakistan and Bangladesh too. This is a real danger since there is talk in China of diverting rivers rising in Tibet and flowing into the sub-continent. Any irresponsible Chinese activity in Tibet could accelerate the shrinking of Tibetan glaciers and change the climate that sustains the hundreds of millions of inhabitants in South Asia. The very existence of a low-lying country like Bangladesh or a small island country like the Maldives could be threatened. If these scenarios do come to pass, such Chinese behaviour would be definitely considered a hostile act by all South Asian countries. Thus, all South Asian countries have a legitimate

interest in having a dialogue with China on this point. India has already started discussions with China, and there is an agreement for exchange of hydrological data, but it would be much better if India, Pakistan and Bangladesh could jointly broach this subject with China. The South Asian countries could also consult with countries that face a similar problem vis-à-vis China. Russia and Kazakhstan are talking to China on this subject since major rivers like the Irtysh and Ili flow from China into these countries. Cambodia, Laos, Myanmar and Vietnam are already facing depleted flows in the Mekong and Salween because of dams built upstream by the Chinese.

The period 2007–08, when India was Chairman of SAARC, represented a potentially important window of opportunity for India to evolve an imaginative long-term policy towards its neighbours involving a ‘leap of faith’. For a while there was optimism that SAARC was an idea whose time has finally come. But domestic political turmoil in Pakistan, Bangladesh, Nepal and Sri Lanka, not to speak of political uncertainties in India itself, made it difficult to move ahead with bold initiatives. If SAARC is to be transformed into a ‘Partnership for Prosperity’, some meaningful regional projects need to take off soon. The problem of tackling terrorism will have to be squarely addressed without pussyfooting. While the involvement of major world powers in SAARC gives India’s neighbours a higher comfort level, the latter too will have to eschew the temptation of letting outsiders play a disproportionate and distorting role within SAARC. India can be expected to nip in the bud incipient trends to give outside powers too much role in financing development projects so that SAARC does not deviate from its stated goal of collective self-reliance. The keenness of some smaller countries to include China as a member of SAARC is indicative of the difficulty of getting out of the rut in which the chariot of SAARC has stalled. Unless this kind of thinking changes, SAARC will merely sputter on aimlessly. One hopes that better sense will prevail.

With SAARC at a crossroads, India’s neighbours, particularly Pakistan and Bangladesh, are confronted with a fundamental challenge. When distant countries are planning long-term strategies to plug into India’s impressive growth,

logic dictates that India's neighbours too should be thinking along similar lines. Sharing many complementarities with India, they can become globally competitive if they take full advantage of their geographical proximity to India. They could exploit India's competitive advantages such as easy availability of raw materials, economies of scale of a huge production base and a large market. All of them have a deep understanding of India, and are well networked with key players in India. But they have to honestly answer some hard questions. Do they want to ride on the back of India's success and weight in the world? Will the global competitiveness of Pakistan and Bangladesh improve if they are economically integrated with India? Or do these countries believe that their growth, development and prosperity could be autonomously generated? Probably because they are aware that they have fewer options, India's smaller neighbours like Bhutan, Nepal, Maldives and Sri Lanka have shown greater interest in economic integration with India than the larger ones like Pakistan and Bangladesh. They are more receptive to cooperation within a regional framework than on a bilateral basis, perhaps because numbers give them a sense of greater security. All South Asian countries need to look beyond existing political prejudices and think of what they must collectively do in a globalized, fast-changing world if they are not to be left behind.

### **Democracy in South Asia**

The issue of democracy sometimes complicates India's relations with its neighbours. The problem is that while India is an established and vibrant secular democracy, its neighbours are not. India will always remain an unspoken factor in the domestic politics of its neighbours—and, to a lesser extent, vice versa. Willy-nilly, the Indian model of democracy exerts a powerful influence on politics in neighbouring countries. Recent political developments in Nepal, Bangladesh and Pakistan bring out the strong yearnings of the people for

genuinely democratic regimes. The overthrow of Musharraf in Pakistan, the end of Nepal's monarchy and the growing popular revulsion against covert military rule in Bangladesh show that South Asian authoritarian regimes do not have long-term survivability. Sensing the changing winds, Bhutan is moving towards a constitutional monarchy and Maldives towards a multiparty democratic system. From India's perspective, these are welcome developments. India is interested in democratic neighbours because regimes that are elected by and accountable to the people are likely to be more cooperative and friendly to India since there is a much greater coincidence of interests among ordinary people, rather than the elites, of South Asia.

Democratic governments in South Asia are also likely to be more stable. South Asia's history shows that multi-ethnic and multi-religious South Asian countries can be harmonious and peaceful, both internally and with one another, only within a genuinely democratic framework that takes care of legitimate popular grievances and provides some guarantees of a respectful and tolerant approach towards all religious and other minorities. Non-democratic governments create a political void that is readily filled by religious obscurantists, extremists and fundamentalists. Within the South Asian countries, most of the controversies, agitations, violence and killings have been over cultural identity rather than economic issues. Some of the key factors that have shaped India's political life in recent years have been communal problems involving Hindus and Muslims (and lately Christians too), the issue of 'secular' vs 'communal' parties, the controversy over 'Hindutva', and the rejection by the Dalits and the Other Backward Classes (OBCs) of a common cultural legacy with the upper caste Hindus. Pakistan broke up over the inability of the system to accommodate Bengali nationalism. Punjabi Sunni political, economic and cultural domination in Pakistan has continued to provoke widespread Shia-Sunni violence and separatist movements in Baluchistan and Sindh. Sri Lanka has been wrecked by a debilitating ethnic violence over the Tamil issue for over two decades. In Nepal, the recent violence in the Terai is ethno-cultural in nature, representing the resentment of the Madhesis over the continuing domination of the hill people in all aspects of

Nepal's life. Democracy is the only effective long-term way to tackle secessionism, communal violence, sectarian conflict and fundamentalism, and to ensure peace, prosperity and stability in South Asia.

India is also concerned that the policies of repressive regimes in India's neighbours often give rise to domestic strife that inevitably has a fall-out on India, particularly on contiguous States where the population shares deep emotional, cultural and family links across the border. Moreover, as ethnic, religious and linguistic groups in South Asia invariably straddle more than one country, tensions tend to spill over state borders. Where a divided community feels that its culture or identity is being threatened, the problem no longer remains domestic. There is widespread empathy for Sri Lanka Tamils in India's Tamil Nadu state which has periodically received persecuted Tamil migrants from Sri Lanka. Some other noteworthy examples are the millions of Bangladeshi citizens who sought refuge in India in 1971 and those who have illegally migrated into Assam and various other parts of India; the periodic migration of persecuted Tamils in Sri Lanka and, most recently, the problems that Nepali-origin people expelled from Bhutan have created for West Bengal and Nepal. If the Madhesis in Nepal's Terai do not find political satisfaction of their grievances within the framework of Nepal's new Constitution, the problem will spill over into India.

India does not use democracy as an ideological stick with which to beat its neighbours. It is not in the business of exporting democracy and has been perfectly willing to deal with all kinds of regimes in its neighbourhood and around the world. Moral judgements need to be tempered by pragmatism and political realism. At times a strong hand is needed to keep a country united, secure and stable. However, where military regimes are in power, the military has to be seen as acting in national interest, not self-interest. The use of military power must be legitimized by the explicit support of the people—as is done in democracies where there is civilian control over the military—or by the people's implicit acceptance of military rule. As a democratic country, India must speak out more in favour of the desirability of democracy in its neighbourhood, since in its

experience democratic governments in neighbouring countries have been more cooperative and less hostile than authoritarian regimes and also because the solutions to many of the social and political problems in its neighbouring countries lie in greater democracy.

India should obviously not interfere in its neighbours' internal affairs. At the same time, it cannot afford to abdicate its responsibility to facilitate the resolution of such problems in its neighbouring countries because these have an effect on India itself. It has no alternative but to closely follow and deeply analyze political trends and discreetly try to influence the domestic political debate within these countries. Over the last six decades, India has been on many occasions the decisive factor in seeking a resolution of domestic political crises in Bangladesh (1971), Sri Lanka (1987), Nepal (1950–51 and 2005–08) and Maldives (1988). The challenge for India lies in not getting drawn into situations from which there may be no safe and honourable exit, and in simultaneously pushing for national consensus that involves all the principal political actors in the country concerned.

Most of India's neighbours are at a crucial transition period in their internal politics. Following the historic elections in Pakistan in February 2008 and the departure of Musharraf, will the new civilian government manage to effectively govern Pakistan? Will Bangladesh use this opportunity to cleanse its political life and become a healthy democracy or will its military succumb to the temptations of political power? Is there any hope at all of Sri Lanka being able to find a negotiated political solution to the Tamil conflict? Will Nepal settle down and evolve into an inclusive and stable democracy? How will Bhutan's new monarch handle Bhutan's tentative forays into democratic governance? The answers to these questions will determine to some extent the policies of these countries towards India. The chances of regional cooperation taking off are much better if India's neighbouring countries have democratic governments that are responsive to the real interests of ordinary people rather than the selfish interests of the ruling elites. Bangladesh, for example, has invariably seen higher economic growth during democratic regimes than under dictatorships.



## Future Prospects

The quest for a peaceful, harmonious neighbourhood, while certainly most desirable as an end in itself, cannot be the only long-term strategic ambition of India. If South Asia were united and vibrant, it would be able to easily extend its reach and spread its influence in South Asia's strategic neighbourhood of the Persian Gulf, Central Asia and Southeast Asia. Historically, Indian influence has been preponderant in all these regions. It is only over the last six decades, since South Asia itself has been divided, that India has lost its natural influence in these regions, and other powers have stepped in. All South Asian nations, particularly India, Pakistan and Bangladesh, have common interests in the Persian Gulf region. These countries have between them more than 450 million Muslims who have close emotional and spiritual bonds to the holy places of Islam in this region like Mecca, Medina, Najaf and Karbala; large expatriate communities which are critical to the economic life in the member-states of the Gulf Cooperation Council (GCC) but which are frequently exploited and overwhelming energy dependency on the Persian Gulf region. India's vision of an integrated Asia from the Himalayas to the Pacific would have reassured other SAARC countries that they would not be left behind as India increasingly integrates with East Asia. If South Asia as a whole seeks to integrate with East Asia, all parties, namely India, the other South Asian countries and the East Asian countries would benefit more. Bangladesh's cooperation is required for the optimal success of India's economic integration with the East Asian economies as well as for India to take advantage of overland transportation links between India and Southeast Asia.

Is Bangladesh willing to be India's partner in this endeavour? If Bangladesh wants to, it can easily take full advantage of India's strategic opening to the east. Similarly, if Pakistan can be persuaded to change its traditional mindset, it can work with India and Afghanistan in re-establishing South Asia's traditionally strong but now considerably weakened contacts with Central Asia. With Iran becoming an Observer in

SAARC, and if the proposed Iran–Pakistan–India oil pipeline fructifies, Iran too could be part of this cooperative regional framework.

Can the South Asian sub-continent ever overcome its divisions and be reunited? Probably not. Nor is this necessary. But South Asians can derive hope and inspiration from the example of Europe. While retaining their respective political sovereignties, European countries have set aside their deep-seated historical animosities to come together in an unprecedentedly peaceful and cooperative relationship. It is doubtful if the soldiers who fought the Second World War could have imagined in their wildest dreams that their great-grandchildren would be born in a Europe without borders and with a single currency. The leaders of South Asia must be commended for having made a conceptual breakthrough in the way they see and treat one another. At the 14th summit of SAARC in New Delhi in 2007, they agreed on working towards the ambitious goals of a South Asian Customs Union, a South Asian Economic Union and a South Asian community. No doubt these goals will take time. The European Economic Community was set up in 1957 under the Treaty of Rome. It took another 35 years for the Europeans to set up the European Union under the Treaty of Maastricht in 1992.

History teaches us that dramatic and completely unexpected developments do sometimes occur. Why not in South Asia too? In the long term, India might look for regional integration within a European Union-type framework—open borders and free movement of peoples, goods and capital—undoing the artificial South Asian political order established following the partition of undivided India. However, that is a long way off. It may come about only when the younger generation of South Asians, which does not carry bitter memories of old feuds and antagonisms, begins to wield political power.

## Chapter 3

# Pakistan and Afghanistan

### Pakistan's Troubled Identity

Pakistan is India's most difficult neighbour and cannot be dealt with like India's other South Asian neighbours for a number of reasons—its mindset; its strategic significance for outside powers; its military, nuclear and missile capabilities and its territorial dispute with India over Kashmir. However, the most important difference between Pakistan and India's other neighbours is that for India the relationship with Pakistan is as much a domestic as a foreign policy issue, even if Indian politicians are reluctant to admit this. Pakistan's *raison d'être*, simply put, is that the Muslims of India allegedly cannot live and prosper in a single State dominated by Hindus. India obviously feels differently, and this gave rise to Pakistan's political compulsion to prove otherwise. Hence the centrality in India's political discourse of so-called secularism—a concept that arose in medieval Europe against the history of Church–State conflict but which, transplanted on an alien Indian soil, has acquired a totally different meaning that has much to do with politics and little with religion. In India, where faith and religion is a central and integral part of the lives of most people, the State needs to treat all religions equally. It has to be active in educating the people in the essential tenets of all religions, not be indifferent to religion. It is because secularism has become a political football that there is so much sensitivity in India

to the religious divides rather than the far more deep-rooted and pernicious caste divide that all parties are unfortunately encouraging and exploiting. It inevitably complicates relations between India and Pakistan when Pakistan, seen as pursuing policies that undermine India's security, arrogates to itself the role of being the protector of the rights and welfare of Indian Muslims.

Six decades after its Independence, Pakistan continues to search for a durable and credible identity, other than it being 'not Indian'. Pakistan's rulers constantly strive to show how Pakistan is equal to, if not better than, India in all respects. The complex psychology of the Pakistani ruling elite, dominated by the military, is seen in a small but telling illustration—some of Pakistan's missiles are curiously named after various foreign invaders who ravaged India, including the territory of present-day Pakistan, centuries ago! In particular, even after more than three and a half decades, the Indian role in the creation of Bangladesh continues to rankle, with the Pakistani military in search of 'revenge' for its humiliating defeat in 1971. The mindset of the ruling elite is a cocktail of arrogance and brashness, at times bordering on cockiness, which has of late become even more potent with the addition of a measure of fundamentalism. This has led to a policy of unremitting hostility towards India that occasionally breaks out into conflict. The Pakistani ruling elite's perception of Pakistan's place in the region and the world has led to Pakistan pursuing policies that have held back economic and social development and progress not only in Pakistan but also in South Asia as a whole. The deleterious consequences of Pakistan's approach have been the creation of artificial barriers between India and Pakistan, and the expending of tremendous resources, time and energy to sustaining Indo-Pakistan tension, confrontation and wars that have vitiated the overall atmosphere in South Asia. Regrettably, outside powers have, for their own reasons, encouraged and abetted Pakistan by providing it the money, arms and technology to sustain its aggressive and hostile policies towards India.

India's policy towards Pakistan has oscillated like a pendulum. The two countries have fought military battles on the ground in South Asia, diplomatic battles throughout the world,

and cricket battles on the playing fields. Diplomatic, transport and other links have been disrupted from time to time. At the same time, Indian Prime Ministers from Rajiv Gandhi and Inder Kumar Gujral to Atal Bihari Vajpayee and Manmohan Singh have frequently given in to romanticized sentimentalism about Pakistan. India has never sought to clinch a decisive military victory against Pakistan, whether it was the 1947–48 war in Kashmir which resulted in the matter being referred to the UN Security Council, the 1965 conflict which led to an uneasy peace brokered in Tashkent in 1966, or the 1971 war which led to the inconclusive 1972 Shimla Agreement. In 2002, after fully mobilizing its forces, India held back from attacking Pakistan.

While India's intention in all these cases was probably not to aggravate the situation, India's reasonableness has invariably been misinterpreted as a sign of weakness and only served to reinforce the traditional Pakistani military stereotype of India as a flabby ineffective giant. Under these circumstances, there is little likelihood of Pakistan being an effective partner in resolving outstanding problems, leave alone the knotty and emotive issue of Jammu and Kashmir. Even after both sides have been assiduously trying for the last three years to find a solution somewhere between the formal positions of the two sides, success remains elusive. Any lingering hopes of a breakthrough have been destroyed by the terrorist attacks launched in Mumbai in end-November 2008 by terrorists who came from Pakistan. India should be patient. There are no quick fixes that will resolve problems with Pakistan. The most realistic hope is that the two countries can manage them. When the time is right, solutions will emerge, as has happened with other long-divided countries like Germany and Vietnam.

### **Recent Encouraging Trends**

Some encouraging changes in Pakistan's attitude towards India have been visible for the last decade or so, ever since its disastrous Kargil misadventure, and more particularly

after 9/11. Among the indicators of a more nuanced policy on Kashmir and relations with India have been the abandoning of UN resolutions and a plebiscite for solving the Kashmir problem; former President Musharraf's commitment not to let territory under Pakistan's control to be used for terrorist activities directed against India; call for an internal Pakistani debate on new options to resolve the Kashmir dispute and Musharraf's search for 'out-of-the-box' solutions to Kashmir problem. On the ground, a ceasefire has been in place since 2003 although it has begun to unravel since mid-2008. A regular composite dialogue at the Foreign Secretary level, supplemented by a high-level political dialogue, has been going on since 2004. India and Pakistan are seriously talking about building a pipeline to transport Iranian gas across Pakistan to India and another to transport Turkmen gas across Afghanistan and Pakistan to India. These initiatives were unthinkable a few years ago. At the popular level, the traditional public hostility towards India has dissipated, first seen in the unexpectedly warm reception that the visiting Indian cricket team received in Pakistan in early 2004. No longer are cricket matches between India and Pakistan regarded as surrogate military battles. All sections of Pakistani society—journalists, academics, artistes and businessmen—have displayed enthusiasm and self-confidence in wanting normal and more intensive ties with India. Against the background of unremitting hostility, war and absence of dialogue for long periods, these are encouraging signs. Despite Pakistan's continued propensity for creating trouble for India, including through deniable channels like Bangladesh and Nepal, these signals collectively signal a sub-conscious Pakistani recognition of its weakness vis-à-vis India, and perhaps a search for Indian acquiescence and legitimization of continued Pakistani control over Pakistan Occupied Kashmir (POK) and the Northern Areas.

No less important are some glimmers of change in the Pakistani mindset that give rise to cautious optimism. There are welcome attempts to trace the roots of Pakistan not to the two-nation theory but to the economic and religious insecurity of the Muslims in pre-Independence India, and to rediscover the secular elements in Jinnah's heritage, with reference

frequently being made to Jinnah's speech of 11 August 1947. A law has been passed that minorities will enjoy the same rights as the majority. The poor showing of the Islamist parties in the February 2008 elections has shown up the weak popular support that the jihadi elements have among the Pakistani people. Second, the Pakistani Army Chief, Gen. Kayani has taken some steps to depoliticize the army. The Pakistani Army did not interfere in the February 2008 elections; military officers have been banned from making contact with politicians; many officers occupying civilian positions have been recalled and steps have been initiated to end the Army's involvement in developmental agencies like the Frontier Works Organization and the Special Communications Organization. As Pakistan People's Party (PPP) President, Asif Zardari's statement in early 2008 to put Kashmir on the backburner took Indians by pleasant surprise. As Pakistan's President, Zardari conceded in an interview to the *Wall Street Journal* in October 2008 that Kashmiri militants were terrorists, that 'India has never been a threat to Pakistan,' and that Pakistan's economic survival requires that it trade with its neighbours first. Even though there have been the expected denials, the fact that such statements were made in the first place is significant.

What explains the winds of change blowing in Pakistan? With both India and Pakistan now having nuclear capabilities, a traditional war of the kind fought by the two countries in the past is ruled out. After Kargil, which remained a localized war, India and Pakistan almost came to war in 2002 but India's aggressive posture could not be sustained beyond a few months, and it had to demobilize its troops. The Kargil fiasco demonstrated to Pakistan that India could not be defeated even in a localized war. Besides, in both cases, neither India nor Pakistan could resist the international pressure that was applied to prevent the situation from escalating. At the diplomatic level, in recent years Pakistan has been unable to generate much sympathy for its traditional viewpoint on Kashmir, the most recent concrete instance being the European Parliament's report on the subject in 2007. Instead, what defines Pakistan's image in the world is its role as a global centre of terrorism, Islamic fundamentalism and nuclear proliferation.

A key reason for a possible re-think on the part of the Pakistani military establishment is that the jihadis have begun targeting the Pakistani State itself, and have shown up the vaunted Pakistani military to be incapable of retaining effective control over all parts of Pakistan itself. With Pakistan's western front—NWFP, the tribal belt and Afghanistan—today posing the greatest threat to the security of the Pakistani State, it makes sense for Pakistan to want to reduce tensions with India. Within Pakistan, the experience of the last four decades has taken the sheen off the Pakistani Army's image among the Pakistani people, who are no longer taken in by empty slogans. For all the exertions of Pakistan over the last six decades, India has decisively forged ahead of Pakistan, whether it is in terms of economic growth, maturity of political institutions, or engagement with the rest of the world. The earlier desperate attempts by Pakistan to equate itself with India have turned out to be futile and hollow, and have harmed Pakistan more than India. There is a growing sentiment among the people of the sub-continent that the partition of undivided India has hurt all—India, Pakistan and Bangladesh. There is recognition that the time has come to set aside differences and move towards mutually beneficial cooperation. As a result of all these factors, more and more people in Pakistan today are less convinced about an imagined threat from India that has traditionally provided the justification for the Pakistan Army's privileges and perks, and more concerned about the Pakistani Army's abuse of power and rapacious loot of the resources of the State.

Despite all these positive developments, there is still a long way to go. Reality checks came in July 2008 with the disruption of harmony in Jammu and Kashmir over the Amarnath Shrine land transfer controversy; the bombing of the Indian Embassy in Kabul; the series of terrorist attacks in Bangalore, Ahmedabad, Jaipur, Delhi and more recently Mumbai as well as the breakdown of the military ceasefire along the Line of Control in Kashmir. The peace process, already under strain because of these developments, was completely derailed by Pakistan's non-cooperative attitude in investigating and bringing to book the individuals and institutions in Pakistan behind the November 2008 Mumbai terrorist attacks. As a



result of the tumultuous political developments in Pakistan during 2007 and 2008 leading to the historic February 2008 elections, the Pakistani army is under pressure but has not lost its power. It may go back to its old ways when the situation calms down. Pakistan is still far from having a genuinely democratic government that wields effective power. A tug-of-war is under way. It is not ruled out that the spate of terrorist acts and disruptive activities against India are intended to show up the ineffectiveness of the Pakistan civilian government and create suspicions in India about its bona fides, and pave the way for the Pakistan military to reassert itself openly in Pakistan's political arena.

### **India's Approach**

It is necessary for India to follow a carefully nuanced policy with the new civilian government in Pakistan. India's approach should have a strategic perspective that needs to be worked out in confidential consultations with the major political parties in India in order to generate a broad political consensus within India itself. Persuasion and incentives must be combined with pressure. India must be realistic enough to recognize that real changes in Pakistan's policy will require time and patience. There are likely to be many, hopefully only temporary, setbacks. India's focus should be on areas where the objectives of the Pakistani civilian government and India coincide. Given Pakistan's history and the entrenched position of the military in Pakistan, it is no mean achievement for the people of Pakistan to have managed to first make Gen. Musharraf give up his uniform and then the Presidency. The most important priority is to strengthen the new civilian government's hands vis-à-vis the Pakistani military. In this context, India should welcome the civilian government's new trade policy that liberalises imports from India and seeks Indian investments in selected projects in Pakistan. Another area where India's interests coincide with those of Pakistan is in weakening the

jihadi elements in Pakistan. The next stage would be to work towards reducing foreign military presence in the region, both in Afghanistan and Pakistan itself. Improbable as it may sound today, Afghanistan is a possible area of cooperation.

The festering sore of Kashmir will no doubt have to be tackled. Till mid-2007 or so, there were ongoing back-channel discussions with Gen. Musharraf to try to produce a mutually acceptable compromise solution. Although the talks were being held in great secrecy, the following appear to be the elements of a possible solution as gleaned from material leaked to the media—no territorial changes; ‘soft’ borders; greater autonomy and self-governance in both parts of Jammu and Kashmir state; a cross-Line of Control consultative mechanism and demilitarization of the State at a pace that would be determined by the decline in cross-border terrorism. While a back-channel dialogue may suit a military dictatorship, the disadvantage is that this does not create the ground for public and political opinion to give its inputs and reactions on such an emotive and vexed issue, whose solution would have to be widely accepted in both countries. In an open, democratic polity like India, particularly when there is a coalition government in power, any major foreign policy initiative should enjoy a broad political consensus if it is to succeed. Expectedly, the new elected civilian Pakistani government has disavowed Musharraf’s initiative.

It is not realistic to believe that there can be any viable solution to the problem of Jammu and Kashmir other than the status quo. The long term, and sinister, motive of the Kashmiri separatist groups and even the so-called mainstream Kashmir political parties in starting and stoking a controversy over the transfer of land to the Amarnath Shrine Board was to put a spoke in the wheel of the steady progress that had been painfully achieved towards normalization of the situation in Jammu and Kashmir. India cannot continue to pander to separatist sentiments in Kashmir. Logically, there is no reason why India and Pakistan should be more concerned about the human suffering of the people of the divided state of Jammu and Kashmir than they have been about divided communities in other parts of the sub-continent such as Bengal and Punjab, the continuing human suffering of the Mohajirs in Pakistan

and their kin in India, or indeed the divided communities in the border areas of Rajasthan. Both from security and political perspectives, there cannot be 'soft' borders between Jammu and Kashmir and POK while the rest of the India–Pakistan border is fenced. Another thing to bear in mind is that in India, because of the protection afforded by Article 370 of the Indian Constitution, the demographic profile of Jammu and Kashmir has remained unchanged since 1947. This is not so in POK where large-scale immigration of settlers from Punjab has taken place. Finally, the pre-1947 princely state of Jammu and Kashmir was an administrative rather than a coherent political entity. It has at least five distinct regions, namely Jammu, Kashmir valley, Ladakh, POK and the Northern Territories. Why should India show greater concern about keeping the pre-Independence character and boundaries of Jammu and Kashmir than it has shown about other Indian States? Punjab, Uttar Pradesh, Bihar, Assam, Madhya Pradesh and other Indian states have been reorganized for political and administrative exigencies. If a more self-assured and self-confident Pakistan is prepared to treat Jammu and Kashmir like any other state of pre-Independence India, then perhaps the two countries can get on with trying to improve their bilateral relations. On the Indian side, if the sharp divide between Jammu and Kashmir regions turns out to be unbridgeable, it may become necessary to think of separate Jammu and Kashmir states, and Ladakh as a Union Territory. Whatever their other differences, neither India nor Pakistan want to see an independent Kashmir, as that would pose security threats to both countries.

Taking a long-term view, India must try to persuade Pakistan that the two countries can together make South Asia a formidable force in the world. India–Pakistan confrontation is only helping outside powers. However, Pakistan's principal foreign backers, namely the US, China and Saudi Arabia have their own interests and therefore their own policies vis-à-vis Pakistan. It would be realistic to recognize that continued India–Pakistan tensions and confrontation probably suit one or more of them. Gandhi's speech at his prayer meeting on 4th January 1948 may turn out to be prophetic. He said:

Mistakes were made on both sides. Of this I have no doubt. But this does not mean that we should persist in those mistakes. For in the end we shall only destroy ourselves in a war and the whole of the sub-continent will pass into the hands of some third power. That will be the worst imaginable fate for us. I shudder to think of it.

That is something for both India and Pakistan to ponder over. India, of course, needs to try its best to persuade Pakistan's foreign backers to change their current approach and make way for a more stable, democratic Pakistan that has close ties with India. But as realpolitik dictates that this is unlikely to bear fruit, India must have an autonomous Pakistan policy that combines a juicy carrot with a heavy stick.

### **Leverages against Pakistan**

What can India do to exert pressure on Pakistan? India seems to have ruled out a military solution to its problems with Pakistan. After having threatened to go to war against Pakistan in 2002, India had to demobilize its troops after a few months. Perhaps the nuclear 'balance of terror' was at work. Moreover, the international community, led by the US, will do its utmost to avert a war between two nuclear-armed adversaries, as it did in 2002. The US, which has a number of bases close to India's borders, has vastly improved monitoring capabilities of India's military manoeuvres and will not be caught by surprise as it was at the time of Pokharan-II. Were the international community to think that India is seriously contemplating military action against Pakistan, they would exert enormous and not-so-subtle economic and other pressures on India. Nor have India's periodic 'leaps of faith' (Indus Waters Treaty, Shimla, Lahore, Agra) with military or military-dominated regimes in Pakistan worked. The latest such initiative, starting with former Prime Minister Vajpayee's speech in Srinagar in April 2003, has lasted over five years and has yielded some results, but has foundered of late. There is little hope for a lasting deal with a Pakistani

military regime. India's long-term goal vis-à-vis Pakistan has to be the emergence of a lasting genuinely democratic government. If military means are ruled out to effect a 'regime change' in Pakistan, India should think of employing effective non-military means to achieve this covert objective.

India's levers against Pakistan are limited. One, perhaps the only, lever is the flow of Indus waters from India into Pakistan. This is a card up India's sleeve that India should carefully play. Many scholars and historians have pointed out that, more than anything else, it is the desire to control the waters of the Indus and its tributaries that flow from Jammu and Kashmir that lies at the root of Pakistan's obsession with grabbing Kashmir. Water may become a future source of conflict between India and Pakistan. While the situation regarding water availability in the Indian states bordering Pakistan is grave, it is much more serious for Pakistan. Unfortunately, the lever of the Indus waters was signed away in an incredibly one-sided agreement struck in 1960. India cannot abrogate it legally and were it to try to do so, India would probably come under unbearable pressure from the international community. There is also the question of what India's abrogation of such a treaty would mean for India's relations with China, which controls the sources of three major Indian rivers, namely Sutlej, Brahmaputra and Karnali/Ghaghra, that flow into India. Therefore, India should take a subtle, nuanced approach to the Indus Waters Treaty rather than look at a black-and-white situation of either abrogating the Treaty or accepting the current situation.

Under the Indus Waters Treaty, although India is entitled to fully utilize the waters of three Eastern Rivers, namely Sutlej, Beas and Ravi, a substantial quantity of water from these rivers continues to flow into Pakistan, to which Pakistan is not entitled. This is because India has not completed the various planned projects on the Eastern Rivers such as the Indira Gandhi Canal, Sutlej-Yamuna Link Canal and the Thein Dam. This needs to be done on a war footing. A political initiative is required to convince the concerned Indian states that they should put aside their differences and not let Pakistan use these waters. If some water is still flowing into Pakistan,

additional schemes/projects should be devised. Perhaps the Indira Gandhi Canal could be extended further south into Rajasthan and Gujarat. Providing more water to Gujarat could well make Gujarat a granary like Punjab and Haryana. Of course, all this would require substantial sums of money, but it would be insignificant and definitely more effective than the thousands of crores of rupees that India continues to spend on military measures against Pakistan. The mere announcement of acceleration of programmes to utilize fully the Eastern Rivers would send a panic among Pakistan's rulers and if India can manage to actually reduce the existing flow of the Eastern Rivers into Pakistan by even as little as 10 or 20 per cent, it would create the conditions for organized opposition by the powerful farmers' lobby against the military regime. It would also be an important psychological move that should do much to convince the Pakistani military establishment that India is not a toothless tiger. Since India is entitled to fully utilize the waters of the Eastern Rivers within the framework of the Indus Waters Treaty, the international community cannot legitimately object to this.

The second prong of India's strategy involves the Western rivers. India should formally tell Pakistan that it wants to renegotiate the Indus Waters Treaty. India cannot be prevented from making this demand (just as the US has done on the ABM Treaty). India's arguments for this are genuine and could go something along the following lines.

The India-Pakistan Indus Waters Treaty is a unique Treaty of water-sharing in the world where the upper riparian has been so generous towards the lower riparian. India did this consciously at great sacrifice to the welfare of the people of India in the interest of better overall relations with Pakistan, and a settlement of the Kashmir question. It was expected that this would reassure Pakistan about possible disruptions in the waters of the rivers flowing into Pakistan from Jammu and Kashmir and thereby facilitate a lasting solution to the Kashmir dispute. Unfortunately, despite India's generosity, Pakistan has not reciprocated. On the contrary, it has followed a deliberate policy of destabilizing India and hurting her

economically. It has not honoured its solemn commitments such as the Shimla Agreement, a generous agreement given by a militarily victorious India to a vanquished Pakistan in the hope of having a long-term peaceful, stable and cooperative relationship between the two countries.

Pakistan's sponsorship of terrorism directed against India is not only against the letter and spirit of its various bilateral commitments to India, and the principles of the UN and international law, but it also constitutes a breach of faith and trust and an overtly hostile and bellicose act tantamount to a declaration of war. Second, India's own water needs in Jammu and Kashmir have grown. The people of the state and their elected representatives have been asking for the right to utilize the waters of the rivers flowing through Jammu and Kashmir into Pakistan. India is very keen to see that there should be accelerated economic development of Jammu and Kashmir. India is confident that the rulers of Pakistan, who profess concern for the welfare of the people of Jammu and Kashmir, would not oppose any steps that India takes to promote the welfare and prosperity of the people of the state.

Such an initiative could be projected as an important political initiative of the government on Kashmir that all sides of the political spectrum, both at the Centre and in Jammu and Kashmir, would find difficult to oppose. This would also put Pakistan on the defensive, and perhaps create a rift between Pakistan and pro-Pakistani Kashmiris. Of course, it is highly unlikely that Pakistan will agree to any Indian proposal along the above lines. But at least it will enable India to wrest the diplomatic initiative vis-à-vis Pakistan and simultaneously reach out to the people of Jammu and Kashmir. India should put the revision of the Indus Waters Treaty as one of the principal issues for discussion with Pakistan. Pakistan claims that Kashmir is the 'core issue' between India and Pakistan. India's argument should be that if that is the case, then a discussion of the revision of the Indus Waters Treaty in the interests of the people of Jammu and Kashmir has to be an integral part of the discussion on Kashmir.

More than semantics or verbal dueling, it is only action on the ground taken by India on the Eastern Rivers—and full utilization of the waters of the Western Rivers permitted under the Indus Waters Treaty—that will create the necessary pressure on Pakistan. The panic that was created in Pakistan in September 2008 because of a purported disruption by India in the flow of the Chenab to fill the Baglihar Dam makes it clear that the flow of river waters from India into Pakistan is an effective lever in India's hands. India needs to put in place a long-term strategy in order to fully utilize the Indus waters that it is entitled to use under the Indus Waters Treaty. Moreover, it would also set the stage for a possible abrogation of the Indus Waters Treaty should a decision to that effect be taken any time in the future. Indian Prime Minister Manmohan Singh's suggestion in 2007 for joint use of the land and waters of Jammu and Kashmir presages a possible, perfectly logical, Indian demand to this effect.

One would like to hope that wiser heads would prevail in Pakistan so that India does not feel compelled to resort to dire measures. It is clear that a Pakistan dominated by the military is not likely to give up its compulsive hostility to India. Normal relations with India would remove the Indian threat perception that provides justification for its continued rule, either directly or from behind the scenes. The people of Pakistan would then be even more vocal in questioning the need for Pakistan's huge military budget and the military's enormous perks. Whether India and Pakistan are fated to live in a state of confrontation and hostility for ever depends in large measure on whether there will ever be an end to military rule in Pakistan. It is primarily the people of Pakistan who will decide this, and India will have to deal with whoever wields effective power in Pakistan. At the same time, India has no reason to give legitimacy and support to the Pakistani military, which continues to foment terrorist activity directed against India, and has made only tactical adjustments to its overall strategy of weakening and hurting India. India's real friends in Pakistan are the people of Pakistan. Any Indian visitor to Pakistan will testify to the warmth and hospitality they encounter from ordinary people. Those in the forefront of the struggle for democracy in Pakistan were



considerably dismayed at India's tacit support to President Musharraf in his confrontation with the political parties and civil society. India has changed tack but only reluctantly and belatedly. India must not let down the people of Pakistan in their struggle for democracy because this is in India's own interests.

### **India's Interests in Afghanistan**

Afghanistan and India are geographical neighbours and remained so till 1947 when Pakistan was formed. As the base from which over the centuries foreign invaders launched attacks into India, Afghanistan was always vital for India's security. Successive rulers of northern India have sought to exercise control over eastern and southern Afghanistan. After 1947, Afghanistan and India have been naturally drawn closer together by the shared inimical relationship with Pakistan. After the Taliban were overthrown in 2001, India has provided generous assistance (total commitments amount to US \$1.2 billion) for Afghanistan's reconstruction and nation building in diverse sectors. India has a presence in the major provinces of Afghanistan, with Consulates General in Jalalabad, Kandahar, Herat and Mazar-e-Sharif, and projects in many parts of Afghanistan, including the southwest of Afghanistan where India has just finished constructing the Zaranj-Delaram road that connects Afghanistan's girdle road to Zahidan in Iran.

India has a strong interest in ensuring that Afghanistan remains sovereign, stable and united and free from outside influence. As long as there is an antagonistic India-Pakistan relationship, India would not want Afghanistan to come under Pakistan's exclusive sphere of influence. That is why the revival of the Taliban remains a matter of deep concern for India. Although India's security is deeply affected by what happens in Afghanistan, India's disadvantage is that it is not involved in Afghanistan's security in any meaningful way. This has begun to change, following the visit of the Afghan Defence Minister to

India in April 2008 when it was agreed that India would share its experience in counter-insurgency with Afghanistan and also train Afghan pilots and help in the maintenance of Afghanistan's fleet of helicopters. The response of the Taliban and its patrons in Pakistan to growing Indian influence in Afghanistan was the suicide car bombing at the Indian Embassy in Kabul in July 2008. India is leery not just of Pakistan's influence in Afghanistan. Throughout history, India did not want to see Afghanistan under the control of outside powers; today too it is not in India's interest to have a long-term presence of NATO forces so close to its borders. NATO may be benign towards India today, but not necessarily tomorrow.

The US did a commendable job in unseating the Taliban from power but, like many other powers in the past, has predictably got bogged down in Afghanistan. Seven years of the US' so-called Global War on Terror have only aggravated the problems they were intended to resolve—al-Qaeda has not been controlled, much less eliminated; the Taliban's hold and influence in Afghanistan has resurfaced and narcotics trade is booming unprecedentedly. US anger and frustration is rising particularly as Pakistan has shown itself to be unable or unwilling, probably both, to cooperate to US' satisfaction in tackling the terrorist menace. At the same time, the efforts by the US military forces and the NATO-led and supported International Security Assistance Force (ISAF) to find a military solution to Afghanistan's turmoil are unlikely to succeed. The continued presence of Western troops in Afghanistan constitutes a major roadblock to bringing lasting peace, reconciliation and stability to Afghanistan. Foreign troops in Afghanistan only give a sharper edge to the nationalism of the fiercely independent Afghan people, without changing their lives for the better. The West's push to artificially recreate a Pashtun-dominated Afghanistan is a strategic error. The defeat of the Taliban in 2001 represented the military defeat of the Pashtuns at the hands of the non-Pashtun ethnic groups represented by the Northern Alliance, assisted, of course, by the US military. Both logic and prudence dictated that these non-Pashtun groups should not have been deprived of a share in power, much less marginalized, as the Karzai government

has done. It will be impossible to recreate the old Pashtun-dominated State of Afghanistan; what is feasible is the setting up of a federal or quasi-federal State that takes care of the interests of all ethnic groups in Afghanistan. Rather than continue with the present sterile policy, the US could achieve more success in rooting out terrorism if it were to lean hard on Pakistan to wholeheartedly cooperate in stopping the flow of weapons to Afghanistan, in closing down training camps in Pakistan, and in curbing trafficking of narcotics, which is an important source of funding for the Taliban. Then there is some hope for the stability of Afghanistan. However, the US and ISAF appear to have no intention of withdrawing from Afghanistan any time soon. This may not be just out of concern for the activities of the al-Qaeda in the region. Afghanistan's strategic location may have tempted the US to keep a long-term presence there to enable it to monitor developments in the region as a whole and, should it choose, to put pressure on any country in Afghanistan's neighbourhood.

### **Tackling the Root Causes**

Unless the root causes that have created the present situation are understood and tackled, Afghanistan will never become stable. Despite the warring tribal and ethnic diversities and rivalries, Afghanistan has an identity as the strategic space between India, Iran and the Central Asian deserts and steppes beyond the Amu Darya River. Because of its strategic location, Afghanistan was often incorporated into the territory of the surrounding States for the sake of their own security rather than because Afghanistan by itself was a tempting target. Strong empires in India and Iran like the Mughals and the Safavids competed in Afghanistan; when they weakened, the Afghans asserted themselves and invaded these countries. Tsarist Russia's push to the south in the 19th century brought another player into the equation. Throughout history, Afghanistan has survived because of its geographical location that made it an

indispensable overland trading link between India and the rest of the world. But Afghanistan as a State within its present political boundaries is a relatively recent phenomenon.

Afghanistan today has an image problem in the rest of the world. Yet there is nothing in the Afghan character that makes Afghans intrinsically fundamentalists, terrorists or drug-pushers. Afghanistan has floundered and fallen into a morass because the roots of its economic life have been sapped by Pakistan's policy of restricting Afghanistan's deep-rooted economic, cultural and people-to-people contacts with India to ensure that Afghanistan can remain Pakistan's economic and strategic backyard. Now, as in the past, Afghans look principally to India's large and rich market for sustaining their livelihood. Afghanistan on its own does not have the resources that can enable it to be even semi-independent economically. Throughout history, eastern and southern Afghanistan, which has dominated Afghan political and economic life, has always been economically anchored to the Indian sub-continent. Once these links are restored, one may see a radical transformation take place in Afghanistan. In the 21st century, Afghanistan can on its own be an important source of hydropower and minerals to India. It can also earn large sums of money as a tourist destination and a transit country for Central Asian gas and oil to India as well as for trade between India and countries to the West like Iran, Turkey, Central Asian Republics, Russia and even Europe.

### **India–Pakistan Cooperation in Afghanistan?**

Afghanistan's problems cannot be resolved without Pakistan's cooperation. At the same time, given the traditional hostility and suspicion between Afghanistan and Pakistan, and Pakistan's policy of wanting to keep Afghanistan under its thumb, neither the Afghans nor India or the rest of the world want to let Pakistan have a free hand in Afghanistan. From India's perspective, there have been only temporary gains in

the present situation insofar as Pakistan is now forced to pay more attention to security problems on its western frontier, which relieves some pressure on India. But in the long term, a Pakistan in turmoil is not desirable either, as Pakistan is the buffer that protects the whole of the Indian sub-continent from the turbulent lands to its west. Once US and other foreign troops leave Afghanistan, as they no doubt will one day, Pakistan and India will have to jointly deal with a possible security threat to the sub-continent that could emanate from an Afghanistan in chaos or one controlled by an outside power, as well as the threats to social harmony and stability in both countries that Islamic fundamentalism of the Taliban type poses.

As Pakistan grapples with security problems on its Afghanistan frontier, Pakistan may be more amenable to the proposition that its essential interests in Afghanistan coincide in many respects with India's, and that India has many capabilities that could be very useful in Afghanistan. Pakistan will first have to get out of its mindset of 'strategic depth', which makes sense if Pakistan wants to position its airfields out of range of Indian aircraft but is perhaps not a relevant consideration today when both sides have missiles. If India and Pakistan were to cooperate in Afghanistan, the prospects of an early return to stability in Afghanistan would improve. The first thing that Pakistan must be persuaded to do is to give India transit access to and from Afghanistan. India, for its part, needs to assure Pakistan that it respects Pakistan's genuine security interests in Afghanistan. As a confidence-building measure, India could consider shutting down its consulate in Jalalabad or Kandahar if Pakistan reciprocates by giving up its objection to India playing a prominent role in Afghanistan's reconstruction.

Undertaking this cooperation within a regional framework can assuage Pakistan's fears about India's presence in Afghanistan. In any case, Afghanistan's other neighbours like Iran, Turkmenistan, Tajikistan and Uzbekistan have a legitimate interest in Afghanistan and will have to be involved in the quest to bring peace and stability to Afghanistan. Nor can Russia be left out. A century ago, Russia had a decisive role to play in settling with British India the status of Afghanistan; 30 years ago, it was the Soviet invasion of Afghanistan that set

off the chain of events that has led to Afghanistan's current turmoil. China too may have to be involved. In today's world, Afghanistan's neighbours and other powers with a legitimate interest in Afghanistan's affairs can do no better than convert Afghanistan, like Switzerland, into a neutral nation that brings benefits to all but poses a threat to none. As the world's superpower, with a military and other controlling presence in Afghanistan as well as significant presence and influence in Pakistan, the US must be persuaded to play a role in bringing this about. The initiative for this should be taken by India, which is the greatest loser in the larger strategic game, and which has much to gain were Afghanistan and Pakistan to be re-integrated into the South Asian framework. The US itself would gain enormously, not only because of the stability that this would bring to the region but also because this would mitigate a source of grave insecurity that this region is seen as posing directly to the US itself. As new governments prepare to assume office in both India and the US over the next few months, and given the fresh outlook that the recently elected civilian government in Pakistan has shown, this is a good moment to try to strike a 'grand bargain' between the US, Pakistan and India involving not only Afghanistan but Iran too. Is it too much to expect that one day both Iran and Afghanistan can be economically integrated with South Asia?

## Chapter 4

# **Bangladesh, Myanmar and Northeast Region**

### **A Special Neighbour**

**B**angladesh is not just another neighbour of India. For India, Bangladesh will always remain very special for a number of reasons. Geography dictates that the destinies of India and Bangladesh are, and will always remain, inextricably intertwined. If India's map is likened to a human figure, with Jammu and Kashmir as the head and the Northeast Region as an outstretched arm, then Bangladesh is the joint that connects the Northeast Region to the rest of India, and plays as vital a role as does a joint in a human body. Its geographical location and relative size vis-à-vis India creates an understandable feeling within Bangladesh of being landlocked, specifically 'India-locked'! A similar feeling exists among the people of India's Northeast Region who too regard themselves as being 'Bangladesh-locked'. From the perspective of India's Northeast Region, Bangladesh is India's most important neighbour, one that India simply cannot afford to ignore. The Northeast Region continues to languish primarily since Bangladesh, on one pretext or another, refuses to give transit facilities to India.

As a neighbouring country, Bangladesh creates for India many problems that are common between neighbouring States elsewhere in the world but which apply uniquely to Bangladesh in South Asia. Sri Lanka and Maldives, being islands, inevitably

have a much less intense cross-border movement by sea with India than do states that share land borders with India. Bhutan and Nepal have open borders with India; with Pakistan the cross-border movement of people is minimal and very tightly regulated. Bangladesh, however, is India's most populous neighbour, with which India shares the longest border (more than 4,000 kilometres long). It is also very porous. There is large-scale and regular cross-border movement of people, more from Bangladesh to India—nearly half a million Bangladeshis visit India annually officially, much more illegally. Compared to its other neighbours, India is dependent on Bangladesh to a much higher degree—to harness water resources, to tackle illegal migration and to combat terrorism. In the sub-regional balance of power of East and Northeast India, Bangladesh matches up quite well with India.

Bangladesh is also India's largest trading partner in South Asia—not counting informal trade, which is estimated to be several times higher than the official trade. Interdependence between India and Bangladesh is high. Even today, Bangladesh depends on India for many of its requirements, including cotton yarn to produce readymade garments that constitute Bangladesh's largest export; limestone from Meghalaya for its cement plant. For the Northeast Region, particularly Tripura, Bangladesh is the nearest and most cost-effective source of goods and products, since high transport costs often make goods and products manufactured outside the Northeast Region uncompetitive. It is in recognition of this reality of interdependence that the 1947 Agreement setting up the General Agreement on Tariffs and Trade (GATT), the precursor to WTO, had a special provision (Article 24.11) for India and (undivided) Pakistan, which reads as follows:

Taking into account the exceptional circumstances arising out of the establishment of India and Pakistan as independent States and recognizing the fact that they have long constituted an economic unit, the contracting parties agree that the provisions of this Agreement shall not prevent the two countries from entering into special arrangements with respect to the trade between them, pending the establishment of their mutual trade relations on a definitive basis.



Unfortunately, India and Bangladesh have not managed to build even normal trade relations, what to talk of 'special arrangements'.

### **Bangladeshi Psyche**

In trying to understand Bangladesh, one has to take into account the complexity of the psyche of the Bangladeshis that has elements of irrationality and schizophrenia as they try to harmonize their multiple identities. As Bengalis, the people of Bangladesh take great pride in their Bengali identity, and see themselves as the inheritors of the rich and vibrant Bengali history, culture and tradition. But they are also the inheritors of an equally strong Islamic identity that has sharpened during the last century. Under British rule, the Muslims in Bengal did not prosper as much as the Hindus did, in large part because the Hindus managed to adapt much better and faster to British rule, and soon came to constitute the land-owning and better-educated section of Bengali society. The resentment and grouses of the Muslims of Bengal got a fillip with the Partition of Bengal in 1905 that accentuated their sense of separateness from the Bengali Hindus and increased mistrust between the two communities. Even though it was annulled six years later, the Partition of Bengal laid the foundation for the Partition of India along communal lines three and a half decades later. India may never have been partitioned but for the popular support that the Muslim League got in Bengal in the 1945–46 elections and the 'Direct Action Day' riots in Bengal that triggered off countrywide communal violence. Asserting their Islamic identity, the Muslims of Bengal played a vital role in the creation of Pakistan in 1947. A quarter century later, asserting their Bengali identity, they destroyed the Pakistan they had been instrumental in creating.

The new State of Bangladesh created by Sheikh Mujibur Rahman was a secular one. After his assassination, both Zia-ur-Rahman and Hossain Mohammad Ershad once again gave primacy to the Islamic identity and converted the country

from a secular to an Islamic country. Culturally, the people were officially transformed from Bengalis into Bangladeshis. This turnaround is explained by the fact that while they were part of a united Pakistan, the Bangladeshi (East Pakistani) ruling elite, especially the military, shared many interests with West Pakistani ruling elite. Despite the bloody repression of East Pakistan by West Pakistan in 1971, these old links and common attitudes have not gone away. But at the popular level, the cultural and linguistic tug towards India's West Bengal remains strong. Bangladesh asserts its cultural identity vis-à-vis Pakistan, and its religious identity vis-à-vis India. It considers itself culturally and intellectually superior but knows that in terms of hard power it is inferior to Pakistan. It has the complexities and insecurities of a small country vis-à-vis India, but acts like a bully towards the Northeast Region, which it considers as its *lebensraum*. A Bangladeshi in his sixties has been an Indian, a Pakistani and now a Bangladeshi. In this way, the mindset of the Pakistani has not left at least large sections of the Bangladeshi ruling elite, and has added to the already complex personality of the Bangladeshi. The elite has its vested interests in playing up the factor of Bangladesh's Islamic identity. However, while people are individually religious, they are tolerant and secular in outlook. At no time have the Islamist parties in Bangladesh got more than 12 per cent of the popular vote.

Finally, Bangladesh is painfully aware of India as an important and enduring influence on Bangladesh. As India's military operations in 1971 showed, Bangladesh cannot defend itself militarily against India. Geographically surrounded by India, Bangladesh feels vulnerable and realizes that it needs India's goodwill and support. It masks its insecurities by refusing to openly acknowledge India's role in its creation, and by raising the bogey of a threat from India, forgetting that the Indian military once (in 1971) did occupy Bangladesh but left Bangladesh with its territorial integrity scrupulously intact. It seeks leverage over India by being obstructionist and uncooperative in providing India transit to India's Northeast Region, and by giving shelter and support to Indian separatist and militant groups. Feeling weak vis-à-vis India, it feels more

secure if India's presence in Bangladesh is weaker, and that of outside powers stronger. Most important in this regard is China, which is Bangladesh's largest trading partner, a major source of development assistance, and by far the most important source of defence equipment and training. As such, China figures very prominently in Bangladesh's security calculations that inevitably revolve around India exclusively. The common desire to weaken India also partly explains why Bangladesh is happy to cooperate even with its estranged sibling and one-time tormentor, Pakistan.

### **India's Neglect of Bangladesh**

India's relations with Bangladesh have gone through many ups and downs since 1947. Till 1971, Bangladesh was a part of Pakistan, with whom India's relations during this period were uneasy, when not overtly hostile. In the years immediately following Bangladesh's Independence, bilateral relations were cordial and close. However, in recent decades, despite many complementarities, people-to-people contacts, trade and mutual dependence, the two countries have not been able to develop the kind of relationship that should exist between them, given their interdependence and the circumstances of the creation of Bangladesh. Bangladesh's rulers have tried to avoid any meaningful discussion on matters of interest to India. Meetings on issues that require frequent interaction are put off for months, sometimes years and, when held, produce a predictably routine outcome. Unsurprisingly, bread-and-butter issues like border management and water resources have not made much headway. Transit matters are not even discussed.

As debilitating political violence and instability has engulfed Bangladesh over the last three years or more, India's relations with Bangladesh have stagnated. The political process was derailed by the January 2007 constitutional coup that put off elections for two years, forced Bangladesh's two principal parties, the Awami League and the Bangladesh National Party, off the political stage and allowed the Bangladesh armed

forces to exercise real power from behind the scenes. India has reason to be worried about the current state of affairs since the Bangladesh army has close links with Pakistan's ISI and the Islamist parties whose agenda is anti-Indian. The Bangladesh Army had been reluctant to step into the political fray in January 2007 and appears to have been encouraged to do so by some leading Western countries whose agenda in Bangladesh clearly does not coincide with India's. India has made it amply clear that it favours the full restoration of democracy in Bangladesh through peaceful, free, fair and credible elections. Only then would Bangladesh be stable, peaceful and democratic. Even as it does business with the present military-backed caretaker government in Bangladesh, India has to push it to hold elections as promised by the end of 2008 with the participation of the principal political parties in Bangladesh. As in Pakistan, so in Bangladesh the people are India's true friends and must be supported. Bangladesh's enlightened self-interest is more likely to come to the fore in a genuinely democratic government than under a military regime.

While Bangladesh's approach to India on many issues is irrational and unpredictable, India too cannot escape the blame for the poor state of India-Bangladesh relations. Considering that, on the one hand, the biggest threat to independent India's security has come from Bangladesh (in 1971) and, on the other, the break-up of Pakistan leading to the formation of Bangladesh constitutes India's finest diplomatic-military victory, the Indian ruling elite has given far too little attention to the complexity and critical importance of India's relationship with Bangladesh. Decision-makers in India, forgetting that India took the action it did in 1971 because of its own national interests, feel let down by Bangladesh's so-called ingratitude for India's help in creating Bangladesh. Over time, an exasperated Indian elite has developed a prejudiced and somewhat disdainful opinion about Bangladesh. India's approach has been to give up on Bangladesh and ignore it. India's acts of omission have only succeeded in irritating Bangladesh more. At a psychological level, India needs to understand that such an approach only spurs Bangladesh to dig in its heels and does not serve India's interests. It has not helped that Bangladesh's neighbouring

Indian states, which have the most to gain or lose, do not carry meaningful political influence in New Delhi—the Northeast states barely have a voice in India's national politics, and for more than three decades West Bengal has been ruled by political parties at odds with the ruling party or coalition in the Central Government. Inputs and advice, valuable as it is, from India's own Bengali community, is sometimes coloured by the community's lingering prejudices about Bangladesh. The cumulative result of all these factors is that there is no coherent strategic policy or perspective in India's approach to Bangladesh.

Most decision-makers in India are not fully cognizant of the security threats to India from Bangladesh. These threats are latent and unrecognized, but perhaps more long term and pernicious than the more evident threats from Pakistan. It is only in recent years that this awareness is increasing, as more and more people identified as the perpetrators of terrorist incidents in India have turned out to be Bangladeshis, often with connections to the ISI in Pakistan. It is now somewhat better understood that, for the sake of deniability, Pakistan is using Bangladesh as a preferred avenue to undertake its disruptive and violent activities against the Indian State. The border between India and Bangladesh is highly porous, and over the years, a soft, somewhat shadowy border zone, inhabited by religious fanatics, terrorists, smugglers, gunrunners, drug dealers, traffickers and other assorted criminals has come up along the India–Bangladesh border where the Indian State has no control. Fundamentalist elements from Bangladesh have infiltrated into India and are spreading their influence in West Bengal. They are suspected to have been responsible for instigating the violence that forced Bangladeshi writer Taslima Nasreen to leave Kolkata in 2007. Bangladesh's ruling elite completely lacks the political will to take action to curb such activity. This is reflected in their continuing to brazenly harbour wanted Indian criminals and support Indian terrorist groups and to blatantly deny that such activity is taking place at all from Bangladesh's soil.

India's political leaders too have failed to put the national interest above their immediate and narrow political and

personal interests. For the sake of vote-bank politics, governments at the Centre and in the states have willfully ignored the systematic influx of illegal migrants from Bangladesh into India. Vested interests cutting across all parties and states in north India have failed to curb large-scale smuggling of cattle and other goods from India to Bangladesh. Instead India could use Bangladesh's dependence on India as leverage—in the absence of cattle smuggling from India, Bangladesh might have to turn into a vegetarian country! India has to try to persuade Bangladesh that issues of border management, water resources, trade, transit and economic cooperation should cease to be regarded as 'sensitive' political issues in Bangladesh. If that approach does not work, Bangladesh should understand that its unreasonable and unhelpful attitude would carry a price for Bangladesh. For this, it is essential that there be a coordinated national approach on bilateral relations with Bangladesh. At least five states—West Bengal, Assam, Meghalaya, Tripura and Mizoram—five ministries—External Affairs, Home, Water Resources, Commerce and Development of Northeast Region—and four security and intelligence organizations—Intelligence Bureau (IB), Research and Analysis Wing (RAW), Defence Intelligence Agency (DIA) and Border Security Force (BSF)—have enormous direct stakes in Bangladesh's policies. An overarching coordinating mechanism needs to be put in place to manage relations with Bangladesh, on the lines of the China Study Group that is in place to deal with relations with China.

### **Myanmar, an Underrated Neighbour**

Myanmar (formerly Burma) is a somewhat underrated neighbour of India, even though it remains hugely important for India from several perspectives. Myanmar's cooperation is critical for maintaining peace and security in India's Northeast Region, since many insurgent groups operating here seek sanctuary in Myanmar. Myanmar can be of help in the development of the Northeast Region, particularly since Bangladesh has been uncooperative on transit matters. Of late, as India's 'Look

East' policy has gathered momentum, Myanmar has assumed additional importance as the unavoidable geographical link for greater overland connectivity between India and ASEAN. Myanmar is India's only neighbour that has a surplus trade balance with India, principally because of the large quantities of agricultural produce and pulses that it exports to India. India has also invested in major infrastructure projects in Myanmar, including in the transportation and energy sectors, which it needs to protect.

India's Myanmar policy is also driven by the China factor. Should Myanmar get irreversibly locked in China's tight economic and strategic embrace, this would pose serious security dangers to India. By establishing a substantial presence west of the Ayeyarwaddy (Irrawaddy) River and on the Rakhine (Arakan) coast, China has considerably neutralized India's strategic preponderance in the Bay of Bengal. In North Myanmar, China has de facto control over Myanmar's Kachin state bordering India's state of Arunachal Pradesh, which China claims as its territory. Unless a policy is put in place urgently to counter these Chinese moves, China could over time bring Arunachal Pradesh into its economic orbit and militarily outflank India in Arunachal Pradesh. Growing Chinese influence in regions of Myanmar that border India would enable China to spread its influence and resume its support to rebel and insurgent groups in the Northeast Region. China has already established a foothold in Chittagong in Bangladesh. A China-sponsored link-up between Myanmar and Bangladesh would bring China right on India's doorstep and complete China's encirclement of India from the east. Fortunately, there is growing concern and suspicion within Myanmar itself about China's growing influence. Myanmar is keen to have a much closer relationship with India, which is seen as the only viable alternative to balance China's steadily increasing encroachments into Myanmar, especially in the Kachin and Shan states.

India and Myanmar share a complex and delicate relationship arising out of the history of their interaction during the 19th and 20th centuries. Although in the pre-colonial era Burma had a benign view of and a close cultural affinity with India, things

changed during British colonial rule. In the 19th century, a large number of Indians had been part of the British colonial troops that fought the three Anglo-Burmese wars, which resulted in the annexation of Burma to the British Empire in 1886. These troops were later used by the British to garrison the country. As India and Burma were both part of the British Empire, the British made Burma a province of British India till 1937 when it became a separate colony. In the first four decades of the 20th century, the British encouraged large-scale emigration of Indians to Burma, with the result that just before World War II the population of Indians in Burma was about 2 million, much of it concentrated in Yangon and Mandalay. Indians dominated Burma's civil service and police force and controlled a significant share of Burma's trade and industry. Indians also served as intermediaries between the British colonists and the local Burmese population. The role that the Indians played in suppressing Burma—as administrators and policemen—and their continuing dominant position in Burma's economy—as landlords, workers, proprietors and money-lenders—created a strong nationalist sentiment in Burma against the Indian community that translated into a widespread popular anti-Indian sentiment.

Nevertheless, when Burma and India became independent within a few months of each other, State-to-State relations were good because of the excellent personal equations between Jawaharlal Nehru and Burma's first Prime Minister U Nu. India gave considerable military and economic assistance to Burma in its early years of independence. Problems surfaced when the military coup took place in Burma in 1962 and U Nu and other Burmese leaders took refuge in India. The property of Indians was taken over and a significant number of people of Indian origin left Burma for India. However, a very large numbers of Indians stayed back in Burma. Many of them remain stateless to this day. For three decades thereafter, India had minimal contact with Burma. India's support to the democratic movement during the pro-democracy uprising in 1988 plunged bilateral relations to a new low.

It is only over the last 15 years or so that India has begun to give Myanmar the importance it deserves in its foreign



policy priorities. Till the early 1990s, India's overall Myanmar policy was unduly influenced by the Indian support to Aung San Suu Kyi, who has a strong India connection—her mother was Ambassador to India, she herself studied in India and was later given the Jawaharlal Nehru Award for International Understanding. As this left India out in the cold while China made deep inroads into Myanmar, the policy was wisely reviewed in 1992 and India began to engage with Myanmar's military regime. Since then, India has been following a pragmatic policy towards Myanmar. It has toned down its rhetoric over Aung San Suu Kyi and has been dealing with the military junta in Yangon. India hosts many dissident Myanmar democrats, has accepted a reasonably large number of Myanmar refugees and, by its involvement in the UN Undersecretary General Gambari's periodic missions, lent its gentle support to the democratization process in Myanmar. In view of Aung San Suu Kyi's close links with the Nehru–Gandhi family and the Congress Party, some doubts arose when the United Progressive Alliance (UPA) Government came to power about whether this policy would be continued. However, the policy remained unchanged and has borne good results. Since 2000, but particularly over the last five years or so, there has been a steady exchange of high-level visits, including at senior military levels, between the two countries. Following Vice President Shekhawat's visit to Myanmar in 2003, Senior General Than Shwe visited India in 2004. This was reciprocated by President Kalam's visit to Myanmar in 2006. During his visit to Myanmar in 2007, External Affairs Minister Pranab Mukherjee reaffirmed that India would deal with governments in power and had no intention of exporting democracy. Vice Senior General Maung Aye's visit to India in March 2008, during which the agreement on the Kaladan multi-modal transport project was signed, has taken the high-level dialogue forward.

Over the last decade and a half, relations between India and Myanmar have steadily improved. But even though India is on the right track, it needs to do much more to secure its interests in Myanmar. There is no time for India to lose in giving much higher priority to relations with Myanmar. India needs to develop a viable and coherent strategy with respect to

Myanmar that weaves together the interests of the various stakeholders within India. Among all of India's neighbours, Myanmar is the most disadvantaged in getting the serious and sustained attention of decision-makers in New Delhi since the bordering Northeast Region states of India are political lightweights that are often themselves ignored and their complexities little understood by an indifferent political class and bureaucracy ensconced in geographically distant New Delhi. This is in sharp contrast to the attention that, for example, Afghanistan gets, even though India's stakes in Myanmar are equally high. If Myanmar were to get even half of the \$1.2 billion grant assistance and the attention that Afghanistan gets, India would gain considerable influence in Myanmar. One should not also forget the enormous cultural and spiritual influence that India, as the land of Lord Buddha, exercises on both the rulers and the ordinary people of Myanmar. One hopes that there would be a focused high-level attention to the Northeast Region and Myanmar that would result in putting in place urgently a comprehensive policy for dealing with the Northeast Region, Bangladesh and Myanmar.

### **Northeast Region in India's Foreign Policy**

The proper development of the Northeast Region is a very important political, economic and social issue for India. It is also a formidable foreign policy challenge. The Northeast Region, sandwiched between Bangladesh, Bhutan, Tibet and Myanmar, has 98 per cent of its borders with these four countries. At the same time, its natural, shortest and easiest access to the rest of India across Bangladesh is unavailable in practice because of Bangladesh's cussedness. The region can really develop only if it has opportunities for trading with the rest of India and with the rest of the world. Insurgency movements are less attractive when the local population is well off. Increased trade and connectivity will improve the lives of many, unlike the tea industries, which mainly benefit owners living outside the Northeast Region. Raising the level of the

Northeast Region's trade with the outside world is not that easy and requires a coherent and sustained political strategy of many parts. These are complementary, not exclusive.

The simple solution would be if Bangladesh could be somehow persuaded to give transit facilities to India. Despite a singular lack of success so far, India has to persist by trying to appeal to Bangladesh's own self-interest. India has to convince Bangladesh that India's development and prosperity, including that of the Northeast Region, is in Bangladesh's own interests. Does Bangladesh believe it can truly prosper if neighbouring parts of India, including the Northeast Region, are backward? On the other hand, Bangladesh could earn considerable transit fees from India if it leverages its geographical location. It should be a matter of great concern for both countries that the Eastern and Northeast Region of the sub-continent has a lower level of development than the already low sub-continental average. In pre-Independence India, the Eastern region of the sub-continent, comprising present-day eastern India, Bangladesh and Northeastern India, was always an integrated political, economic and cultural space. As the pioneering region in India's industrialization, it was perhaps the country's richest and most prosperous region. Sadly, where Kolkata and Dhaka were once flourishing commercial and economic centres of the Indian sub-continent, today they have fallen far behind many other South Asian regions and cities of the South Asian sub-continent. This is primarily the result of the region's uncoordinated development. If this region is to regain its earlier competitiveness and prosperity, both India and Bangladesh must be sincerely committed and determined to take advantage of the numerous similarities, complementarities and synergies in the fields of economy, culture, history, language and society in order to unlock this region's enormous natural wealth and human resources. Perhaps then this region can once again play a leading role in national life—in politics, economic development and intellectual debate. At the same time Bangladesh needs to be unequivocally and unambiguously told that it is unrealistic for Bangladesh to expect that India will give Bangladesh a free hand so that it can establish its economic domination over the Northeast Region.

As Bangladesh has regrettably not shown any willingness to cooperate with India unless it is on terms that make the Northeast Region a virtual colony of Bangladesh, the only other outlet for the Northeast Region is Myanmar. This is the second element of India's strategy for the Northeast Region. Rigid trade and currency regulations have limited the volume of cross-border trade to a fraction of its potential. The existing sole border trading town of Moreh in Manipur is no longer enough. More border posts in the Northeast Region need to be developed connecting Mizoram, Manipur, Nagaland and Arunachal Pradesh with Myanmar to handle not just border trade, but normal trade as well. This should be combined with the development of infrastructure. A few years ago India built a border road from Tamu in Manipur to Kalembo and Kalewa in Myanmar, and there are plans for building cross-border road links from Mizoram to Myanmar. However, in general, roads on both sides of the border are underdeveloped, and a lot more needs to be done. The recent signing of the agreement on developing a multi-modal (river and road) link between Mizoram and Myanmar's Sittwe port along the Kaladan River that flows from Mizoram into Myanmar was a welcome development that needs to be followed up with other similar initiatives. India must speed up the much-delayed Trilateral Highway Project between India and Thailand via Myanmar. Nor should it lose sight of the long-term proposal for a rail link from India to Myanmar. Better transport links will make Indian products more competitive in Myanmar where currently China has a free run.

India remains extremely wary of the Northeast Region developing ties with Tibet, the Northeast Region's third large foreign neighbour, as this poses many political and security complications. China, which controls Tibet, claims Arunachal Pradesh as its territory. Nor does India want its Northeast Region to be sucked completely into China's economic vortex. Already, Chinese goods are seen in plenty in the markets of the Northeast Region. Many in the Northeast Region are also worried that opening the borders with China will bring in more drugs, arms and communicable diseases, which would only add more fuel to the existing discontent and disaffection. Thus,

India is opposed to converting the Track-II so-called Kunming Initiative or the BCIM, which brings together Bangladesh, China's Yunnan Province, India and Myanmar, into an official-level body.

### **Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)**

The final element of the strategy is to situate the development of the Northeast Region within a framework of regional cooperation, where it may be easier for India to get Bangladesh's cooperation. Fortunately, there already exists a ready framework in the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) that brings together the countries around the Bay of Bengal, namely Sri Lanka, India, Nepal, Bhutan, Bangladesh, Myanmar and Thailand. The Northeast Region lies in the middle of the BIMSTEC region. Unlike SAARC, BIMSTEC is a geographically coherent and logical grouping with a better balance of power since the dependence of India's Northeast Region on Bangladesh and Myanmar considerably reduces India's preponderance in the grouping. BIMSTEC gives India an additional forum and greater flexibility in handling its relations with Bangladesh. It has been seen that Bangladesh has been more amenable to discussing politically sensitive issues like trade, transit and energy cooperation, and so on in a sub-regional context rather than bilaterally, perhaps because it feels more comfortable and secure dealing with India within a regional framework. BIMSTEC also provides a supplementary framework to develop India's relations with and increase its influence in strategically important Myanmar—which would otherwise come completely under China's economic and political influence.

BIMSTEC could become a practical and desirable bridging mechanism between South Asia and its eastern neighbours. In a long-term perspective, the Northeast Region and Bangladesh could be potentially converted from relatively poor regions on

the periphery of the South Asian sub-continent to the fulcrum of a thriving and integrated economic and cultural space linking India and Southeast Asia. BIMSTEC complements and supplements India's engagement with ASEAN, since BIMSTEC members Myanmar and Thailand are also members of ASEAN. The uncertainties of SAARC have created the fear among India's smaller neighbours that India could integrate with Southeast Asia, leaving them isolated. BIMSTEC offers hope to Bangladesh as well as India's other South Asian neighbours that, riding on the back of India's 'Look East' policy, they too can have greater economic and other contacts with Southeast Asia. This would reduce Bangladesh's overwhelming dependence on India, which acts as a powerful psychological barrier in Bangladesh's attitude towards India, and thereby hopefully nudge it towards a more cooperative attitude towards India. India may be able to overcome some of the traditional suspicion of its neighbours by integrating its South Asia policy with its 'Look East' policy. By coming on board India's 'Look East' train, India's smaller neighbours could benefit enormously from integrating into a wider Asian framework.

BIMSTEC is a young organization that held its first summit meeting in Bangkok in July 2004. Over the last couple of years, it lost some momentum because many of its members were distracted by domestic political preoccupations. India too seems to have been concentrating on making a go of SAARC while being its Chairman. Although BIMSTEC did regain some of its lost momentum with the holding of the 2nd BIMSTEC Summit in New Delhi in November 2008, Thailand's preoccupation with its domestic political crisis made this a somewhat humdrum meeting with few concrete outcomes.

## Chapter 5

# Sri Lanka, Nepal and Bhutan

### Sri Lanka's Ethnic Divide

India's relations with Sri Lanka are in large measure determined by the deep ethnic divide and unresolved conflict that has raged in Sri Lanka since its Independence in February 1948. India's principal interest in Sri Lanka arises out of the fact that Sinhala-majority Sri Lanka has a substantial Tamil population with close emotional, cultural and historical links to Tamils in India. There is considerable public sympathy within Tamil Nadu for the cause of the Sri Lankan Tamils, something that no government in New Delhi can ignore, the more so in today's era of coalition politics where regional Tamil parties exercise considerable influence in the Central Government. Although the Tamils and Sinhalese had been living peacefully on the same island for centuries, colonial Britain's policy of openly favouring the minority Tamils in administrative jobs created resentment among the majority Sinhalese, creating a backlash that swung the pendulum to the other extreme after Sri Lanka gained independence. A series of steps taken by Sinhalese leaders since the start of the government-driven policy to convert Sri Lanka into a Sinhala Buddhist nation made the Tamils living in Sri Lanka feel like second-class citizens.

The Tamil population in Sri Lanka consists of two distinct elements. The first is the much larger group of Sri Lankan Tamils, who have lived for centuries in the areas of traditional

Tamil habitation in northern and eastern Sri Lanka. A subset of the Sri Lankan Tamils is the Muslim Tamils, who have in recent decades gradually acquired a separate cultural and political identity. The second is a smaller group of so-called Indian Tamils taken by the British colonialists from India as indentured labour to work on the tea and rubber plantations in the Sri Lanka highlands. Any real or perceived discrimination against either category of Tamils has an understandable fall-out in India. The problem started immediately after Sri Lanka's Independence when as a result of the provisions of the Citizenship Acts of 1948 and 1949 a majority of the Indian Tamils became stateless and Sri Lanka sought their repatriation to India.

While Jawaharlal Nehru was cautious in accepting the Sri Lankan demand and agreed to accept as Indian citizens only those Tamils in Sri Lanka who qualified under the provisions of the Indian Constitution, Prime Ministers Lal Bahadur Shastri and Indira Gandhi signed bilateral agreements in this regard with the Sri Lankan Government in 1964 and 1974 respectively. These agreements acknowledged that the Indian Tamils were the joint responsibility of both Sri Lanka and India and provided for the repatriation of a fixed number of Indian Tamils to India. While this gesture on India's part did remove an irritant in the India-Sri Lanka relations, it has not completely solved the problem of the Indian Tamils. A large number of them who do not wish to be repatriated to India remain in Sri Lanka and may once again become stateless. At the same time, India's approach may well have created more problems in the long term through the message it sent out to both the Sri Lankan Government as well as the Sri Lankan Tamils. On the one hand, it reinforced Sinhala chauvinist sentiment that Tamils (both Indian and Sri Lankan) did not really belong to Sri Lanka and were India's responsibility. On the other hand, it conveyed to the Sri Lankan Tamils that they could count on popular sentiment in Tamil Nadu to manipulate India's position in their favour. India's 1971 operations in Bangladesh further strengthened the conviction of many Sri Lankan Tamil leaders that India would intervene in Sri Lanka to 'liberate' Tamils on the lines of what it had done in Bangladesh.



The policy that India under Indira Gandhi followed in the early 1980s in supporting Sri Lankan Tamil parties and Tamil militant groups certainly seemed to point in this direction. The 1983 anti-Tamil riots in Sri Lanka, which led to a brutal crackdown on Tamils and the exodus of large numbers of Tamil refugees to India, however, spurred India under Rajiv Gandhi to be more active in pushing the Sri Lankan Government to find a solution that would satisfy the Sri Lankan Tamils. Most notable was India's initiative in arranging talks between the Sri Lankan Government and the various Tamil groups and parties, including the Liberation Tigers of Tamil Eelam (LTTE), in Thimpu and elsewhere in 1985–86. Regrettably, but unsurprisingly, these talks failed and the Sri Lankan civil war continued.

### **India's Security Concerns**

A second Indian concern is that Sri Lanka should be stable and united without any inimical foreign presence in that country. India does not want a separate Tamil State to come up in Sri Lanka, as this would have the potential of stoking Tamil regional sentiments within India. The recent flare-up in Malaysia over the discrimination against the Indians, a large percentage of whom are Tamils, has given a fillip to Tamil nationalism. Faced with many secessionist movements within the country, India can hardly encourage the breakup of another country. Moreover, any independent Tamil State in Sri Lanka is likely to become dependent on outside powers for its survival. Even in a united Sri Lanka, India cannot afford to have an inimical foreign presence in this strategically located neighbour, since that could pose a direct threat to the various nuclear, space and defence establishments concentrated in peninsular India. India's approach creates understandable sensitivities within Sri Lanka.

As the civil war raged in Sri Lanka in the early and mid-1980s, India was also increasingly concerned about the growing military ties of Sri Lanka with Pakistan and China, and Sri

Lanka's perceived strategic proximity to the West, especially after the US was given permission to set up a powerful Voice of America station in Sri Lanka—which India suspected of being a cover for electronic snooping on India—and a Singapore-based US company was given the leasing rights for oil storage tanks in the strategic harbour of Trincomalee. India sought to resolve its security concerns and the ethnic problem in Sri Lanka by resorting to strong-arm tactics in 1987. It dramatically airlifted relief supplies to Jaffna in northern Sri Lanka in June 1987 to break the Sri Lankan military's siege of the city. A month later, in July 1987, the India–Sri Lanka Accord was signed, paving the way for the deployment of the Indian Peace Keeping Force (IPKF) in Sri Lanka to enforce the Accord. India's concerns about the Voice of America radio station, about keeping out foreign military personnel and experts from the Sri Lankan army and about keeping foreign companies out of Trincomalee were also met in confidential letters exchanged at the time of the signing of the India–Sri Lanka Accord. The Sri Lankan Government passed the 13th Amendment to the Sri Lankan Constitution that provided for provincial autonomy to a united Tamil majority northern and eastern province. However, India's strategy failed because the LTTE and the Sri Lankan Government continued to distrust each other, and neither of them trusted India. It is not surprising that this Accord should have floundered in the light of double-crossing in which all sides were engaged. India, which till then had been arming and supporting the LTTE, was now attempting to disarm it, even as the LTTE continued to enjoy considerable support and funding from Tamil Nadu. Similarly, the Sri Lankan Government that had been fighting the LTTE and had invited the Indian military to help it to do so began to secretly supply weapons to the LTTE to fight the Indian army. The truce that followed the induction of the IPKF turned out to be a temporary one. Neither was the 13th Amendment implemented, nor did the Sri Lankan Army withdraw to the barracks, nor did the LTTE disarm. This bizarre situation obviously was unsustainable, and resulted in the hasty and unceremonious withdrawal of the IPKF in 1990. An enraged LTTE retaliated against India by assassinating Rajiv Gandhi in 1991.

The conflict in Sri Lanka continues to rage. Pressure on the LTTE from the international community mounted after the so-called Global War on Terror was launched post-9/11. Following the curbs that were imposed on the LTTE's functioning and fundraising in Western and other countries, the LTTE beat a tactical retreat. It agreed to a ceasefire in February 2002 and began talks with the Sri Lankan Government. Hopes that the ceasefire agreement of 2002 and the subsequent rounds of talks under the aegis of the Norwegian mediators (with the approval of India) would lead to an agreement faded, especially after Mahinda Rajapakse became President in November 2005. In January 2008, the Sri Lankan Government formally abrogated the ceasefire agreement and the Sri Lanka Monitoring Mission folded up. The essential problem is that neither the Sri Lankan Government nor the LTTE is sincere about seeking a political solution. Both the Sri Lankan Government and the LTTE appear convinced that they can militarily triumph over the other, even though a decisive military victory has eluded both sides for more than a quarter of a century. The Sri Lankan Government appears intent on dealing with the LTTE from a position of strength, while the LTTE's determination to seek a military solution seems to have been strengthened after it lost its control over the eastern province. Even if the LTTE, after its defeat in the eastern province, is defeated in the north, an inclusive political solution involving a credible devolution package will be required to satisfy the genuine grievances of the Tamils in Sri Lanka. Not sufficient serious thought is being given to this aspect of the ethnic conflict.

Having badly burnt its fingers by its military and diplomatic fiasco over the induction of the IPKF, India has stayed away from getting directly involved in the Sri Lankan conflict. Despite many entreaties by successive Sri Lankan governments and Tamil parties to play a more active role in ending the conflict and working out a negotiated settlement, India merely keeps a close and watchful eye on developments in Sri Lanka. Even if it wanted to, India cannot play a direct role in trying to resolve the Sri Lankan ethnic conflict. Politically, India's hands are tied as a result of Rajiv Gandhi's assassination since this precludes any contact with the LTTE, which remains banned in India.

Nor can India openly give military assistance to the Sri Lankan Government, which explains India's reluctance to sign the Defence Cooperation Agreement proposed by the Sri Lankan Government or to undertake high profile defence projects and activities in Sri Lanka. India has thereby left the field free for other powers like Norway, Japan, EU, China, Pakistan and the US to be much more active and influential in Sri Lanka than India would like, not just in steering the talks between the Sri Lankan Government and the LTTE but also in the military and economic field. India realizes that its cautious approach has led to an undesirable drift in India's Sri Lanka policy that should not be allowed to continue indefinitely. Fortunately, since Rajiv Gandhi's assassination, public opinion in Tamil Nadu has been turning away from the LTTE, even though LTTE still manages to influence the political debate in Tamil Nadu. India has been quietly undertaking military cooperation with Sri Lanka in the form of exchange of visits, training, sharing of intelligence, joint naval exercises and supply of non-lethal military equipments. It is heartening that, despite their experience with the IPKF, Sri Lankans today do not consider the Indian armed forces as a threat. Conscious of the influence of Tamil Nadu's politicians on India's Sri Lanka policy and of Tamil popular opinion regarding the LTTE, the Sri Lankan Government keeps its ear close to the ground in Tamil Nadu, where the influx of refugees has increased following the Sri Lankan Government's tough crackdown on the LTTE over the last couple of years.

### **Economic and People-to-People Ties**

As India struggles to find a way to regain a central role in the resolution of Sri Lanka's ethnic conflict, the rapid growth of trade, economic and people-to-people ties between India and Sri Lanka over the last decade augurs well for the long-term future of India-Sri Lanka relations. Seeing an opportunity for itself in the growing Indian economy, Sri Lanka was the first country to sign a Free Trade Agreement (FTA) with India in 1998. The positive results of this agreement in promoting Sri Lanka's

exports and attracting Indian and foreign investment into Sri Lanka has prompted Sri Lanka to propose a Comprehensive Economic Partnership Agreement, which has been negotiated and is awaiting signature. Liberalization of air services has led to a sharp rise in the numbers of Indian tourists visiting Sri Lanka. In a remarkable turnaround, the Trincomalee Oil Tank Farm, an issue that was one of the triggers for the India–Sri Lanka Accord of 1987, has been taken on long lease by Lanka Indian Oil Corporation, a wholly owned subsidiary of Indian Oil Corporation in Sri Lanka. Sri Lanka has taken a conscious decision to seek closer economic integration with India, not only for the economic benefits it brings to Sri Lanka, but also because it believes that greater Indian stakes, both of the government and the private sector, in Sri Lanka’s economy will bring Sri Lanka long-term political benefits in dealing with the LTTE. With the intention of improving connectivity between the two countries, Sri Lanka is keen to establish a land bridge between India and Sri Lanka, as opposed to the Sethusamudram Canal Project that certain vested interests in India have been pushing. India’s long-term interest should be in establishing a land bridge connecting India and Sri Lanka, as has been done by many countries around the world that have an analogous geographical location.

While Pakistan and Bangladesh have complexes vis-à-vis India because of the circumstances of their creation, and Nepal and Bhutan feel vulnerable because of their small size and landlocked status, Sri Lanka is quite different from India’s other neighbours. Although Sri Lanka as a much smaller neighbour of India does suffer from insecurities, India is not a bogeyman to the same extent as with India’s other neighbours. Rich in resources and strategically located in the middle of the Indian Ocean, Sri Lanka has reason to be self-confident. Its people live longer, and are much better educated and more prosperous than other South Asians. Its history and culture is linked to, but sufficiently independent of, mainland India’s. If instead of being a thriving prosperous country Sri Lanka today is the most militarized State in South Asia torn by an active ethnic conflict raging for over a quarter of a century, the blame

for this lies principally with the Sri Lankan people themselves. Perhaps a solution to the Sri Lankan conflict will have to await the emergence of an enlightened and united Sinhala leadership in Sri Lanka that does not suffer from a minority complex, the exit of LTTE's supreme leader Prabhakaran from the political scene and India's playing a more active role in Sri Lanka guided by its overall national interests rather than just Tamil Nadu politics.

### **Nepal: A Critically Important Neighbour**

Relations with Nepal have a vitally important domestic as well as a foreign policy dimension for India. Many factors make India's relationship with Nepal critical. These include the extensive people-to-people, religious, cultural and economic links between the two countries, the open border and the resultant security problems for India, free Indian currency convertibility in Nepal, the presence of Gorkhas in the Indian army, the millions of Nepalis living and working in India, and the flow of major rivers from Nepal to India. As it enters uncharted political waters after the recent elections to the Constituent Assembly, Nepal poses a formidable challenge to Indian diplomacy. The monarchy, traditionally the symbol of Nepal's sovereignty and identity, is no more. From being a Hindu monarchy, Nepal has become a republican secular State. The domination of the Rana elite in Nepal's economy, politics and the military is greatly reduced. The Nepali Congress, traditionally the most influential political force in Nepal, has had to make way for the Maoists, who were for close to a decade political outcasts, feared and hounded by both the Nepali and the Indian establishments. The *Paharis*, the inhabitants of the hill areas who have dominated Nepali politics for decades, will now have to share power with the *Madheshis*, the people of the Terai region bordering India, in some kind of federal set-up, whose contours will be debated by the newly elected Constituent Assembly. It is noteworthy that both the President and the Vice President of Nepal are *Madhesis*. The immediate

post-election euphoria has given way to the expected rivalries among political forces and parties. All these new elements create fresh uncertainties in the already complex relationship between Nepal and India.

India–Nepal relations are regulated by the bilateral Treaty of Peace and Friendship of 1950, whereby the two countries agreed to grant each other's citizens national treatment in all matters, including taking up jobs, doing business and owning property. This was ensured through an open border and the free circulation of Indian currency in Nepal. The benefits were obviously more for Nepal, whose citizens could take advantage of India's big market and higher level of development. The reciprocal facilities that Indians were entitled to get in Nepal—as envisaged by the confidential letters exchanged—were generally not available in practice, though some Indians, principally Marwari traders, managed to take advantage of the provisions to set up very profitable trading and other businesses in Nepal. As it closely mirrored the 1923 Nepal–Britain Treaty, the 1950 India–Nepal Treaty did not materially change the extant situation. Nor was there any viable alternative before either side. In the absence of any natural geographical boundaries, it would have been virtually impossible, and financially ruinous, to close or even regulate the traditionally open India–Nepal border.

It is the security provisions of the Treaty that are noteworthy and have become controversial. The 1950 India–Nepal Treaty was signed against the backdrop of the impending Chinese invasion of Tibet after the Communists took over power in 1949. As India considered Nepal to be part of its security perimeter, it was keen to ensure that its security interests were protected in a new Treaty with Nepal. Under the Treaty, Nepal agreed to depend on India for its security. Through a confidential exchange of letters the two sides agreed that in case of any threat to the security of the other by a foreign aggressor, the two governments would consult with each other and devise effective countermeasures. Nepal agreed that it would not import arms, ammunition and other military equipments except with India's consent. As part of the follow-up measures to the 1950 Treaty, Nepal and India agreed that there would be joint manning of posts on the Nepal–Tibet border, and an Indian Military Mission was set up in Nepal.

India's payback to the Rana regime was its tacit agreement to protect it against the democratic winds that had begun blowing in Nepal too under the influence of the political ferment in India in the closing years of the British Raj. This was the first step taken by India in what has turned out to be a consistent policy and ability to be a decisive influence in Nepal's internal political affairs. Examples of this are the refuge granted to King Tribhuvan and the subsequent restoration of the monarchy in 1951; the support and facilities in India that Nepal's democratic movements and parties have received at various times for undertaking their political activities in Nepal; India's economic squeeze on Nepal in 1989–90 that led to the institution of the multiparty system in Nepal; or, most recently, the facilitation of the historic 12-point agreement between the Maoists and the seven-party alliance in 2005 which set the ball rolling for the new political arrangements that have come into being after the 2008 elections for a Constituent Assembly. On all these and other occasions, India has been, willy-nilly, an active player in Nepal's domestic politics. Nepal's political parties too have sometimes dabbled in Indian politics. But these have proved costly, as B.P. Koirala and the Nepali Congress found when they incurred the wrath of Indira Gandhi for supporting the movement of Jayaprakash Narayan in the mid-1970s that formed the backdrop to the notorious declaration of the Emergency in India in 1975. Thus, although India has been traditionally wary of the Maoists in Nepal because of their perceived links with and support to Indian Maoists, Naxalites and other insurgent groups, India's fears are probably overstated since not only is there no evidence of this but it is also highly unlikely that the Maoists would want to needlessly antagonize the Indian state.

### **The 'Ugly' Indian**

In general, Indians have taken Nepal too much for granted. India's approach towards Nepal has been dismissive and neglectful. The Indian Government and public have never



shown adequate sensitivity to Nepali pride and uniqueness. Nepal is the only South Asian country that not only successfully fought off the British and escaped becoming a part of the British Empire in India but also has a tradition of expansionism and a self-perception of being the traditional 'superpower' of the Himalayas. Indian envoys to Nepal have often tended to behave like viceroys. Large sections of the Indian public, even the political class, have never quite understood much less appreciated the independent and sovereign nature of Nepal—Nepal is regarded and treated like another Indian State albeit vaguely somewhat different. Too little effort has been exerted in trying to understand the complexities of Nepal and the complexes of Nepal's ruling elite. Too much reliance has been traditionally placed on a narrow group of Indian interlocutors, such as Bihar politicians and bureaucrats or former Indian princely rulers having ties of kinship with the Nepali ruling elite.

Landlocked Nepal's umbilical and all-round dependency on India, combined with a fiercely independent and proud consciousness of its separateness from India, understandably made anti-Indianism the foundation of Nepali nationalism. Some of the fault for this lies with India. India's perceived priority to projects that served India's security and other needs rather than the development of Nepal aroused animosity and distrust of India in Nepal. On the ground, India's slipshod implementation of projects on the Kosi and Gandak Rivers in Nepal in the 1960s created suspicions that India had somehow cheated Nepal. This has given rise to negative feelings about India among wide sections of the Nepali public and acted as a hindrance to cooperation in other projects involving Nepal's water resources. It does not help India's image in Nepal that the Indian states that border Nepal are relatively poor and backward. The fact that the Indians across the border that cuts through the Terai region are the kith and kin of the Madhesis who have not been given a meaningful share in Nepal's power structure has tended to create a perverse, if wholly misplaced, superciliousness towards India on the part of the ruling Nepali elite.

## Security Issues

India, however, does have real problems relating to Nepal. India's principal grouse is that the latter has not shown sufficient sensitivity to India's genuine security concerns arising out of the open border with India. Dramatically highlighted by the hijacking of the Indian Airlines flight from Kathmandu to Delhi in December 1999, these have remained a persistent headache for India for many decades. Nepal has become a useful and important centre for intelligence and subversive operations by foreign powers as well as non-state actors against India. The open border makes it easy to infiltrate spies, pump in forged currency, traffic in arms and drugs, encourage fundamentalist religious groups and activities, and conduct terrorist activities. The presence and activities of foreign powers in Nepal, including China, are almost exclusively linked to the policies they would like to pursue vis-à-vis India.

Over the last six decades, Nepal has skilfully managed to carve out a larger political space for itself vis-à-vis India by leveraging, among other things, its geographical contiguity with the Tibet region of China. No longer does India have the kind of overwhelming presence and influence it once did in Nepal. In an unprecedented move, Prime Minister Prachanda made his first overseas visit to China on the pretext of attending the closing ceremony of the Olympic Games. While Nepal does remain significantly dependent on India, it has diversified its foreign relations and contacts. India has accepted, sometimes tacitly, sometimes reluctantly, Nepal's many deviations from both the letter and the spirit of the 1950 Treaty, and has progressively given more generous terms of both trade and transit to Nepal.

From time to time, Nepal has been asking for a revision of the 1950 Treaty. Although India has on more than one occasion publicly conveyed its willingness to have a fresh Treaty, Nepal has hesitated from following up meaningfully. Even the Maoists who have been calling for scrapping the 1950 Treaty, for closing the open border between India and Nepal,

and for stopping recruitment of Gorkhas in the Indian Army, have been cautious and measured in their remarks after the elections. Maoist leader and now Prime Minister Prachanda has left all options open by simply saying that while Nepal would like a new treaty with India, the two sides should sit together and 'review the relationship with an open mind'. On the border issue, he has made it clear that Nepal has no intention to close the open border but merely wants to regulate it better. As for recruitment of Gorkhas, he has parried what he calls 'this sensitive and delicate issue' by emphasizing the need to consult other parties. Prachanda has also stated that while Nepal has to be watchful of China and will not enter into any 'alliance' with India, the ground realities of Nepal's relations with India dictate that Nepal cannot be 'equidistant' between India and China. All this is understandable. The bottom line remains that the open border is critical for Nepal, which has been able to export its unemployed to India, thereby relieving social tensions and pressures within Nepal itself. Notwithstanding occasional rhetoric emanating from Kathmandu, no sensible leader of Nepal would want to upset an ongoing arrangement that is clearly beneficial to Nepal.

As Nepal starts a decisively new phase in its political life, a welcome opportunity has opened up to make a fresh start in bilateral relations, unencumbered by past prejudices and attitudes of the monarchy and the earlier ruling elite. Both sides understand their mutual dependence and the deep-rooted nature of their multifaceted relations. As by far the larger neighbour, India should make some unilateral economic concessions and pander to the psychological sensitivities and insecurities of Nepal. But India must also use its clout to insist that the new political structure that Nepal will build be an inclusive one that takes care of the interests of all sections of Nepali society, without which Nepal can hardly remain united, peaceful and stable. Nor should India compromise on its core security concerns. Nepal has to be made to appreciate that an open border regime works successfully only between countries that have shared security perspectives. Perhaps India and Nepal could benefit from looking at existing border control mechanisms within the European Union. The objective should

be to craft a new paradigm for bilateral relations, which takes care of the concerns and sensitivities of both sides. In the coming months and years, Nepal poses a formidable challenge to Indian diplomacy. The long-term stakes for India in Nepal are huge. There are two principal reasons for this: one, the open border regime between India and Nepal that poses security threats to India and two, the need to get the cooperation of Nepal, the upper riparian State, for harnessing—for power generation, irrigation, flood control and preservation of the environment—the waters of the many rivers flowing from Nepal to India that sustain the livelihood of hundreds of millions of Indians living in the plains.

### **Bhutan: A Cautious Opening**

Bhutan, like Nepal, was never part of the British Indian Empire, nor did the British seek to make it so. Bhutan's importance lay in its being a desirable buffer, and later a useful intermediary, with Tibet. So long as it played that role, and gave up its influence in the region of the Dooars, the gateway to Assam, Britain was happy to leave Bhutan on its own. India continued with the relationship it inherited from the British. The 1949 India–Bhutan Friendship Treaty was modelled on the 1910 Treaty between Britain and Bhutan under which Bhutan agreed to be 'guided' by Britain in its foreign relations and Britain agreed not to interfere in Bhutan's internal affairs. It also contained security clauses similar to what was later negotiated between India and Nepal in 1950, but without any side letters, thereby leaving some ambiguity whether India had the obligation to defend Bhutan. Nevertheless, in the light of the Chinese Army's entry into Tibet in 1950, Bhutan was happy to hear Nehru's assertions about the Himalayas being India's security frontier.

It was not till Jawaharlal Nehru's arduous journey by yaks and ponies to Bhutan in 1958 that Bhutan began to gradually and cautiously come out of its self-imposed isolation. The Chinese

takeover of Tibet in 1959 greatly worried the Bhutanese, who sealed their border with Tibet, hitherto their principal trading partner, and agreed to develop closer ties with India, as India had been urging upon Bhutan for some time. India embarked on an extensive programme, almost entirely financed by India for the first decade, for Bhutan's development, including construction of roads and power stations, technical assistance in the fields of agriculture, health, education and training of personnel in diverse fields. India and Bhutan have a free trade regime, and more than 90 per cent of Bhutan's trade is now with India.

There is close cooperation between India and Bhutan in the defence and security fields. India maintains an Indian Military Training Team (IMTRAT) in Bhutan that has trained the Royal Bhutan Army. India looks after Bhutan's defence, with Bhutan in turn undertaking not to do anything that may pose a danger to India. Although Bhutan conducts its own border negotiations with China, it closely consults India in this regard. Bhutan has cooperated with India in clearing out the bases of United Liberation Front of Asom (ULFA) and Bodo groups from its territory in 2003 as it believed that these groups posed a security threat to both Bhutan and India. Behind Bhutan's move was its fundamental principle of preserving its distinctive culture and identity and not encouraging any groups that have their own political agenda or social structure that could create controversy, discord or conflict.

### **An 'Exemplary' Relationship**

India has invested heavily in Bhutan's infrastructure, especially for power generation. Three major hydroelectric plants, namely Chukha, Kurichhu and Tala have already come up, and within the framework of an Agreement on Cooperation in the field of Hydropower concluded in 2006, the target is to set up power generating capacity of 5000 megawatts by 2020. The revenues that Bhutan earns from sale of surplus electricity to India have given Bhutan the highest per capita income in South Asia,

and enabled it to reduce its budgetary dependence on India. India is also conducting feasibility studies for extending rail connectivity up to Bhutan.

From India's point of view, the relationship with Bhutan is a model one, with both sides describing it as 'exemplary'. India has handled relations with Bhutan with attention and sensitivity, taking care not to smother Bhutan's independent personality and to develop relations with Bhutan at a pace with which Bhutan is comfortable. Over the years, India has helped Bhutan become a member of various international organizations including the UN, and has not raised objections to Bhutan getting development assistance from multilateral and bilateral aid donors. Bhutan has also become a member of SAARC and BIMSTEC. Earlier, Bhutan had a bilateral diplomatic Mission only in India, but it has gradually opened resident diplomatic Missions in other neighbouring countries, namely Nepal, Bangladesh and Thailand, and at the UN offices in New York and Geneva. China has been conspicuously excluded. Bhutan has followed a deliberate policy of not exchanging resident diplomatic Missions with the Permanent Members of the Security Council or other big powers, as it does not want to get entangled in their rivalries. In practice, Bhutan has generally allowed itself to be guided by India's advice in its external relations as provided for under the 1949 India–Bhutan Treaty. This has been because Bhutan believed this to be in its self-interest rather than because of any pressure or imposition by India.

In keeping with the changing times, India and Bhutan mutually agreed to update the 1949 Treaty with the 2007 India–Bhutan Friendship Treaty that explicitly recognizes Bhutan's sovereignty and no longer formally requires Bhutan to be guided by India in foreign policy though it is very likely that in practice Bhutan may find it expedient to closely consult India. The Treaty does take care of India's essential security interests. Thus the Treaty envisages close cooperation between India and Bhutan on issues relating to their national interests and commits both sides not to allow the use of its territory for activities harmful to the national security and interests of the other. The earlier Treaty's provisions regarding free trade and movement of people remain in force.

## The Refugee Issue

One issue that could have, but has not been allowed to, become an irritant in India–Bhutan relations is the question of the Lhotsampas or persons of Nepali origin, euphemistically termed as ‘Southern Bhutanese’ by Bhutan, who came as labourers to work in the dense tropical forests of Bhutan’s foothills over the last century or so and settled down in southern Bhutan. As their numbers increased, Bhutan got worried that they would change Bhutan’s demographic structure and thereby dilute Bhutan’s national identity. Accordingly, some time ago it decided not to give Bhutanese citizenship to those who had migrated to Bhutan after 1958. In recent years, Bhutan has been apprehensive that extremist elements like the Maoists/Naxalites may have infiltrated the refugees living in camps in Nepal, and that if Bhutan were to take in such people, they would be a disruptive element in Bhutan’s society and polity. In the early 1990s, Bhutan evicted about 100,000 people of Nepali origin, forcing them to live in refugee camps in Nepal. India, unwilling to offend either Nepal or Bhutan, continued to maintain, somewhat unrealistically and ostrich-like, that this was a bilateral matter between Nepal and Bhutan, conveniently ignoring that these people had taken refuge in India but were forcibly dumped into Nepal by India. This was a strange reaction of a country that otherwise legally absorbs millions of Nepalese, that turns a blind eye to millions of illegal Bangladeshi migrants into India, and that has accepted Tibetan and Afghan refugees including Tibetans who first took refuge in Bhutan in 1959 and were later accepted within India.

India’s attitude gave an opportunity to outside powers to insert themselves into the affairs of South Asia, showing up India’s inability to solve problems in its backyard even when it involved two countries with which it claims a special relationship. Finally, it is the Western countries that have come to the rescue of the hapless refugees. The US has agreed to accept the bulk (about 60,000) of the refugees and a few other Western countries like Australia, New Zealand, Denmark, Netherlands, Norway and Canada will take in another 20,000

or so. India's approach was a regrettable signal that it is the US, rather than India, that can solve South Asia's problems. No doubt this will unduly encourage India's neighbours to seek outside powers' help rather than turn to India to resolve issues. Nor does India appear to have looked at the long-term security implications of a large number of persons of South Asian origin, indebted and grateful to the countries that gave them refuge, being used to further the agendas of these countries in South Asia. As for Bhutan itself, the repatriation of the refugees will not solve the underlying problem of how to make the persons of Nepali origin feel that they are equal citizens of Bhutan.



## Chapter 6

# Tibet and China

### Steady Growth in Relations

**R**elations with China have been steadily improving since Prime Minister Rajiv Gandhi's visit to China in 1988, the first by an Indian Prime Minister since Nehru's visit in 1954. In 1993, during Prime Minister Narasimha Rao's visit, the two countries signed an agreement to maintain peace and tranquility along the Line of Actual Control. Three years later during Chinese President Jiang Zemin's visit in 1996 an agreement on confidence building measures in the border areas was signed. Relations took a dip after Pokharan-II, but once China had come to terms with India becoming a nuclear weapons power in 1998, the upward trajectory in bilateral ties was resumed. Over the last few years, frequent high-level visits and meetings have been taking place, both in the capitals of the two countries as well as on the margins of multilateral and regional gatherings. India and China have developed a regular pattern of exchanges and visits in diverse fields, including among senior officers of the armed forces. Military confidence-building measures, including low-level joint military exercises, have been initiated. During Chinese Prime Minister Wen Jiabao's visit to India in April 2005, the two countries even managed to agree upon a 'strategic and cooperative partnership'.

There was also encouraging progress on the border issue. Measures were initiated in 2001 to exchange maps that would

clarify the Line of Actual Control. In 2003, during Prime Minister Vajpayee's visit, China implicitly recognized Sikkim as a part of India, and the traditional trade route between India and Tibet via Nathu-la pass in Sikkim was re-opened in 2006. It was decided that border talks would be held through special representatives of the leaders to find an early 'political solution' to the boundary question based on agreed political parameters and guiding principles, rather than going only by the legal and historical claims of the two sides. Such an agreement was signed two years later during Chinese Prime Minister Wen Jiabao's visit to India in 2005. Early political settlement of the boundary question was seen as a 'shared strategic objective'. This gave justifiable ground for optimism that there could be an early breakthrough on the border issue.

Two-way trade and tourism have sharply increased. China is today India's largest trading partner, having recently overtaken the US although the economic relationship is not without its problems. India is concerned over its trade deficit (over \$10 billion in 2007) and the pattern of trade with China, India exporting mostly raw materials and commodities, and China mostly manufactured products. As China is a non-market economy with opaque pricing mechanisms and hidden subsidies, Chinese companies are suspected of dumping, and of resorting to non-tariff barriers and other unfair trade practices. Considering that many Chinese companies are suspected to have intelligence links, India has been also wary of Chinese companies investing in sensitive sectors and regions in India. That is why India is not as enthusiastic as China is for a bilateral FTA. But these are not issues that cannot be sorted out to mutual satisfaction.

Popular perceptions in India about China has also begun to change. China has been increasingly seen as a rapidly growing and influential world power and an essentially benign neighbour from which India could learn much. At least that has been the perception of the younger generation of Indians that does not have unpleasant memories of the 1960s, 1970s and 1980s when China was viewed with enormous suspicion and hostility, and therefore does not suffer from the fears and complexes of their older countrymen who grew up in the second half of the 20th century under the shadow of the 1962 border war.

## Flare-up of Border Controversy

Against this background of rapidly developing overall bilateral relations over the last two decades, it is unfortunate that the relationship has begun to unravel over the last two or three years. The deliberately strong, blunt and repeated public reiteration of the Chinese claim to the Indian state of Arunachal Pradesh first through remarks on the eve of Chinese President Hu Jintao's visit to India in 2006, repeated in 2007 and 2008—when a particularly brazen and offensive diplomatic demarche was made on Prime Minister Manmohan Singh's visit to Arunachal Pradesh days after his return from a visit to China in January 2008—has triggered off a widespread wave of public indignation across India. China argues that since it considers Arunachal Pradesh to be a part of China the inhabitants of Arunachal Pradesh are *ipso facto* Chinese citizens and therefore do not need a visa to visit China. It is true that the Chinese position has always been that the whole of Arunachal Pradesh belongs to China. It is equally true that for many years China did not press this claim forcefully, and it was given out by well-informed sources that in any border settlement China's real interest was in getting back Tawang, not the whole of Arunachal Pradesh. As a result of China's recent moves on Arunachal Pradesh, the March 2008 crackdown in Tibet and increased Chinese border incursions, the latent mistrust of China, always well entrenched among the security agencies but missing of late in public perceptions and within the strategic community, has now resurfaced among a wide cross-section of Indians. It has given India the reality check that, no matter that China is now India's largest trading partner, India's relationship with China is essentially a political and strategic one arising out of the fact that India and China are neighbours with an unresolved boundary dispute.

Since China no doubt realizes that India will not accept humiliating terms, the implication of China's recent aggressive postures is that China is in no hurry to conclude a boundary settlement with India. China's position has put India under psychological pressure, and created fresh uncertainties in the

minds of the Indian political and military leadership about China's long-term intentions towards India. It has become necessary to re-assess India's policy towards China in the light of the recent aggressive Chinese posture, the lack of progress in the boundary negotiations with China and the uprising in Tibet in March 2008.

India's approach to the border issue and to overall relations with China does not appear to have been fully thought through. Given the nature of the Indian system, where personnel change every few years, India's negotiators are probably not as well prepared as their Chinese counterparts who, by all accounts, are very thorough and well-briefed. Unlike the Chinese, Indians in general lack a strong sense of history. Decisions in India also tend to be personalized, with key figures at the top often more inclined to go by their instincts, or to be concerned about leaving behind a 'legacy' than trusting the dispassionate analysis and advice of professionals. It is instructive to note that whereas on the Chinese side the principal negotiator on the border remains the same since 2003, on the Indian side there have been three negotiators during the same period.

### **Tibet as a Key Factor**

Tibet is the key to understanding China's policy towards India in general and on the India–China boundary question in particular. For too long has India viewed China as just an East Asian country. This is understandable, since China's heartland lies in East Asia, and China's strategic importance for the rest of the world is as an East Asian power. But from India's perspective, China's importance lies primarily in its Eurasian character. It is in Central Asia, specifically Tibet and Xinjiang, that the political borders of contemporary India and China meet. It is China's control of Tibet—and to a lesser extent Xinjiang—that poses security threats to India. From China's security perspective, if Tibet is not a part of China, Tibet will inevitably drift closer to India because of its geographical proximity as

well as religious and cultural affinity to India. Unlike Tibet's relationship with China, there is no history of hostility or war between Tibet and India. Aware that in the past Tibet held sway over parts of China, China is wary of any foreign presence and influence in Tibet, as Britain had established in the 19th century to protect its Indian empire. Given Tibet's geography, any foreign influence in Tibet can only be Indian. In retrospect, it is clear that China's policy towards India in the 1950s was formulated with the objective of securing China's control of Tibet. China lulled India into complacency with its mendacious *bhai-bhai* and *Panchsheel* rhetoric, and got India to vacate its presence in Tibet as well as to recognize Tibet as a region of China in the 1954 India–China Trade Agreement. It cleverly put off the settlement of the India–Tibet border alignment so that it could quietly go ahead with the construction of the Xinjiang–Tibet highway passing through Aksai Chin that was critical for China to consolidate its hold on Tibet. When the Dalai Lama fled Tibet for India in 1959, China was uncertain about India's attitude and feared that India could become a platform to launch attacks on Tibet. The content and the timing of Chinese Prime Minister Zhou Enlai reported package deal offer to Prime Minister Nehru in April 1960 to let China keep Aksai Chin in return for recognition of the McMahon Line is significant—the strategic Aksai Chin area would not be given up, but China was willing to recognize the McMahon Line in order to get some breathing space to consolidate its hold over Tibet.

From a ground-level perspective, Tibet is crucial because it is the geographical link between India and China. Unless there is all-round agreement that Tibet is a part of China, there is only an India–Tibet boundary, not an India–China boundary. Even the 1914 Shimla Agreement that delineated the McMahon Line was signed between India and Tibet. The Chinese representative only initialed the agreement and China later denounced it. China rightly believes that a settlement of the India–China border has implications for the status of Tibet. From a political perspective, China would like to have Tibet recognized as an inalienable part of China, not only now but historically too. Without that the Chinese takeover of Tibet lacks legitimacy and will always be considered an imperial conquest. As such, China

is not likely to settle the boundary question with India unless it has definitively resolved the question of Tibet on its terms and Tibet comes firmly under its control. Arunachal Pradesh matters to China because the Chinese leadership has projected it as 'southern Tibet' and therefore China's inability to annex Arunachal Pradesh could be seen as weakening China's claim to Tibet itself. The specific claim to Tawang on the specious ground that this is the birthplace of the sixth Dalai Lama is not because the Chinese have any respect for this institution (quite the contrary) but because they see it as legitimizing their control over the institution of the Dalai Lama and thereby Tibetan Buddhism which, as the Dalai Lama has said, is the ultimate source of threat for Tibet's separation from mainland China. This line of thinking appears to have been reinforced as a result of the widespread disturbances and violence in Tibet and elsewhere in March 2008.

India cannot under any circumstances accept such flawed Chinese reasoning for its claim to Arunachal Pradesh. Essentially, China is adopting dilatory tactics in its boundary negotiations with India. There are no great issues of principle involved in the Chinese approach. It is illogical that China should not accept the McMahon Line as the boundary with India when it has done so with Myanmar in January 1960, and had made a similar offer to India in April 1960. In any case, by withdrawing to the McMahon Line after crossing it in 1962, China implicitly accepted its validity. Nor does China's argument that the 1914 Shimla Agreement be considered invalid carry any substance. After all, China scrupulously observed the 99-year lease on Hong Kong that the British imposed on a weak China in 1898 and patiently waited till 1997 to peacefully resume sovereignty over Hong Kong after holding lengthy and detailed negotiations with the British Government. Thus, India should approach the boundary question with China with the clear understanding that the delay in settling the border with China is simply because China does not want a settlement just now. Given recent developments in Tibet, the chances for an early settlement have receded.

China has already extracted significant concessions from India on Tibet through India's acceptance that China is a

legitimate negotiating partner for conducting negotiations to settle the India–Tibet border, and that Tibet is a part of China. But China remains uncertain and somewhat anxious about India’s Tibet policy and is highly suspicious of India’s motives in providing refuge to tens of thousands of Tibetan refugees and a base for the Dalai Lama’s activities. The Dalai Lama’s periodic statements that India’s policy on Tibet is over-cautious only reinforce China’s suspicions and fears. It would seem that the Chinese leaders, under the direction of Hu Jintao who was the Chinese Communist Party Secretary in Tibet for many years and built up his career on the basis of his Tibet record, have made up their minds that a satisfactory solution to Tibet, from China’s point of view, is unlikely while the Dalai Lama is still alive and that China’s interests are better served by waiting till the Dalai Lama passes away. The Chinese mistrust and suspicion of the Dalai Lama has only intensified after the March 2008 troubles in Tibet and other parts of China where there is a concentration of Tibetans. Besides, considering the harsh and vituperative language, reminiscent of the days of the Cultural Revolution, used by the Chinese leaders and official media to denounce the Dalai Lama on this occasion makes it much more difficult for the Chinese Government to even have talks with the Dalai Lama, much less that such talks can be successful. In any case, the various rounds of talks that the Chinese Government has had with the representatives of the Dalai Lama have not brought the two sides any closer. In fact, as the outcome of the Tibet conclave held in Dharamsala in November 2008 showed, the latest round of talks in July 2008 that ended in deadlock may well turn out to be the last one.

Contrary to what the Chinese Government may be thinking, the situation may deteriorate and go out of control after the present Dalai Lama is no more. When the troubles erupted in Tibet, other parts of China and elsewhere in the world in March 2008, the Dalai Lama did not appear to be in control of the movement. Although he remains by far the most respected personality for the Tibetans, the younger generation of Tibetans who were born and have grown up outside Tibet has increasingly begun to question the efficacy of his middle path of seeking only ‘genuine autonomy’ and keeping the resistance

non-violent. They have been inspired by the new nations that have come up in Central Asia and in Europe. Tibetans wonder why Hong Kong and Macao can have their autonomy but not the Tibetans, despite the fact that they have a much more distinct personality and enjoyed quasi-independence in the first half of the 20th century. Even in his lifetime, the Dalai Lama appears to have become conscious of the limits of his power and influence, which probably led him to play the card of threatening to resign if the violence escalates. With this move, he may have temporarily restored the unity of the movement. But graver dangers lie ahead.

After the passing away of the Dalai Lama, the Tibetan movement is not only likely to get splintered but also far more radicalized, unpredictable and violent, as the Dalai Lama himself has conceded. The trigger for trouble could come over the issue of the selection of the next Dalai Lama. The Dalai Lama has explained that the very purpose of reincarnation is to carry forward the unfinished work started in the previous life, and if the Dalai Lama were to die while still a refugee, then logically his reincarnation should be born outside Tibet so that the next Dalai Lama can carry on the unfinished work during his previous incarnation. It is possible, as he has indicated recently, that the present Dalai Lama goes ahead with a referendum among the Tibetans in the Himalayan range, including China, Nepal and India, as well as Mongolia—although Tibetans living in China are unlikely to be allowed to participate—to decide whether he should select his successor during his lifetime itself from among the Tibetan diaspora. In case this proposal does not find favour, there would be no future Dalai Lama! As opposed to this, the Chinese Government in a bizarre move has arrogated to itself the absurd right to approve all reincarnations of Tibetan lamas! This will undoubtedly create a tricky situation for India since the Dalai Lama lives in India and there is a high probability that his successor would be reincarnated in India, perhaps in Dharamsala or even Tawang. China could well demand that India hand over the new Dalai Lama to China, where he will no doubt disappear under mysterious circumstances. Even if it is not in India that the next Dalai Lama is reincarnated, India remains the main base of active followers of the Dalai Lama who constitute the principal body of support for him.



China's Tibet policy has been a failure. Many Chinese themselves now acknowledge this. In March 2008, a group of eminent Chinese writers and intellectuals from across the country have shown the courage to publicly question the Beijing regime's Tibet policy. Among other things they call upon the Chinese Government to abide by the freedom of religious belief and the freedom of speech explicitly enshrined in the Chinese Constitution, thereby allowing the Tibetan people fully to express their grievances and hopes, and permitting citizens of all nationalities freely to criticize and make suggestions regarding the government's nationality policy. The psychological impact of developments in Tibet could be debilitating for China in the long term. Tibet may well hold the key both to China's internal stability and to Hu Jintao's own political longevity, particularly as he is personally associated with the crackdown on Tibetans in 1988. No wonder Beijing considers Tibet a 'life-and-death' question. The developments of March 2008 may turn out to be a defining moment or even a turning point in modern China's political history.

India appears to be taking some welcome steps, howsoever tentative, to review its Tibet policy. The first move was made in January 2008 when the statement issued at the end of Indian Prime Minister's visit to China did not carry any reference to Tibet. It is not clear whether this was a deliberate policy move, or a one-off measure. The widespread disturbances in Tibet in March 2008 provided a welcome opportunity for India to continue with its subtle policy shift. India's official statement on 15 March 2008 was a step in the right direction. Clearly refuting official Chinese propaganda, it stated that 'innocent people' had died in Lhasa. By expressing its 'hope that all those involved will work to improve the situation and remove the causes of such trouble in Tibet...through dialogue and non-violent means', New Delhi conveyed its message to Beijing that there is merit in the demands of Tibetans, that the onus is on Beijing to find a solution, and that such a solution requires dialogue, not use of force. In describing the Dalai Lama as a man of non-violence, Prime Minister Manmohan Singh signalled that India does not endorse the harsh and

vituperative official Chinese denunciations of the Dalai Lama. At the same time, India reassured China that it considers Tibet as 'an autonomous region of China'. One hopes that in the coming months the government gives its Tibet policy a clearer strategic direction.

While formulating its policy on Tibet, India has to keep in mind that as it is uniquely placed vis-à-vis Tibet, India must have a unique policy that conforms to its national interests, irrespective of what the rest of the world says or does. No other country has comparable stakes in Tibet's peace and stability. A Tibet in ferment makes India's Himalayan frontiers unstable and insecure. As a democratic country that is hosting such a large number of Tibetans, India has a legitimate interest in what happens in Tibet. Tibet cannot be just an internal matter of China because it has direct consequences for India. India has to bear the burden of hosting nearly 120,000 Tibetan refugees because of China's repressive policies in Tibet. If there is a severe crackdown in Tibet, it will inevitably trigger off a fresh influx into India of Tibetan refugees, whom India would find it difficult to turn away on practical and humanitarian grounds. An increased Chinese military presence in Tibet has implications for India's security.

What could be the elements of India's Tibet policy? At a general level, in official statements and/or through authoritative but deniable unofficial channels, India could emphasize that while it firmly upholds the principles of supporting the territorial integrity of duly constituted states and non-interference in other states' internal affairs, its own experience shows that the peace and stability of multi-racial, multi-religious and multi-cultural societies requires dialogue and accommodation within a democratic framework. Ethnic and separatist problems require political solutions that give every citizen the confidence that he is an equal stakeholder in the state. India expects that China would put in place policies that would stabilize Tibet and give the Tibetan diaspora in India the confidence that they can return to their homeland.

India also needs to take full advantage of an important nuance, perhaps unintended, in India's acceptance of Tibet as a

part of China. India has merely conceded, during Prime Minister Vajpayee's visit, that the 'territory of the Tibetan Autonomous Region is a part of the People's Republic of China'. It has not accepted that Tibet—whose borders historically and in the minds of the Tibetans extend beyond the Tibetan Autonomous Region—was always a part of China. Despite Chinese protests, India invited Tibet as a separate delegation to the Asian Relations Conference that was convened in New Delhi in March 1947. Traditionally, thousands of Indian pilgrims have made pilgrimages to Mount Kailash and Mansarovar lakes in Tibet without needing any permission from the Chinese authorities in Beijing. Second, if at any time in the future the People's Republic of China were to give way to another entity India could well argue that it is not obliged to recognize Tibet as a part of any new political entity of China. Of course, this is a hypothetical and somewhat unlikely scenario, but the Chinese who are given to catching nuances and subtleties would not have missed this point.

India's new Tibet policy should also take into account that China has routinely and brazenly violated its solemn bilateral commitments. Contrary to the agreements reached during Prime Minister Vajpayee's visit to China in 2003 and in contravention of the Guiding Principles and Political Parameters for Settling the Boundary Question signed during Prime Minister Wen Jiabao's visit to India in 2005, China has re-opened very aggressively its claim to Arunachal Pradesh, has not fully accepted Sikkim as a part of India, and does not want an early settlement of the boundary question. In launching a border war in 1962, China has also not followed the letter and spirit of the 1954 Panchsheel Agreement. India needs to take a leaf out of China's book in this regard. India should also subtly reopen the whole question of the legitimacy of China's claim to Tibet, which is the basic foundation for China to make any territorial claim on India. Technically, the 1954 Trade Agreement expired after eight years since it has not been renewed. In the light of recent developments in Tibet, there could be other ways of signalling that India is introducing some nuances in its traditional policy.

For example, India could state that it considers ‘the territory of Tibet, as an *autonomous region*, a part of the People’s Republic of China’, the implication being that it is only if Tibet is a truly autonomous region that India recognizes it as a part of China. India’s understanding of Tibet’s true autonomy should mirror the Dalai Lama’s position on this question.

China’s offensive and patronizing tone about India’s stand on Tibet requires an appropriate riposte. Ironically, China, in welcoming the Indian approach during the Tibetan uprising in March 2008, has unwittingly given legitimacy to India’s unofficial policy shift. It is evident that notwithstanding India’s reaffirmations that the Tibetans in India are not allowed to indulge in political activities on Indian soil, India remains a base from which they are conducting a political campaign against Chinese rule in Tibet. The Chinese should be made to understand that such practical deviations from India’s stated policy would continue. India should be in no hurry to remove the ambiguities in its Tibet policy unless conditions are created in Tibet that the Tibetan refugees can go back in safety and dignity. Moreover, since China has shown no understanding of India’s position on Kashmir, there is no reason for India to give China satisfaction on Tibet.

### **Chinese Perceptions of India**

Traditionally China has never looked at India as an equal, but merely as an upstart wannabe. India’s place, in Chinese eyes, is in South Asia only; it should not aspire to be an influential Asian, much less a global, player. While the May 1998 Pokharan-II nuclear weapons tests did make China sit up and take notice, it was not something over which the Chinese lost too much sleep. During US President Clinton’s visit to China a month later, China got US implicit endorsement of its position as Asia’s leading power. However, what appears to be bothering China is India’s impressive and consistent economic performance

over the last decade. India has become an attractive economic partner for a large number of countries, which are beginning to look at India seriously as an alternative to China. The rest of the world no longer regards China as the only game in town. Admittedly, the size of India's economy is less than half of China's, but if India keeps growing steadily even if not spectacularly and China's economic miracle falters, the gap between India and China will narrow. India is the only other Asian country with the size, resources, demographic profile and all-round capabilities to pose a credible challenge to China's dominance over Asia in the long term. It has some definite advantages over China such as its democratic structure, its legal system, its developed services sector, its sophisticated world-class finance and banking systems and, of course, its prowess in information technology and English language. India also has made progress in some high-technology sectors, including space and biotechnology. Its defence modernization programme has made China sit up and take notice. India threatens to become a competitor to China for investment, energy and markets. There appears to be a return to the paradigm of the 1950s involving competition between India and China over which model of development is more successful. The ardour with which the UPA Government has pursued a strategic engagement with the US has also unsettled China. India's diplomatic activism all over the world, and its growing attractiveness as a partner for a growing number of countries signal that much of the world, and India itself, does not want India to remain in the South Asia box.

From China's point of view, therefore, it makes sense to keep India unsure about China's intentions. That will make it difficult for India to free up resources from defence to development priorities. War is not necessary if psychological pressure and controlled border aggression serve the purpose. Steady economic integration of Tibet and Nepal into China's fold is also expected to strengthen China's bargaining position. In this way, China probably hopes that over time the military and economic gap between India and China may increase, and that China may be able to drive a better bargain with India on the boundary question later rather than sooner.

## India's Strategy

As India cannot afford to compromise on even the existing areas it holds, it has no alternative but to patiently wait till its own economic strength and standing in the region and the world is comparable to that of China, or hope that China's position weakens. Like China, India too should not show undue anxiety to settle the boundary question. India can keep China engaged and let the border talks continue, but it must change its tactics. When in 2003 India and China agreed to search for a political solution to the border dispute, India did not pursue the matter of continuing the exchange of maps in the Western, Middle and Eastern sectors, a practice that was stopped by the Chinese for no plausible reason in 2002 after India had presented its map of the Western sector. In the light of the stalemate on the border talks and frequent border encroachments, India has during Prime Minister Manmohan Singh's visit to China in 2008 pressed for a framework agreement for early resumption of the task of clarification and demarcation of the Line of Actual Control, on which the Chinese have been dragging their feet.

India should step up its vigilance on the border, but remain firm and confident. In a most welcome and long overdue step, India has started to build up its logistics and infrastructure in the border areas, including re-opening closed airstrips like Daulat Beg Oldi, Fukche and Chushul in Ladakh. Work must be speeded up and more funds allocated. The areas that are opened up by roads must also be settled with people, otherwise China could create unpleasant ground realities in these areas. Although the unsettled frontiers do remain a source of tension, they are likely to remain quiet since it may not suit China's larger interests to agitate the border issue in the near future. It also carries risks. Any adventurism will no doubt be effectively tackled at a military level by the Indian army, now much better prepared than in 1962. The greater danger for China is that this would blow a huge hole in China's carefully cultivated claim of 'peaceful rise' thereby rekindling latent suspicions of China among its neighbours, as well as damaging China's image and concrete interests all over the world. Most dangerous would

be the possibility that were such a move to go wrong, it could trigger off internal discontent and disturbances within China.

India would be wise to develop leverages vis-à-vis China on the border issue. As part of its negotiating strategy, India must extend its claim lines into Tibet beyond what it may eventually agree upon in a final settlement. It should put in a claim to Kailash and Mansarovar. If China can lay claim to Tawang in Arunachal Pradesh on the grounds of its cultural, historical and spiritual links with Tibet, the case for India's claim to Kailash–Mansarovar region on similar reasoning is more substantive. After all, hundreds of millions of Hindus consider this to be the abode of Lord Shiva. By not reiterating the Parliament Resolution of 1962, India has regrettably signalled its willingness to compromise on its principled position. China, on the other hand, has not given up any claim; rather, it has hardened its position on Arunachal Pradesh. India should also bring up the Shaksgam valley of POK that was transferred from Pakistan to China in 1963, and reassert its concern over the Karakoram Highway linking POK with Xinjiang that is now likely to be upgraded and converted into an energy corridor.

Hopefully, the widespread public outrage in India over China's hard-line approach on Arunachal Pradesh and its crackdown on Tibet would convince India's leaders of the need to stand up to China to protect India's vital interests. Unless the government has its finger on the pulse of the nation, and understands the importance of taking the public into confidence on the progress of the boundary negotiations, any boundary settlement negotiated with China may suffer the same fate as the Indo–US nuclear deal. The need for confidentiality in negotiations goes without saying. However, that cannot be a pretext to keep the public and the strategic community completely in the dark about what is going on in the negotiations on the boundary question. As for China, if it ever hopes to peacefully settle the boundary question and build a long-term cooperative relationship with India, it will have to understand that in a democracy like India it is vital to gain the trust of the public. China would also be well advised not to misjudge India's strength and resolve.

China's activities in India's neighbourhood give India cause for considerable concern. For more than four and a half decades, China has used its 'all-weather' relationship with Pakistan very effectively to keep India in check. It is attempting to do the same with India's other immediate neighbours. The Indian security establishment has many areas of concern such as China's railway network that has reached Kashgar and Lhasa and its proposed further extension to Xigatse near the Indian border as well as into Nepal; the rapid development of infrastructure in Tibet; China's activism in Myanmar; its entrenched position in Pakistan, including the development of Gwadar port and proposals for an upgraded road (perhaps even rail and pipeline connections) from Pakistan to Xinjiang along the Karakoram Highway and its success in developing a military relationship with Bangladesh and Sri Lanka. Uncertainties in the India–China relationship reassure India's insecure neighbours that they have an alternative source of support against India. China's growing economic weight makes it an attractive partner for India's neighbours seeking to reduce their economic dependence on India. If India remains bogged down in relationships of suspicion and mistrust with its South Asian neighbours, India will not be able to achieve optimal economic growth and spread its wings on the global stage. That suits China.

The US has made no secret of its desire to see a stronger India as its close strategic partner that could be a counterweight to China's present and future dominance of Asia. The public statements emanating from Washington on the strategic importance of the India–US nuclear deal and the unusual ardour with which the UPA Government has pursued the deal are hardly likely to reassure China that India will not somehow join the US camp. The growing warmth in India–Japan relations is being warily watched by China. The Chinese would not have forgotten India–US collaboration in the 1950s for putting pressure on China over Tibet, and may be apprehensive of a similar joint approach if a long-term India–US strategic partnership does come about. India should not allow itself to become a pawn in US strategic plans, which can change rapidly. There are too many linkages between the US and China that



the US will be loath to disrupt for the sake of India. Already, the US–Japan–Australia–India strategic dialogue has come a cropper after John Howard and Shinzo Abe have demitted office as Prime Ministers of Australia and Japan respectively. Realpolitik dictates that India should continue to develop closer relationships with China’s neighbours like Japan, South Korea, Mongolia and Vietnam, including in the defence field. India also needs to beef up its presence and activity in the Indian Ocean, and make increasingly frequent forays into the west Pacific Ocean too. Such measures will help to exert counter psychological pressure on China.

India must shed its diffidence in dealing with China. If India aspires to be a serious regional and global player, it must behave in a more dignified manner worthy of a great power, particularly in relation to a country like China. The eagerness, even anxiety, that India has at times tended to convey about reaching an early settlement of the boundary question, sends a regrettable signal of weakness. There was no need for Prime Minister Manmohan Singh to make syrupy references to China as India’s ‘greatest’ neighbour during his meeting with Chinese President Hu Jintao at the G–8 meeting in Germany in June 2007 or to genuflect all too visibly before Hu Jintao at the G–8 meeting in Japan in July 2008. That is hardly a sensible approach when dealing with a growing power that has traditionally looked at the world with a sense of superiority and in the case of India additionally with condescension.

On the contrary, India needs to follow a deliberate strategy of psychological warfare against China. For example, India should stop parroting Chinese propaganda about the alleged peaceful interaction between India and China for thousands of years. The fact is that historically China did not figure in India’s consciousness; it was only the Chinese monks Fa Hien and Xuan Zhang who made Indians aware of the existence of China. Instead, India should emphasize that the reason why India and China were at peace for thousands of years is largely because the two countries were not neighbours till the second half of the 20th century and therefore didn’t have much interaction throughout history. India’s northern neighbour has been Tibet, with which India has had close and friendly religious, cultural

and people-to-people ties based on mutual respect. Second, India should undertake a systematic campaign to puncture the Chinese concept of it being the 'Middle Kingdom'. It should be argued that this is merely China's self-perception born out of its ignorance and isolation from the rest of the world for centuries. China's ignorance is quite understandable, since perhaps the other civilizations with which China came into contact were not so developed, leading China to regard all foreigners as 'barbarians' who were expected to kowtow to the 'Middle Kingdom'. The concept of equality of sovereign States was not known to China. Of course the reality is that India was as, if not more, developed than China, but China was unaware of this. Third, India should make a conscious effort to project its culture and achievements in a positive light, including for the sake of India's own self-esteem. India's intellectual and spiritual advancements can be seen in the fact that India gave birth to sophisticated religions and philosophies that had a wide appeal in other parts of Asia. India is the home of Buddhism which later spread to Tibet, China and other parts of Asia. The attractiveness of India's developed culture can be seen in the sprawling Buddhist and Hindu kingdoms that flourished in Southeast Asia. India also had a more advanced form of political organization that is inclusive and consensual, so essential to preserve harmony in multi-cultural countries like India and China. India also borrowed freely from other civilizations with which it came into contact, thereby enriching its own civilization and achievements. It is these traits of flexibility and openness in the character of its people that equips India much better to deal with the challenges of globalization than civilizations that for historical reasons have been closed to the outside world. Finally, through the media, intellectual and academic circles, India must create greater public awareness of the myriad challenges that China faces instead of the rose-tinted views about China that find excessive prominence in India's public discourse.

At the same time, prudence and common sense dictate that it is not in India's interest to have a relationship of perennial tension and antagonism with a large and powerful neighbour like China. As there is much to be gained from a peaceful

cooperative relationship with China, India must seek possible areas of cooperation with it, on the basis of equality and dignity, without any illusions that there can be any return to the so-called fraternal relationship of the 1950s. Taking a leaf out of its script for dealing with Pakistan, where India has established links across the Line of Control in Jammu and Kashmir, India should explore the possibility of establishing trans-border transport and economic linkages with China to mutual benefit, even though there is a territorial dispute between the two countries. A hard-wired economic relationship, including across the Line of Actual Control—the task of clarifying which must remain an important priority—will create greater mutual confidence and stakes in a stable, peaceful relationship between India and China. Both countries must pursue sub-regional cooperation to build mutual stakes in the other country's growth and stability. As India and China are both energy-deficient, energy can be among the areas of mutually beneficial economic cooperation that will lead to interdependence and, as major buyers, enable them to get better bargains from oil suppliers.

Despite tensions in bilateral relations, the two countries are together in many regional forums that provide the opportunity for the two countries to engage each other constructively. India and China have become Observers in regional organizations that the other dominates, namely the SCO and SAARC respectively. Both are members of the East Asia Summit and the trilateral Russia–India–China framework. India's official position is that there is enough space in Asia for both China and India. This is an understandable position of a relatively weaker power. The more relevant question is whether China feels the same way. Without that, such statements reflect more hope and hype than reality. While some degree of mutual wariness and competition for economic and strategic space is inevitable, it is only if the two rising powers of Asia are confident that the other is not engaged in a zero-sum game that there can be peace and stability in Asia.

India and China have a common interest in cooperating on many global issues including countering terrorism and fundamentalism. But it is significant that China has not supported India's bid to become a Permanent Member of the

UN Security Council, nor was it openly in favour of modifying the Nuclear Suppliers' Group guidelines to accommodate India. The interests of India and China also diverge on other crucial issues. On climate change, China is a major polluter whereas India is not, and therefore it is not in India's interest to be clubbed with China. In the WTO also, India's interests somewhat diverge from China's. India's economy relies more on services and China's on manufacturing. Moreover China has already made significant concessions at the time of its accession to the WTO.

India's security concerns and the competition for influence in Asia will ensure some degree of enduring mistrust and suspicion in the India–China relationship. As a strategic rival and a difficult neighbour, China will not easily give up its policy of creating difficulties for India through Pakistan and India's other neighbours. China will always retain a high priority in India's foreign and security policy and poses one of the most complex challenges to Indian diplomacy.

## Chapter 7

# 'Look East' Policy

### Evolution and Rationale

India's 'Look East' policy encompassing relations with its eastern neighbours, including the 10 ASEAN countries—Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam—as well as China, Japan, South Korea, Australia and New Zealand constitute an increasingly important dimension of India's foreign policy. With all countries there is an unprecedented level of engagement and, with the exception of China, that too only for the last two or three years, much greater mutual trust and confidence. Trade, economic and defence ties have been surging ahead. Air links, tourism and people-to-people ties have developed dramatically. This region is today India's largest trade partner—about 35 per cent of total trade—ahead of Europe as well as the US, and the rate of growth is comparatively much faster. It is an increasingly important source of foreign direct investment into India. Over the last five years, visits have been exchanged at the highest level with all countries.

Such a close engagement is a far cry from the early 1990s, when India embarked on its 'Look East' policy. The phrase itself correctly implies that till then India had not been paying sufficient attention to this region. Why was this so? After all, there is much that brings India and East Asia together—no history of war or conflict, only of peaceful interaction

through the flow of trade and the movement of people and the intermingling of cultures and ideas. Yet South Asia and East Asia have developed independently over the last few centuries. During the last five centuries, when Asia's destiny was primarily shaped by the colonial powers, memories of shared commonalities of history and culture weakened. In the post-colonial era, India and the nations of East Asia, despite some of them being fellow members of the Non-Aligned Movement (NAM), found themselves on opposite sides of the Cold War divide. The natural development of India's links with its eastern neighbours was blocked by the state of India's relations with Bangladesh and Myanmar. Bangladesh did not give adequate transit facilities to India. Myanmar was a closed society and its ties with India were quite minimal till the early 1990s. Finally, because of India's colonial links, the Indian elite tended to look towards the West rather than to its then relatively less developed eastern neighbours. While this historical legacy has ensured that there is no baggage to act as a drag on India—East Asia relations in the 21st century, it has also led to a situation where neither region has impinged very much on the other's consciousness and foreign policy priorities.

There is a strong economic rationale to India's 'Look East' policy. A combination of factors—the collapse of its valued economic partner, the Soviet Union, the financial crisis that hit India and the ineluctable logic of globalization—compelled India to embark on its economic reforms in 1991. This marked a decisive change of India's inward looking economic orientation towards a meaningful economic integration with the rest of the world. India's early assessment of the potential of the Southeast Asian countries was faulty, which explains why India did not take up an invitation to join ASEAN, but by the 1990s the 'Asian Tigers' had started roaring and compelled India's attention. Realising that it had missed some openings in the past because of its autarkic path of development, India was now keen on plugging into the dynamic ASEAN region that was rapidly evolving into a critical mass of global economic strength. In recent years the faltering of the Doha Round of global trade negotiations and the proliferation of regional trading arrangements in Asia have added urgency to this quest. India's growing self-confidence arising out of its success both

in meeting the challenges posed as well as in taking advantage of the opportunities offered by globalization has given it a new perspective on the importance of East Asia. As a reality check, however, it should be noted that trade with India currently is still a very small fraction of the overall trade of the East Asian countries.

India's 'Look East' policy is equally a response to the end of the Cold War, when natural relationships based on geographical contiguity and commonality of factors could be re-established. The global strategic environment had also changed. It was increasingly untenable, illogical and detrimental to India's long-term national interests to regard South Asia and East Asia as separate strategic and economic theatres interacting only on the margins. As frozen frontiers in Eurasia have thawed, and peace has returned to Indo-China, new transport and other economic arteries are coming up all around India. Eurasia has diversified its connectivity with the outside world, with new transport and energy corridors linking it to the rest of the world, particularly China. Myanmar, Thailand, Laos and Vietnam are being hard-wired with China and inexorably sucked into China's economic whirlpool. These mushrooming linkages will create new long-term political linkages and economic interdependencies among Asian countries. But as these leave out India, they threaten to keep India strategically and economically boxed up in the South Asian region, mired in dealings with its fractious neighbours. The continuing relatively low share of its South Asian neighbours in India's global trade gives India limited economic opportunities in its immediate neighbourhood. In order to fulfil its aspirations of playing a greater regional and global role, India needs an extended political and economic strategic space beyond South Asia. Given the constraints to India's west, a region full of imponderables, challenges and troubles, moreover one with a relatively small population, the east is the only direction in India's strategic neighbourhood where opportunity beckons.

More recently, an important domestic dimension emerged in India's 'Look East' policy, namely how to help the Northeast Region get over the handicap of its geographical location. India's strategy envisages the development of the Northeast

Region's communication and economic links with Myanmar and other Southeast Asian countries, thereby reducing the Northeast Region's overwhelming dependence on an unhelpful and uncooperative Bangladesh.

It was only at the turn of the century after India acquired credibility as a rising Asian power and an important potential economic partner that India's 'Look East' initiative elicited a serious response from ASEAN and later the other East Asian countries. As a nuclear weapons power, India is regarded as having the capability to play a 'swing' role in the global and regional balance of power. ASEAN, Japan and South Korea see closer ties with India as providing a useful balance and a hedge against China's current economic dominance and future uncertainties. Smaller countries in the region, fearing unilateralism by the big powers, see India as a potential security provider, even though it obviously cannot match China's military and economic power and presence in the region. Thus it is natural that India's defence cooperation, including joint exercises, coordinated patrolling, and training with many countries in ASEAN and East Asia should have dramatically grown in the last few years. India, which initially concentrated on the economic aspects of its 'Look East' policy, is now giving increasing attention to its security aspects. Counter-terrorism and transnational crime, an area of growing concern to ASEAN since the Bali bombings of 2003, is a fast growing area of cooperation with ASEAN as a whole and with ASEAN countries individually.

## **India and ASEAN**

India's engagement with ASEAN has been central to India's 'Look East' policy. India initiated a sectoral dialogue with ASEAN in 1992, became a full Dialogue Partner and a member of the ASEAN Regional Forum (ARF) in 1996, leading up to an annual summit-level interaction since 2002. India wisely acceded to the Treaty of Amity and Cooperation in Southeast Asia as early as 2003. This step, together with India's offer to



conclude a FTA at the first India–ASEAN Summit in Cambodia in 2002, brought credibility to India’s seriousness of purpose in engaging with ASEAN. It has opened the doors to India’s membership of the East Asia Summit (EAS) and the Asia–Europe Meeting (ASEM). The heart of the India–ASEAN engagement is the Comprehensive Economic Cooperation Framework Agreement signed in 2003, which envisages the establishment of a FTA in goods, services and investment over the next decade or so. Tough negotiations caused a delay of more than three years in finalizing the FTA in goods. Negotiations were concluded in July–August 2008 and the India–ASEAN FTA in goods could be signed at the India–ASEAN summit in Thailand in early 2009. The global economic downturn may lead to a further delay in starting negotiations on an India–ASEAN FTA in services and investment.

Much better infrastructure, including connectivity by air, road, rail and sea is needed to sustain the anticipated accelerated all-round growth in relations between India and East Asia after the India–ASEAN FTA comes into force. As a result of India’s initiative to significantly liberalize its civil aviation policy, air connectivity between India and the region, particularly with ASEAN, has vastly improved since 2004. India is building many cross-border road links with Myanmar. An India–Myanmar–Thailand highway project from Moreh in India to Mae Sot in Thailand via Myanmar is under consideration although progress is much slower than originally envisaged because the three countries have not been able to agree upon the financial terms of the project. In 2004 there was a hugely successful India–ASEAN car rally starting from Guwahati and ending in Batam Island of Indonesia, just off Singapore, after passing through Myanmar, Thailand, Laos, Vietnam, Cambodia, Malaysia and Singapore. This event brought home to the people of both India and the ASEAN countries in a dramatic manner the little understood geographical contiguity of India, especially the Northeast Region and ASEAN. It did promote greater awareness of the potential for trade, tourism and people-to-people contacts between India and ASEAN, but there is a need for active follow-up. As for rail connectivity, India is conducting a

feasibility study for upgrading and building the missing links between Jiribam in Manipur and Mandalay in Myanmar and is assisting in upgrading the Mandalay–Yangon railway sector. The eventual goal is to establish a Delhi–Hanoi rail link via Myanmar, Thailand and Cambodia. Over time, these road and rail links could connect with the various north–south transport arteries being developed between China and Southeast Asia, thereby providing not only a cheap means of transport of goods, tourists and pilgrims between India and the Indo-China countries, but also overland connectivity between the heartlands of India and China via Southeast Asia. Such an economic artery, bypassing the Malacca Straits, would have enormous commercial and strategic implications.

### **East Asia Summit**

India's participation in the first EAS in Kuala Lumpur in 2005 was the logical outcome and a symbol of the success and credibility of India's 'Look East' policy as well as of India's aspirations to be a global player. Arriving at an agreement on India's inclusion in the EAS was not easy. There was no unanimity either within ASEAN or among the ASEAN Plus Three (APT) countries, namely China, Japan and the Republic of Korea on whether India should be invited to be a part of the EAS from the very beginning. Many countries were of the view that any future East Asia Community should be confined to the APT. In the end, the consensus, reached with considerable difficulty, was that all sides stood to gain in the long-term by having a more inclusive approach to community building in Asia.

The results of the second and third EAS meetings in Cebu (Philippines) and Singapore give reason for cautious optimism that the EAS process is gradually evolving from being a mere talk shop into a forum for dialogue on broad strategic political and economic issues as well as being an important component of the emerging regional architecture. Cooperation is continuing in all the five priority areas that the first EAS meeting had identified, namely energy, finance, education,

disaster management and avian influenza—the last principally because it was an immediate concern when the first EAS was held. Energy got special attention both at the second and third EAS meetings which resulted in the adoption of concrete documents, namely the Cebu Declaration on East Asian Energy Security and the Singapore Declaration on Climate Change, Energy and the Environment, respectively. In the field of education, the EAS meetings have endorsed initiatives like the revival of Nalanda University in India, the United Nations' Alliance of Civilisations initiative as well as inter-societal and inter-faith dialogues. These would serve to improve regional understanding and appreciation for the rich and diverse heritage and history of the region.

Potentially more important is the progress on the economic and financial side. A Track-II study on a Comprehensive Economic Partnership in East Asia (CEPEA) will be considered by the fourth EAS meeting in Thailand in 2009. CEPEA will be worthwhile only if it builds upon and adds value to the existing FTAs among the EAS countries. An Economic Research Institute for ASEAN and East Asia (ERIA) has also been set up. The 2008 financial crisis has emphatically underlined the interconnectedness of economies around the world. It has also brought into focus the role that major Asian countries with growing economies and huge foreign exchange reserves can and must play in helping to resolve the world's economic and financial problems. One of the well-understood but little articulated reasons for looking at an East Asian Community seriously was to have a fallback strategy in case, as has happened, the negotiations on the Doha Development Round within the WTO fail. There is both challenge and opportunity before the EAS. An informal dialogue is already under way among senior officials of EAS on developing and diversifying financial markets. If the next EAS meeting can provide a strategic direction to fast-tracking a CEPEA and to playing an active role in the reform of the international financial system, the EAS process could become an important driver of the global economy.

The rest of the world also expects that Asia in general—and large populous countries like India and China in particular—will actively contribute to finding solutions to the problem of

climate change. Also noteworthy is the increasing salience of regional issues such as the situation on the Korean peninsula and Myanmar. WTO issues are also discussed in the EAS. In order to tackle its growing agenda, the EAS has changed its original position that it would be only a 'leaders-led' strategic forum, and has had to evolve coordinating mechanisms. Foreign ministers and senior officials now meet regularly, and an informal secretariat operates within the ASEAN Secretariat.

### **Mekong–Ganga Cooperation**

Two supplementary prongs of India's 'Look East' policy are BIMSTEC (covered in Chapter 4) and the Mekong–Ganga Cooperation (MGC), an organization that brings together India with ASEAN countries Myanmar, Thailand, Cambodia, Laos and Vietnam. MGC is a sub-regional organization with considerable potential for cooperation in the fields of education, culture, tourism, and transport and communications. The MGC is a valuable framework that India could use to build ties with the CLMV countries of ASEAN that are geographically and culturally closest to India. Unfortunately, it has so far failed to live up to its promise. Meetings at the ministerial level have been sporadic. MGC has been hobbled by problems like absence of clear timelines, uncertainty about sources of funding, and inadequate implementation and review mechanisms. Another fundamental problem is that, given their relatively larger weight in the grouping, India and Thailand have to be the main drivers and sources of funding of MGC. However, Thailand lost interest in MGC after it set up the Ayeyawady–Chao Phraya–Mekong Economic Cooperation Strategy (ACMECS) that brings together the same group of countries, minus India. The attention of all the non-Indian members of MGC, who are also members of the older established Greater Mekong Subregion (GMS) together with China's Yunnan province, is more focused on the GMS. If the honest recognition by the foreign ministers of the six countries at their last meeting at Manila in 2007 that progress has indeed been modest but not because of lack of

political will, spurs them on to give more serious attention to the MGC, perhaps it can revive as a meaningful organization. Most interesting is the new recognition that MGC along with ACMECS, BIMSTEC and GMS could work together on projects of common interest, including a transport cooperation proposal.

### **Bilateral Relationships**

India's 'Look East' policy has not only strengthened India's relationship with ASEAN as a whole but also provided a complementary institutional framework and a catalyst for India's bilateral ties with individual ASEAN countries. Singapore has been the principal shepherd for India in ASEAN and played a critical role in bringing about the India-ASEAN engagement at the summit level as well as India's membership of the EAS. In keeping with its policy of staying ahead of the curve, it took a strategic view of India in the early 1990s at a time when not many countries were looking at India seriously. Singapore realized that with the rise of Shanghai as China's own financial centre and the transfer of Hong Kong back to China in 1997 it would be disadvantaged in doing business with China. It accordingly decided that it could play a catalytic role in India's economic transformation similar to what Hong Kong has traditionally played for China. It felt that if India as a whole developed greater long-term stakes in Singapore through inflow of investments, knowledge workers, tourists and students this would bring greater vitality to Singapore's economy and enhance its security. The result of Singapore's efforts, reciprocated by India, is the India-Singapore Comprehensive Economic Cooperation Agreement, the first of its kind for India, which has been operative since 2005. Over the last few years, there has been a noticeable spurt in India-Singapore trade and economic relations. Singapore is increasingly acting as a conduit for India-ASEAN trade that has surpassed the target of US \$30 billion for 2007. India also has an extensive defence cooperation programme with Singapore that is un-

matched in the rest of ASEAN. Overall, between India and Singapore there is a high level of mutual trust and confidence, extensive people-to-people ties and frequent exchanges of high-level official visits.

Apart from Myanmar (which as an immediate neighbour is a special case), Indonesia, Malaysia and Thailand are the three other ASEAN countries with which India has the greatest interaction. As by far the largest country in the region, Indonesia gives weight, credibility and stability to ASEAN. Given its strategic location linking the Pacific and the Indian Oceans, and its sprawling size from the borders of India to those of Australia, Indonesia is vital for regional stability. Indonesia is also the world's largest Muslim country, and whether it remains democratic, tolerant and secular or succumbs to incipient fundamentalist tendencies matters hugely to the rest of the world, including India. India had an indifferent relationship with Indonesia during the more than three decades of Soeharto's rule, but over the last decade or so the tempo of relations has rapidly picked up under his successors. A lot of the old warmth that characterized India's relations with Indonesia in the 1950s, when both countries were the leaders of the NAM has come back. During Indonesian President Yudhoyono's visit to India in November 2005, the two countries agreed to develop a 'New Strategic Partnership'. Since both are large developing countries, Indonesia's new leaders are keen to learn from India's experience of managing a pluralistic democratic society. Trade and economic cooperation, including investments, are growing and Indonesia is India's third largest trading partner in ASEAN after Singapore and Malaysia. India is keen to tap Indonesia's rich resources like gas, coal and timber. Defence and counter-terrorism are the growing areas of cooperation. Indonesia and India are maritime neighbours who undertake regular joint patrolling. Indonesia has become a valuable friend of India in ASEAN, the more so as Indonesia is trying to regain its traditional leadership role in ASEAN.

Malaysia is an important, complex and difficult country in ASEAN. It matters to India because of its economic dynamism (it is India's second largest trading partner in ASEAN), its Islamic orientation (it has a generally pro-Pakistan and pro-

Organization of Islamic Conference view on many matters), its sympathetic orientation towards China because of the control of its economy by businessmen of Chinese origin, and its considerable weight in ASEAN. Malaysia has more than two million citizens of Indian origin, mostly the descendants of the workers brought by colonial Britain from India to work on Malaysia's rubber, tin and palm oil plantations. The ruling ethnic Malay majority discriminates against this economically weak community at the lowest strata of Malaysia's society, which at times creates ripples among the public in India as during the widespread Hindu Rights Action Force (HINDRAF) agitation in Malaysia in 2007. The attitude of the ethnic Malays towards Malaysian citizens of Indian origin also seems to regrettably colour Malaysia's attitude towards India. Despite the high level of trade, and the extensive involvement of Malaysian companies in road-building, housing and other infrastructure projects in India and of Indian companies in Malaysia's infrastructure and information technology sectors, India's relations with Malaysia continue to be marked by tension and a degree of mistrust.

As maritime neighbours, and in view of the fact that many insurgent groups from the Northeast Region use Thailand as a base, Thailand and India understandably give each other special attention and cooperate closely on counter-terrorism and defence. Thailand remains an attractive tourist destination for Indians. Under Prime Minister Thaksin Shinawatra, Thailand was very aggressive in pursuing closer ties with India as part of its 'Look West' policy. In order to give a boost to the modest level of trade, India and Thailand signed a Framework Agreement for FTA in goods in 2003, but both sides have gone slow in concluding negotiations. The operation of the Early Harvest Programme that has come into effect has created misgivings among some sections of Indian industry. Imports of some products from Thailand have put them at a serious disadvantage. Thailand's geographical location gives it a natural advantage in facilitating India's engagement with the Indo-China countries. For a while, after the departure of Malaysia's long-standing Prime Minister Mahathir, Thailand tried to position itself as the natural leader of ASEAN and India's

principal interlocutor with ASEAN. While that has not fructified, Thailand does remain relevant for India's engagement with the CLMV countries and is the only developed member of ASEAN that is involved with India in sub-regional mechanisms like BIMSTEC and the MGC. On the whole, India's relations with Thailand are marked by warmth, cordiality and confidence.

Although the Philippines and Vietnam are the two largest countries of ASEAN after Indonesia, the level of India's interaction with them is disappointingly low. Traditionally, India has not figured on the radar screen of the Philippines, which has generally been more focused on its relations with ASEAN members, other countries in East Asia and the US. It is only as a result of India's summit-level dialogue with ASEAN, India's membership of the EAS and the exchange of Presidential visits in 2006–2007 that there has been some movement in bilateral relations, including cooperation in the field of defence and counter-terrorism. Vietnam and India were close friends during the Cold War years, but the residual goodwill of that period has not translated into any concrete benefits for India as Vietnam has focused on rebuilding its economy and working out stable equations with its giant neighbour, China, and the US. In many respects, India and Vietnam are competitors in the world market. Nevertheless, there is valuable and growing defence cooperation between India and Vietnam. India is also assisting Vietnam, both bilaterally and within the framework of ASEAN, in the areas of technical and scientific cooperation, in human resources development and in setting up projects funded by relatively cheap credit lines. India has also made profitable investments in Vietnam's hydrocarbons sector. India's relations with the two smaller Indo-China countries of Cambodia and Laos are characterized by generous assistance on similar lines, as well as some defence cooperation. India's assistance to the CLMV countries is given both bilaterally as well as through ASEAN's Initiative for ASEAN Integration (IAI) which aims to bring these four new members of ASEAN to the same level of development as the original members. India could also tap more aggressively and systematically the Asian Development Bank (ADB) for resources to complement its



own for regional road, rail and inland waterways connectivity projects with ASEAN.

Despite Japan being a country with which India has no direct conflict of interest, whether ideological, cultural or territorial, India and Japan remained strangely distant from each other throughout the 20th century. Jawaharlal Nehru's gesture of friendship in not signing the 1951 San Francisco Treaty as he felt it offended the dignity of Japan—India signed a separate peace treaty with Japan in 1952 in which all war claims against Japan were waived—and the goodwill in Japan arising out of the dissenting judgement of Justice Radha Binod Pal in the Tokyo War Crimes Tribunal holding Japan's wartime leaders as not guilty, could not somehow be translated into a meaningful all-round relationship commensurate with the fact that India was a large but developing Asian country and Japan the world's second largest economy. For many decades this relationship was relatively undeveloped in all respects, be it trade, investments, tourism, or just mutual awareness. The most substantial aspect of bilateral relations was the Official Development Assistance (ODA) that Japan began to give India in 1958, perhaps as gratitude for India's support for Japan in international forums. India was the first country to get aid from Japan and even today it remains the largest recipient of Japanese ODA. Japan was also very helpful at the time of India's financial crisis in 1991.

It was only with the visit of the Japanese Prime Minister Mori to India in 2000 that Japan began to look at India seriously. India's nuclear weapons power status, its growing economy and the fact that even the US was beginning a serious engagement with India impelled Japan to take a second look at India. Since Japanese Prime Minister Koizumi's visit to India in April 2005, the relationship has begun to blossom and is steadily evolving into a 'strategic and global partnership'. The leaders of India and Japan hold regular summit meetings, at least once a year. Japanese business houses have begun to show interest in dealing with India. Japanese investors have been active in the Indian stock market. The proposed Comprehensive Economic Partnership Agreement agreed upon by the leaders of Japan and India that is currently being

negotiated is an important initiative with considerable long-term economic and strategic significance. India hopes to attract large-scale Japanese investments into India and access Japan's enormous strengths in cutting edge technologies of the 'knowledge economy', while Japan wishes to gain access to India's large market and tap into India's talent pool. India and Japan were together in the G-4 initiative to secure Permanent Membership of the UN Security Council. Japan was also extremely helpful in pushing India's case for membership of the EAS and shares India's vision of community-building in Asia. Defence and security cooperation has grown. While of late there is a welcome official-level emphasis on developing more extensive cultural, academic and people-to-people ties between India and Japan, at the popular level there is need to do more to convince the Japanese people about India's long-term value and reliability. At the end of the day, Japan's primary foreign policy focus remains China, and its attitude towards India is somewhat inconsistent since it is influenced to a great extent by the state of its relations with China.

There has been a similar rediscovery of India by the Republic of Korea, or South Korea, in recent years. Unlike the case with Japan, it is South Korea's business and industrial sector that is driving the bilateral relationship. Many leading South Korean companies have aggressively established themselves in Indian markets, in particular in the automobile, white goods and telecommunications sectors, and are actively pursuing possibilities in the steel and information technology sectors. Many have decided to use India as a global manufacturing hub that can cater to markets in Asia and elsewhere. Indian companies too are now buying into South Korean companies. Economic relations are expected to get a qualitative jump once the Comprehensive Economic Partnership Agreement, on which negotiations have been completed, comes into force. This would also be the first such agreement that India would sign with a country belonging to the Organization for Economic Cooperation and Development (OECD), thereby creating new challenges and benchmarks for India's economic reforms. The interdependencies that are being forged today are likely to be long-term ones. Regular high-level political exchanges

have consolidated economic relations. Recent landmark visits were those of the South Korean President to India in October 2004 when a Long Term Cooperative Partnership for Peace and Prosperity was concluded and of the Indian President to South Korea in February 2006. There is also a growing defence relationship with South Korea. However, an important question that India will have to consider is whether any political contradictions are likely to develop between India's relations with China on the one hand, and those with Japan and South Korea, on the other.

In accordance with India's 'One China' policy, India does not recognize Taiwan. It has no diplomatic relations with Taiwan and did not even establish unofficial relations till as late as 1995. India has established an office of the India-Taipei Association to handle its interests in Taiwan, while Taiwan does the same through a Taiwan Economic and Cultural Centre in New Delhi. Over the years, Taiwan has emerged as an important economic partner of India in East Asia. Since 2002, there are direct air flights between Taiwan and India. As Taiwan has many technologies of interest to India and significant investible resources, trade and investment is at a healthy level though still below potential. But India has been generally discreet about its contacts with Taiwan, which have been mostly at the non-official and middle-level official levels. It was only after 2006, presumably as a signal of its displeasure with China at various political and military provocations by the latter, that India was bold enough to have exchanges with Taiwan's political leaders. This is a welcome activism in India's Taiwan policy. Apart from signalling that India too could activate some options vis-à-vis China, Taiwan could be a useful perch for China-watching. India will also have to keep a close eye on the state of Taiwan-China relations, particularly after the Kuomintang (KMT) has come to power in the 2008 elections in Taiwan, since the KMT favours reunification with China and its position on the border issue is the same as that of the Chinese Government. Any normalization of Taiwan-China relations would enable China to shift many of its missiles and other military equipments currently targeted at Taiwan to areas like Tibet and Xinjiang where they would change the military balance and create security headaches for India.

Relations with Australia, which received a severe setback after Pokharan-II, are fully back on track. India is interested in Australia's rich resources of oil, gas, coal, uranium and other minerals. Australia sees India as an attractive market. The large and rapidly growing Indian diaspora in Australia and New Zealand acts as a valuable bridge, as in other English-speaking countries, to bring India closer to these two Pacific countries. India's bilateral relations with both these countries have got a boost ever since all three became members of the EAS.

### **Vision of Asia in the 21st Century**

It is generally accepted that by 2020, globalization would have a distinctly Asian face. The ongoing financial crisis that has led to the collapse of many Western banks and financial institutions has only reinforced this conviction. The emergence of Asia as a new and independent pole of growth and influence could change strategic equations within Asia as well as globally. However, Asia can play a larger role in the world in the coming decades only if all major and emerging powers synergize their respective strengths rather than remain in competition. On current trends, India's economic strength, political influence and military power are expected to steadily increase in the coming decades. India's geographical location gives it a dominant position in the heart of the Indian Ocean, with major global energy and trade sea-lines of communication passing very close to India-controlled waters. With a diaspora of 5 million in the Gulf, India has vital interests in, and considerable influence over, this energy-rich region. For all these considerations, it is in the economic and strategic interest of the rest of Asia that a major and growing Asian power like India be integrated with the rest of Asia. This is an important goal and challenge for Indian diplomacy in the coming years.

India's bold long-term vision for East Asia is one of a community of nations from the Himalayas to the Pacific with the largest Asian economies of Japan, China, South Korea, ASEAN and India at its core, which could constitute a new

driver of growth for the global economy and be an anchor of stability and development in Asia. The building blocks of such a community are already being put in place. The FTAs in place or being negotiated among the major Asian countries could naturally evolve, step-by-step, into a broader regional trade and investment architecture that would provide optimal benefits, stronger synergies and deeper complementarities for all participants. Many other Asian nations share such a vision.

Translating this vision into reality will not be easy. Considerable persistence and collective wisdom will be needed to overcome existing contradictions and rivalries among EAS members. Any sharp and prolonged deterioration in China's relations with Japan or India will inevitably affect the EAS process. China is wary of India's growing ties with the ASEAN countries, particularly with the new and relatively less developed members like Cambodia, Laos, Myanmar and Vietnam where India can compete more effectively than in the more developed ASEAN countries. Sustained and skilful diplomacy will be needed to build a consensus for a more inclusive approach to community-building since China and some ASEAN countries continue to prefer the APT mechanism rather than the EAS as the framework for East Asian community-building. APT definitely has the advantage of being an older organization, with many projects of functional cooperation that testify to the high level of economic integration among the APT members. APT is also a very important framework for China-Japan engagement.

Expansion of the membership of the EAS poses some tricky dilemmas. The US had remained out of the EAS partly because it was preoccupied with Afghanistan, Iraq, Iran and the Middle East, and partly because it had assumed it to be another talk-shop. If the EAS shows signs of evolving into a serious organization, the US will not want to be excluded from it, and has multiple leverages against many EAS members to get its way. The problem is that if the US becomes a member, the EAS cannot provide the framework for a pan-Asian entity having an independent standing and influence. Further, if the US joins, then Russia, which has been very keen on EAS membership from the very beginning, would surely push for

its presence in this body. The EAS has prudently decided not to consider any expansion of its membership for the moment. In a long-term perspective, however, the issue of EAS expansion cannot be ducked.

Other knotty issues will also have to be tackled. Will the EAS compete with the Asia–Pacific Economic Cooperation (APEC), the US' preferred forum, which does not yet include India? What does one do with East Asian countries having laggard economies and unstable polities located outside the current EAS membership? North Korea and Taiwan will pose the most difficult dilemmas. In the longer term, it might be unrealistic to have an East Asia framework that continues to exclude Taiwan and North Korea. It is only appropriate that across Asia some thinking should have begun on designing an Asian security architecture.

## Chapter 8

# Persian Gulf, Palestine and Israel

### Historical and Emotional Bonds

**T**he Persian Gulf region is indeed very special for India. The Arabian Sea has linked, rather than divided, the Arab world and India. As a neighbouring region with very close people-to-people ties to India, this region has historically always figured very high in India's external ties. Trade, culture, religion, language, philosophy and science and technology have bound the people of India and the Arab world over many centuries. No wars have been fought between Arabs and Indians. No bilateral disputes have marred the relationship. Arab traders have been visiting India since at least the 8th century. Many of them settled down in India and married local girls, the origin of Kerala's Moplah community. There was movement of both traders and pilgrims in the other direction too, and many Arabs have Indian ancestry. To this day, there is a large community of Indians in Yemen and of Yemenis in Hyderabad. This peaceful interaction with the Arab world, which resulted in the confluence of ideas, art, literature, and much else, has left an indelible imprint on India's history, culture and civilization. Under British rule, the Arab Gulf States were further integrated with India, as they were administered from India, and the Indian Rupee was the currency in circulation locally in the Gulf. For the Arabs,

India, particularly Mumbai, was their preferred destination for medical treatment and recreation, and many Arabs bought prime property in Mumbai. This tradition continues to this day. Yet, for all the common factors that dictate a close relationship between this region and India, post-Independence India had no influence for a considerable period in Saudi Arabia, the largest and most influential Arab State in the Persian Gulf.

### **Opening with Saudi Arabia**

Saudi Arabia, home to Islam's holiest shrines in Mecca and Medina, has always had a special pull for the 160 million or so Indian Muslims. Hundreds of thousands of Indian Muslim pilgrims visit Saudi Arabia every year for *Haj* and *Umrah*. Their interests and needs constitute an exceedingly important political parameter for any Indian Government, which is why all Indian Ambassadors to Saudi Arabia and Indian Consuls General in Jeddah have been Muslims, the better to be able to visit the holy cities and look after the interests of the Indian pilgrims. This focus regrettably cuts into the time and attention that is paid by the Indian Government and its envoys to Saudi Arabia's intrinsic geopolitical importance—as an important player in a complex and fast-changing regional and global scenario, as the largest economy in the region, as the world's largest oil producer and exporter, as world's largest holder of investible petrodollars, as the largest global employer of Indians and, of course, as the leader of the Islamic world—particularly after the decline of Egypt. Thus Saudi Arabia matters hugely to India. But India's relations with that country remained strained for many decades. This was partly because of the Cold War divide and partly due to the machinations of Pakistan. Pakistan has enjoyed considerable influence in Saudi Arabia for three principal reasons—the Islamic factor; its assiduous and systematic cultivation of the Saudi royal family members and its close cooperation in the security field with Saudi Arabia.



After an exchange of visits by the King of Saudi Arabia and the Prime Minister of India in the mid-1950s, there was no high-level visit from India till that of Prime Minister Indira Gandhi in 1982. The King of Saudi Arabia visited India again only in January 2006, more than half-century after the last visit by a Saudi King to India. Recognizing the strategic significance of the visit, the Indian Government extended special protocol honours to the Saudi King. In the Delhi Declaration that was, unprecedentedly for the Saudi side, signed by King Abdullah and Prime Minister Manmohan Singh, both sides recognized the visit as a historic one that heralded a new era in bilateral relations. It was for the first time in more than a quarter century that India gained direct access to the Saudi leadership that till then had been hesitant to treat India in anything but the most routine way, notwithstanding the considerable commercial interests of Saudi Arabia in selling oil to India and of India in getting jobs for Indian workers in Saudi Arabia. As a result of the visit, new horizons opened up in energy sector cooperation. India acknowledged Saudi Arabia as a trusted and reliable source of oil supplies. There was an agreement on developing a strategic energy partnership based on complementarities and interdependence involving reliable, stable and increased volume of crude oil supplies to India through 'evergreen' contracts, upstream and downstream investments in the oil sector in Saudi Arabia, India and third countries, and joint ventures for gas-based fertilizer plants in Saudi Arabia. Counter-terrorism, information technology, agriculture, biotechnology, educational and cultural exchanges were other areas identified for cooperation.

Important as the agreements on energy and other areas were, the principal significance of the Saudi King's visit was political. India's decision to honour the Saudi King by inviting him as Chief Guest on India's Republic Day was imaginative and astute. The Saudi King's acceptance of the invitation and the conscious inclusion of India in his first trip outside the region, particularly his participation as Chief Guest in India's Republic Day celebrations, sent a very public message to the people of India and the world that Saudi Arabia regards its relationship with India as important. The significant signal picked up by the

rulers and the people of the Arab world was that India is a friend with whom more intensive and extensive contacts should be established. A number of other Arab Gulf leaders have visited India in the ensuing months and years to build closer ties. In this way, India has managed to make a significant breakthrough in changing perceptions about it among the Arab Gulf countries. Their earlier hesitations about India had emanated from two factors: (a) Pakistan's successful exploitation of the politics of Islam to prejudice the Arab countries against India and (b) the coolness that crept into India's relations with the Arab States of the Persian Gulf because of India's stand on Saddam Hussein's invasion of Kuwait in 1990.

Against the background of the hitherto desultory India–Saudi Arabia relations, it was nothing short of revolutionary that the two countries should have agreed to develop a broad strategic vision and to recognize that the stability and security of the Gulf region and the Indian sub-continent are closely interlinked. This highly successful landmark visit has opened a new chapter not only in India–Saudi relations but also in relations between India and the Arab Gulf States as a whole. It is, therefore, particularly regrettable that the follow-up to Saudi King Abdullah's visit to India has been so tardy, resulting in the loss of momentum built up in 2006.

## **India and Iraq**

Iraq is the most important of the other Arab Gulf States. Even though India established diplomatic relations with Iraq in 1947 and signed the Treaty of Perpetual Peace and Friendship with it in 1952, India was not happy with Iraq's participation in the West-sponsored Baghdad Pact. Iraq's new military leaders noted India's recognition of the new government in Iraq following the 1958 coup. Iraq's withdrawal from the Baghdad Pact brought satisfaction to India. During the 1960s, India–Iraq relations improved. Iraq remained neutral in the 1965 India–Pakistan war. Relations between India and Iraq improved dramatically in the mid-1970s as a result of a personal

decision by President Saddam Hussein. Iraq supported India on vital issues like Kashmir. India, for its part, trained a large number of Iraqi defence personnel. Many Indian experts and professionals got work in Iraq. Indian companies too were very active and executed several construction projects in Iraq. India also developed an affinity towards Iraq as the only secular Arab country. Both collaborated within the framework of the non-aligned movement. With India and Iraq both having close ties to the Soviet Union, India greatly benefited from a three-way swap deal whereby Iraq paid off its debts to the Soviet Union by supplying large quantities of Iraqi oil to India, which was paid for by India through export of goods to the Soviet Union in rupees. Good relations were established between the ruling parties in both countries, a legacy that led to the Oil-for-Food scandal that erupted in 2005 and cost Minister of External Affairs Natwar Singh his job. This legacy of mutual goodwill has not been lost.

Foreign Minister Gujral's public embrace of Saddam Hussein when he visited Iraq during the first Gulf crisis in 1990 may have been undiplomatic, but it was nevertheless a spontaneous and heartfelt instinctive gesture that conveyed the warm feelings that India had for Saddam Hussein who was regarded as a friend of India. It is noteworthy that the decision of the Government of Prime Minister Chandrashekhara during the 1991 Gulf War to provide refuelling facilities to US military aircraft drew such a sharp protest that the government had to suspend the facility. India opposed sanctions against Iraq and supplied food and medicines to that country. India, which was then a member of the UN Security Council, abstained on Resolution 686 that outlined the requirements for Iraq to comply with the ceasefire. In 1998, when India conducted its nuclear weapons tests, Iraq supported India.

If the First Gulf War of 1991 crippled Iraq, the US invasion in 2003 has shattered the country. By this time, India was seriously trying to improve relations with the US, which no doubt influenced its decision not to formally oppose the war against Iraq. India came under tremendous pressure from the US to send troops to Iraq in 2003, and it was only the shrewdness and political sagacity of Prime Minister Vajpayee that prevented this from happening. It is also possible that India's

traditional friendship with Iraq influenced India's decision. At any rate, the goodwill for India among the people of Iraq was definitely an important factor that enabled India to secure the release of the kidnapped Indian truck drivers in Iraq in 2004. It also seems to have influenced India's decision to allocate a relatively generous \$20 million in bilateral assistance for Iraq's reconstruction and another \$10 million to the International Reconstruction Fund Facility for Iraq launched in 2004 by the UN and the World Bank. As the violence in Iraq escalated, and in order not to provoke the Iraqi groups fighting the military forces of the US and its coalition partners, India thought it prudent not to replace its Ambassador who came away when his term expired in 2005, but it has kept open a small diplomatic Mission in Baghdad. Movement of Indian labour to Iraq remains banned since 2004 but many Indians, desperate for lucrative but risky jobs offered by the contractors to the US armed forces in Iraq, seem to have quietly slipped into Iraq. Unfortunately, as India's policy towards Iraq over the last few years has been perceived as having been crafted under US influence and pressure, India has lost some of its traditional goodwill and influence in Iraq. Whenever peace returns to Iraq, India will have to pick up the pieces of its relationship with Iraq and try to deal itself back into the situation. Meanwhile, many private Indian companies are doing business in the Kurdistan region of Iraq, which is functioning quite autonomously, is directly connected by air to international airports in the region and is quite safe.

### **People-to-People and Economic Ties with the Gulf**

India has historically had close and cordial ties with Oman, geographically the closest country in the Persian Gulf region. As early as in March 1953, India signed with the Sultan of Muscat and Oman (the earlier name of Oman) the Treaty of Friendship, Commerce and Navigation. Meaningful people-to-people and trade relations with the other Arab Gulf countries began only after the oil boom of the early 1970s that brought unprecedented prosperity to the region. Indians flocked to the region

as new job opportunities opened up there. Today, there are nearly 5 million Indians—no one is sure of the exact number—working and living in the Arab Gulf States, and constitute about 20 per cent of the total population in the smaller Gulf States. The largest concentrations of Indian workers are in Saudi Arabia and the United Arab Emirates. Indians are among the favoured foreign workers in all the Gulf countries because they are relatively more disciplined, do not get involved in local politics and create little trouble. If their numbers have not increased even more it is only because the Gulf countries for internal reasons have imposed informal limits on the number of workers that can come from any one country. Indian workers, both blue collar and white collar, have played a tremendous role in ensuring the sustained growth and prosperity of the Arab Gulf countries. Behind the glitter of Dubai is the sweat and toil of foreign workers, including Indians. Indians have traditionally flocked to the Gulf because of the comparatively better employment opportunities and higher wages available there, but India's recent strong economic growth has increased both employment opportunities and wages in India for many who earlier tended to gravitate towards the Gulf.

Looking after the welfare of these Indians is a high priority for all Indian diplomatic and consular establishments in the Gulf. This includes, in the first place, taking steps to ensure that unscrupulous local employers do not exploit the Indian workers, working out suitable arrangements with local authorities for setting up Indian schools, and a whole range of consular issues. The welfare of Indians working in the Gulf region is a politically sensitive issue for both the Central and many state governments, particularly in southern India, which send a large number of migrant workers to the Gulf. The remittances of workers from the Gulf still constitute a sizeable proportion of India's foreign exchange earnings in the services sector though not as large as it used to be even a decade ago. It is the frequent travel to and from India of these workers that makes the India–Gulf region the most profitable sector for the airlines of both India and the Arab Gulf countries. In the future, as their own populations grow, the Arab Gulf countries will have to provide jobs for locals in the first instance. It is

possible that the demand for labour from India may go down or that the skills required may change. India has to anticipate possible trends and work out ways to handle a changed situation; otherwise the closing of a traditional employment avenue could create social and political unrest in the affected parts of the country.

India's trade with the Arab Gulf countries is also quite significant. It is rapidly growing, even though much of it is third country trade routed via ports like Dubai. India and the Gulf Cooperation Council countries—Saudi Arabia, Kuwait, Qatar, Bahrain, United Arab Emirates and Oman—are also negotiating an FTA. The Persian Gulf region is an important destination for setting up projects and exports like consultancy services and information technology. Education, health care and tourism are other promising areas of cooperation. There is a long-term congruence of the interests of the Arab Gulf countries and India. The Arab Gulf countries realize that India offers a large and attractive workforce that brings much needed manpower and skills. After 9/11, the oil-rich among them are now looking to diversify their investments away from the West into economically attractive investment schemes and projects in countries that give them a high level of comfort. India is keen to get Arab investments for infrastructure projects in India particularly in the oil, gas and petrochemicals sectors, and has taken some steps in this direction such as holding an Indo-Arab Investment Projects Conclave. However it needs to be far more pro-active and imaginative in tapping the burgeoning Arab petrodollars, perhaps through a special strategy geared for Arab investors. Apart from the economic and financial benefits that such investments would bring to both sides, they would serve a larger strategic purpose. Through its large semi-permanent work force, India has acquired enduring stakes in the stability and prosperity of the Persian Gulf region. If the Arabs were to invest their wealth in India, they too would develop long-term stakes in India's continued economic growth and prosperity. Such enduring linkages between India and the Arab world will strengthen mutual interest in ensuring the stability, development and prosperity of both sides.

## **Organization of Islamic Conference (OIC) Politics**

The role of the OIC has become a minor irritant in India's relations with the Arab world. The OIC was set up in 1969 to promote solidarity among the Islamic countries following the arson attack on the Al-Aqsa mosque in Jerusalem. India was invited to the first conference convened in Rabat, and the Indian Ambassador did participate and make a speech. However, when a high-level Indian delegation arrived in Rabat, it was not allowed to participate because of Pakistan's objections. Over the last four decades, the OIC has become a sprawling organization of 56 members that is more in the nature of a club that is useful for networking and conducting business on the sidelines than for any intrinsic worth it may have. The OIC does, however, regularly adopt resolutions on Kashmir reflecting the Pakistani position. These are routinely adopted without any discussion. India has wisely not allowed the OIC issue to cloud its real interests with the OIC member-countries.

From time to time, suggestions have been made that India could become an Observer or even a Member in the OIC. This is not at all a viable option because, as an Observer, India would have to tacitly accept OIC resolutions in whose formulation it plays no role. It also does not become India, with the second largest Muslim population in the world, to be a mere observer in an organization that claims to represent the interests of Muslims. Moreover, India would have to battle Pakistan to get itself associated with the OIC, which is not worth India's while since there are no great Indian interests at stake in the OIC. Perhaps the most compelling reason for India to stay away is a domestic political one. It is not at all desirable, and politically risky, for a secular State like India to formally associate itself with an avowedly religious international organization as that could create an unnecessary political and communal backlash within India.

## The Iran Conundrum

Although a dominant power in the Persian Gulf, Iran itself is primarily a land power. India's contacts with Iran have been traditionally over land, not across the Arabian Sea. With the formation of Pakistan in 1947, India and Iran, or Persia as it was known till 1935, lost the geographical contiguity they had enjoyed for centuries. As a result, Indian policy-makers to some extent failed to appreciate that from a strategic perspective India has to deal with Iran as a neighbouring country. The rhetoric frequently used about Iran and India's historical-cultural ties has substance—certainly insofar as it concerns north India, whose history, culture and language have been shaped to a considerable degree by Persian influence. Nor should India and the world forget that despite its strategic location Iran is one of the few major countries in Asia that managed to maintain its independence and was never colonized, unlike many of its neighbours, including India. In all the demonizing of Iran in the West after the 1979 revolution, few bother to recall that the revolution itself was a reaction to the CIA-sponsored coup that overthrew Iranian Prime Minister Mossadegh in 1953 and the subsequent savagely autocratic rule of the Shah of Iran, who became the darling of both the West and Israel. It is important to recall all this because the outside world needs to handle Iran with respect and be conscious of the sense of national pride and self-achievement in the sophisticated Iranian mind that draws inspiration and strength from its rich and deep-rooted heritage of civilization and culture. For India, another harder and more pressing reality is that relations with Iran have a domestic political dimension. As the largest Shia country and home to some of the holiest shrines of the Shia community, Iran remains influential among India's large Shia population, which can be an important swing vote in elections.

The development of India's relations with Iran has not followed a consistent pattern. It is noteworthy that Iran was one of the first countries with which India signed a Friendship Treaty in March 1950. The early promise of friendship could weather neither the politics of the Cold War nor India-Pakistan



animosity and conflicts. After the overthrow of Mossadegh, Iran under the Shah got enmeshed in the strategic plans of the West and became a member of various Western-sponsored regional organizations like the Baghdad Pact and later CENTO, while India's orientation was more towards the Soviet Union and the NAM. Nor did Nehru's friendship with fellow-NAM founder and socialist President Nasser of Egypt go down well with a conservative monarchy like the Iranian Shah's. Iran's role in supporting Pakistani machinations to prevent India from attending the 1969 OIC Summit at Rabat added to the strains in India-Iran relations. It was only after Pakistan's defeat in the 1971 war, which changed the balance of power in South Asia decisively in India's favour, and the passing away of Nasser, that both sides took steps to improve relations. Prime Minister Indira Gandhi and the Shah of Iran exchanged visits in 1974. However, India's own turbulent domestic politics of the second half of the 1970s, followed by the Iranian Revolution of 1979 and the almost decade-long war that Iran fought with Iraq, then a close friend of India, once again derailed this relationship. From the early 1990s, starting with Prime Minister Narasimha Rao's visit to Iran in 1993, relations have maintained a steady upward graph, with regular exchange of high-level visits, including the highly symbolic visit of President Khatami to India as Chief Guest for India's Republic Day celebrations in 2003.

Unfortunately, relations once again took a sharp dip in 2005 following India's position in the International Atomic Energy Agency (IAEA) in September 2005 and February 2006 on transferring Iran's dossier on its nuclear programme from the IAEA to the UN Security Council. This step by India generated resentment and mistrust against India in Iran, jeopardized the future of the already-concluded Liquefied Natural Gas (LNG) contracts between India and Iran, and probably led Iran to conclude that India is neither a serious nor a reliable strategic partner. It also polarized political and public opinion in India and destroyed the traditional foreign policy consensus in India cutting across party lines that has been a great strength of Indian foreign policy since Independence. Following these episodes, India's handling of its relations with Iran has also

become a litmus test of India's willingness and ability to follow an independent foreign policy. The cloud in bilateral relations was lifted only as a result of Iranian President Ahmadinejad's brief stopover in New Delhi in April 2008, when the Indian side went out of the way to reassure him that it would follow an independent policy towards Iran and not succumb to US pressure.

This is most welcome, since Iran does matter greatly to India from a strategic perspective. It makes eminent sense for India to have a good understanding with Iran, as it is Pakistan's neighbour and a very influential actor in the Persian Gulf. Iran is also the key country for India's access to strategically important Afghanistan and Central Asia. In order to gain access to Afghanistan and later to Central Asia too, India has built a road from Zaranj in western Afghanistan to Delaram on the garland road that will provide connectivity to Herat and Mazar-e-Sharif. A proposal is under consideration to develop Iran's Chabahar port and connect it by rail with Iran's existing railway network. India, Iran and Turkmenistan have an arrangement to facilitate transit of Indian goods via Iran to Turkmenistan, while India, Iran and Russia have taken steps to develop a North–South Corridor that is intended to provide faster and cheaper connectivity between India and Russia via Iran and the Caspian Sea. Iran and India closely cooperated in supporting the Northern Alliance in Afghanistan against the Taliban in the 1990s. After the destruction of Iraq, Iran is the only country to India's west that stands in the way of complete US domination of Southwest Asia.

Iran is and will remain important for India's long-term energy security, as it possesses the world's second largest reserves of both oil and gas. It is in recognition of this reality that a few years ago India took the significant step of de-linking the Iran–Pakistan–India (IPI) gas pipeline project from the overall relationship with Pakistan. In a sharp reversal of the position it had been taking on the issue for the preceding two-and-a-half years, India agreed during President Ahmadinejad's visit to India in April 2008 to fast-track discussions on the IPI gas pipeline project. But the stipulated deadlines have been missed, and India went slow on the IPI project as it focused

on nailing down the India–US nuclear deal. Iran for its part also needs to look at the IPI project as a strategic project that would have long-term economic and political benefits, rather than try to squeeze maximum profits. The IPI project holds the possibility of bringing enormous economic and geopolitical benefits to all three countries. On the energy front, it would provide Pakistan and India with plentiful gas supplies for many decades. Politically, it would be a huge confidence-building measure between India and Pakistan that could create the momentum for a fundamental transformation of India–Pakistan relations. The project would be a political coup for Iran, as it would undermine the US policy to sanction and isolate Iran. Gas exports to Pakistan and India would give Iran valuable long-term customers and a steady stream of much-needed revenue. The project would also provide reassurance to the Indian business community to make investments in Iran, something that Iran needs badly. As a regional energy project, the gas pipeline project could form the nucleus of a regional cooperation arrangement between South Asia and Iran, which would have a very positive impact on long-term regional peace and stability.

As Iran's nuclear programme is the single most important issue that has cast a shadow on India–Iran relations since 2005, India's attitude to Iran's nuclear programme needs to be critically examined. India's approach has been conditioned by it wanting to keep on the right side of the US and other world powers as it worked for the Nuclear Suppliers Group (NSG) to give India an exemption from the prevailing NSG guidelines on transfer of nuclear fuel, equipment and technology to India. India has made it clear that it does not want Iran to acquire nuclear weapons. It has taken the sensible line that Iran has the right to peaceful uses of nuclear energy including enrichment but that, having signed the Nuclear Non-Proliferation Treaty (NPT), Iran must adhere to its international obligations and commitments. However, the determination of this should be by the International Atomic Energy Agency (IAEA), not the US or the so-called international community. It is, of course, illogical that India should be asking other States to observe their obligations under an international treaty that India itself

has not signed. India's is simply a practical and prudent, even if inconsistent, position. India does not wish to see another nuclear weapons state in the Persian Gulf region, since that would spur other countries like Saudi Arabia, Egypt and Turkey to also acquire nuclear weapons, leading to the destabilization of the whole region. Despite US attempts to establish such linkages, India has not been assisting Iran's nuclear programme except as permitted by the IAEA. Following the imposition of UN Security Council sanctions on Iran in February 2007, India amended its export guidelines to prohibit export of any materials or technology that could contribute to the development of a nuclear weapons capability by Iran.

From Iran's point of view, a strategic relationship with an important country like India is worthwhile because it lessens Iran's isolation. India could also be a source of important defence equipment and technologies for Iran. Although India and Iran have agreed at the highest level on the desirability of defence cooperation, including training and exchange of visits, Iran would like to proceed much faster and further on this aspect of relations. India is reluctant to do so. India's hesitation may be related to the sensitivities of Israel, which is a valued defence partner whose feathers India would not like to needlessly ruffle. For Iran, however, defence cooperation is part of the overall strategic relationship with India, and it feels that it is entitled to hold back on cooperation on energy if it does not get satisfaction from India on matters of strategic importance to Iran such as the nuclear issue and defence cooperation. India's relations with Iran have created some discord between India and Israel.

### **Palestine Question and Strategic Relations with Israel**

India's policy towards Israel has been intimately linked to India's support for the Palestinian cause and the impact India-Israel relations have on India-Arab relations. India's position on the Palestine question has its roots in India's freedom

movement. As a party that was opposed to partitioning of India on religious grounds, the Congress Party could hardly be expected to endorse the goals of the Zionist movement that eventually led to the creation of Israel. Mahatma Gandhi himself expounded India's perspective clearly and in detail in an editorial in the *Harijan* of 11 November 1938, a major policy statement that continues to guide India's policy on Palestine to this day. Despite his sympathy for the Jews who had been subjected to discrimination and persecution for centuries, Mahatma Gandhi was clear about the rights of the Palestinians. He said:

My sympathy does not blind me to the requirements of justice. The cry for the national home for the Jews does not make much appeal to me... Why should they not, like other peoples of the earth, make that country their home where they are born and where they earn their livelihood? Palestine belongs to the Arabs in the same sense that England belongs to the English or France to the French. It is wrong and inhuman to impose the Jews on the Arabs... Surely it would be a crime against humanity to reduce the proud Arabs so that Palestine can be restored to the Jews partly or wholly as their national home.

India has always supported the establishment of a sovereign, independent, viable State of Palestine, within well-defined and recognized borders, through a negotiated and comprehensive solution that takes into account the legitimate interests and grievances of all the parties concerned. This has been reflected in India's voting pattern on this issue in the United Nations, and in the activist role that India has traditionally played in drafting and steering resolutions on this subject in NAM. India was the first non-Arab country to recognize the Palestine Liberation Organization (PLO) as the 'sole legitimate representative of the Palestinian people', and later gave the PLO office in New Delhi full diplomatic recognition. Similarly, India was the first non-Arab country to recognize Yasser Arafat as the President of Palestine. Arafat had a special rapport with India's leaders, especially Prime Minister Indira Gandhi. India's policy on Palestine is a very

sensitive political issue in India. India's traditional support for the Palestinian cause enjoys across-the-board political consensus in India, reflected in the unanimous Parliamentary resolution adopted in 2006 on Israel's invasion of Lebanon.

In keeping with this approach, India joined the Arab countries in opposing the partition of Palestine, and it was only in 1950, two years after Israel came into existence, that India granted *de jure* recognition to the State of Israel. However, India did not establish full diplomatic relations with Israel. Israel was permitted to have only a consular presence in Mumbai, not the exchange of Embassies with India it so dearly wanted. This situation lasted for many decades. But its resident Embassy in Nepal since 1961 did give Israel a useful window into India. So long as the Congress Party was in power, the traditional policy on Israel continued, although Jawaharlal Nehru himself was candid enough to publicly acknowledge in 1958 that this was 'not a matter of high principle' and 'this attitude was adopted after a careful consideration of the balance of factors'. In the late 1970s under Prime Minister Morarji Desai's Janata government, India began to deviate from its policy, presumably as part of Desai's own pro-West orientation and his desire that India should follow a policy of 'genuine non-alignment'. Israel's Defence Minister Moshe Dayan was invited to India in 1978 on a secret visit. India's interests were primarily to explore the possibilities of cooperation with Israel in intelligence sharing on terrorist and separatist organizations and in getting defence supplies. The visit did not lead to any substantive outcome, as word of it leaked out to the Indian media and this predictably started off a political controversy about India's support to the Palestinian cause and India-Arab relations. It was not till 1992, after the Middle East Peace Process at Madrid in 1991 between Israel and the Arab States had begun, and the break-up of the Soviet Union had changed the geopolitical balance decisively in favour of the US, that India felt emboldened to exchange diplomatic Missions with Israel.

Since then, however, relations have rapidly grown in all fields, especially in the military field. Israel has emerged as a significant and reliable source of defence supplies and advanced sensitive defence technologies, second only to

Russia. Many of the items and technologies supplied by Israel to India are unavailable from elsewhere. India particularly appreciated Israel's willingness to supply military equipments and ammunition during the Kargil operations in 1999 and Operation Parakram in 2002. There is also useful mutually beneficial cooperation in the intelligence domain. India has reciprocated by recently launching for Israel its TECSAR spy satellite, even though this has been projected as a purely commercial deal. However, the military relationship is, deliberately, underplayed by India and overplayed by Israel. There is a vibrant relationship in non-military sectors too, including agriculture and science and technology and a sizeable volume of trade (more than \$3 billion), much of which is accounted for by trade in diamonds.

The valuable political support that the Jewish lobby provides in the US makes Israel a desirable partner for India. An understanding and supportive US attitude has facilitated the transfer to India of many technologies and equipments produced by Israel over which the US has a veto. As India and the US have come closer over the last few years, there have been some tentative moves to forge a trilateral strategic relationship between the three countries. Speaking to the American Jewish Committee in May 2003, India's former National Security Adviser Brajesh Mishra seemed to hint at a trilateral grouping of, or at least close cooperation among, India, Israel and the US based on the complementarities and common interests that bring India closer to both the US and Israel. The Jewish lobby was used to garner support in the US Congress for the India-US nuclear deal, but the unfortunate price that India seems to have had to pay was to cast the controversial votes in 2005 and 2006 referring Iran's dossier on the nuclear question from the IAEA to the UN Security Council, and the insertion of the Iran factor in the Hyde Act that was passed by the US Congress in December 2006 to facilitate the India-US nuclear deal.

Whatever the other benefits that an overtly close relationship with Israel may have for India, it is politically difficult and very risky for any Indian Government to ignore negative public perceptions within India, especially among Muslims, about Israel's harsh and unjust treatment of the

Palestinians. This has been a particular dilemma for the UPA Government, which for more than four years depended on the outside support of the Left parties, which have been regularly calling for ending India's defence and security cooperation with Israel. Although nothing in India's relations with Israel has changed in practice, an impression gained ground that there has been a certain cooling in India's relations with Israel under the UPA Government. It is true, however, that the UPA Government, more than earlier governments, cannot be seen as being too close to Israel and has always tried to politically balance its relations with Israel and Palestine. That is why there are relatively few high profile political-level exchanges between India and Israel. From the Israeli side, there was a visit by Israeli President Weizman in 1996 and another by Israeli Prime Minister Sharon in 2003, but this has not been reciprocated by any visit from India to Israel at the level of Head of State/Government. Even though Indian Ministers and Chief Ministers of states have been regularly visiting Israel, no Indian Defence Minister has ever done so, despite the intense interaction in the defence field. In the future, the challenge will be to sustain the high level of India's mutually beneficial relationship with Israel without upsetting influential domestic constituencies. The Arab countries themselves, including Palestine, who are trying to work out a deal with Israel, and maintain informal relations with Israel, do not seriously object to India's relations with Israel. In fact, they quietly hope that India could be a moderating influence on Israel.

### **Need for an Activist Indian Policy**

India's policy towards the Persian Gulf region has to be based on the fundamental assumption that the destinies of India and the Persian Gulf, be it the Arab Gulf States or Iran, will remain considerably intertwined. West Asia and the Persian Gulf is very much part of India's extended and strategic neighbourhood. What happens here directly affects India's security and other vital interests. India's interests require that this region remain



peaceful and stable. Any widespread disorders could affect India's energy security. Even more important, they would displace millions of Indians living and working there, creating enormous social and economic disruptions, with unpleasant political consequences, within India. India had a taste of this when thousands of Indians fled Kuwait in the aftermath of the 1990–91 Gulf crisis. Since then, the number of Indians working in this region has increased manifold. There is simply no way that India can evacuate the Indians from the Gulf in a hurry, whether by ship or by air. Therefore India has to follow policies that ensure peace and security in the Persian Gulf region. Considering India's stakes in the region, it is very disconcerting that there has been such a paucity of high-level visits to the region. Even visits of the Minister of External Affairs have been infrequent. Thankfully, with Prime Minister Manmohan Singh's visits to Oman and Qatar in November 2008, there appears to be a belated realization of the need to correct the situation.

The Persian Gulf region is also of enormous strategic importance for the world as a whole. When they were under British rule, administered from India, the Arab Gulf States acquired a strategic importance, as control over this region was essential to secure the sea route from Britain to India and to defend Britain's Indian possessions. This region was virtually a British lake. On Britain's departure from the Persian Gulf region in 1970, the US took over the policeman's role. The US today has an overwhelming military presence in all countries of the region except Iran, which is being threatened by the US. The autocratic regimes have for many decades enjoyed a cozy relationship with the US. They have entered into military alliances or arrangements involving military bases and supply of sophisticated military equipment with the US. In return, the US has acted as a guarantor to secure these regimes from any possible popular upheavals.

Unfortunately, this has led to only a superficial stability in the Persian Gulf. The reality is that there is no region in the world that is more volatile than the Persian Gulf. The monarchies, emirates, sheikhdoms and dictatorships of the region are potentially unstable, particularly as their rapid



population growth has created a large demographic bulge of young people whose economic expectations and political aspirations may be difficult to fulfil. Sudden democratization may not be the right answer, as it could unleash forces that would be difficult to contain. Today, some of the most crucial and complex contemporary global problems and issues such as energy security, Islamic fundamentalism, global terrorism, Israel–Palestine, Iraq, Iran and Afghanistan have their roots in this part of the world. All of these are linked in one way or another to the US presence in the region or to the pressure that Israel, a close US ally, exercises on the countries of the region. Pakistan too has considerable security ties and influence in the Gulf region, including through a fairly large non-resident population of workers.

There are many complex, messy and contradictory relationships that compound the potential instability of this region. Some of these are a psychologically embattled, small but militarily dominant Israel versus a large and belligerent Iran and a traditionally hostile Arab world; a Shia-dominated, militarily superior and revolutionary Iran that threatens the hitherto unquestioned leadership of the Islamic world by a rich Sunni Saudi monarchy, even though both countries now seem to recognize the need to work out a mutually acceptable arrangement; the deep but unspoken fear among the small oil and gas-rich States of the larger potentially predatory States of the Persian Gulf. Then there is large, rich and strategically located Iraq, perhaps supine today, which can decisively swing the regional balance of power, no matter whether it stabilizes or breaks up.

In West Asia, the Palestinian problem that has defied solution for six decades is not merely a matter of deep global concern, but of real danger. With the passage of time the Palestine problem has become more intractable than ever. More than anything else, it centres on the fact that Palestinians, who had been living in Palestine for centuries, have been evicted from their land, and turned into refugees in other countries or virtual prisoners in the West Bank and Gaza, or second-class citizens in Israel. It is a supreme irony that Israel, which is fanatical about the right of Jews anywhere in the world to

migrate to Israel, refuses to countenance that the Palestinians driven out of their homes too have a similar right to return to their traditional homes. Frustration and hopelessness among the Palestinians has led to desperation, reflected in suicide bombings. But Israel is not secure. In fact the insecurity of the Israelis has increased. The Palestinian question is the principal factor that unites Muslims around the world and that led four decades ago to the formation of the OIC. It is an issue that has spawned terrorism and al-Qaeda, created avoidable suspicion of Islam in the West and threatens to re-ignite the medieval conflicts between Islam and Christianity. The inability of the world to resolve the Palestine question is an important factor behind the ongoing conflicts and confrontations in Afghanistan, Iraq and Iran.

The ongoing war in Iraq and the US–Iran confrontation are causing deep concern worldwide. Matters would obviously reach a flashpoint if Iran were to actually develop nuclear weapons and proclaim that it had done so, or were Israel and the US to launch a preemptive strike against Iran. Regardless of the outcome, such a step would create enormous pressure on other States in the region to develop nuclear weapons. It would lead to some asymmetrical Iranian response against a US base or ships in the Persian Gulf or against Israel, thereby triggering off a series of chain events that would destabilize the region and perhaps the world too. Countries like Kuwait, Qatar and Bahrain are worried that any attack on an Iranian nuclear facility such as Bushehr would lead to nuclear radiation leaks that could pollute their oil and gas producing regions. This would ruin their economies, create a global energy crisis and throw out hundreds of thousands of Indians and other expatriates from their current jobs. Truly, any war in the Persian Gulf would have a domino effect. In short, the outcome of a shooting war over Iran would be completely unpredictable and highly dangerous. As history shows, a seemingly small event too can kindle a larger conflagration since the whole region is a tinderbox. Wisdom lies in preventing the situation from developing to such a stage. This means that there is need for active diplomacy and a somewhat different approach than what has been tried so far.

India needs to evolve a policy framework and a security paradigm for this region that would protect its national interests in the Persian Gulf–West Asia region. India must anticipate different scenarios and corresponding responses so that it is not caught off-guard. While India's interests and assets are considerable in this part of the world, its influence on the ground is meagre. Regrettably, having a minimal security presence in a region of vital national importance, India lacks the levers to protect its interests in a crisis situation. India's military contacts are principally in the field of training and showing of the flag through periodic visits by Indian ships. The only Gulf country with which India regularly holds naval exercises is Oman. This is not adequate. Fortunately, indications are that the countries of the region would welcome a greater Indian security presence in the region. India too is gradually shedding its inhibitions about getting more deeply involved in Gulf security. Although the US has toyed with the idea of India having a greater presence so that it could relieve pressure on the US itself, India must not be seen as an appendage to US policy in this part of the world. The US may be on good terms with the current rulers of the region, but there is widespread anti-Americanism among the public. India's long-term interests dictate prudence in following policies that are seen as serving larger US purposes. Interests also diverge. The US does not have to worry about the safety and welfare of millions of its citizens; India does. The US may choose at some time in the future to disengage from the region; India simply cannot because the Persian Gulf is its neighbourhood.

As the only large power located in the geographical proximity of the Persian Gulf, India has to take on some responsibilities for the region's security and stability. Various US-sponsored peace initiatives have floundered because all countries, even Israel, do not sufficiently trust the US. Moreover, the US objective is seen as the preservation of US and Israeli domination of the region. India, which enjoys good relations and a considerable degree of trust among all the players in this region—the Arab States, Israel and Iran—is perhaps uniquely placed to play a role, even take the initiative, to bridge the differences of the antagonists. India should seriously

work towards trying to develop a regional security structure like the ARF that brings together all the key players from within and outside the region. The 'Manama Dialogue' organized every year since 2004 by the London-based International Institute of Strategic Studies (IISS) provides a model for a formal inter-governmental structure. This presumptive organization, which could perhaps be called the Gulf Regional Forum (GRF), would bring together Saudi Arabia, Yemen, Oman, United Arab Emirates, Bahrain, Qatar, Kuwait, Iran, Iraq, Israel, Palestine, Jordan, Syria, Lebanon, Egypt, India, Pakistan, Afghanistan, China, Japan, European Union and Russia. Such a framework could provide a forum for dialogue, leading on to confidence-building measures and perhaps even preventive diplomacy that would promote stability in the region from India to the Mediterranean. A collective security forum where the presence and influence of the US is balanced by the presence of other powers would provide a desirable level of comfort to the various players, particularly Iran, and reassure them that they are not a source of, but part of the solution to, the problem of Gulf security and stability. The very fact that mutual antagonists like Israel, Iran and Saudi Arabia can sit down at the same table would be an enormous step forward in creating mutual confidence. Shia–Sunni antagonisms have abated. Riyadh and Tehran are reaching out to each other. There is much less Arab hostility to Israel than there has been for decades. The time is opportune for such an initiative.

## Chapter 9

# Russia and Eurasia

### The Soviet Legacy

With the focus of public attention on the foreign policy front in recent years having been on India's relations with the US, it is easy to miss the value of India's traditionally close and friendly ties with Russia, the successor state to the former Soviet Union. The deep roots of this relationship go back to the early 20th century when India was under British rule and the Tsars ruled Russia. The Russian Revolution of 1905 inspired Indian freedom fighters. Mahatma Gandhi, then in South Africa, was struck by the similarity in the prevailing conditions in Russia and India. He developed a close bond and carried on lengthy correspondence with Leo Tolstoy. Lenin followed with interest and sympathy the nascent Indian freedom struggle. Following the 1917 Bolshevik Revolution, the Soviet leaders understood that their revolution stood a better chance of success if India too were to be free and independent. Even though many Indian freedom fighters who were greatly inspired by the Bolshevik Revolution established personal contacts with the Soviet leaders, it was Nehru's thinking, more than anything else, which laid the foundation of the policy of the Indian National Congress towards the Soviet Union. After visiting the Soviet Union in 1927, on the occasion of the 10th anniversary of the Bolshevik Revolution, Jawaharlal Nehru came back deeply impressed with the Soviet experiment. Convinced that poor developing countries like India needed

to follow not the capitalist path but a development model that emphasized social justice, equality and human dignity, Nehru was emphatic that India must develop close and friendly relations with the Soviet Union. It is noteworthy that even before India became independent, an official announcement was made on 13 April 1947 on the establishment of diplomatic relations between India and the Soviet Union.

Nehru's faith in the Soviet Union was not misplaced. The Soviet Union consistently gave India valuable political, diplomatic and strategic support bilaterally as well as in international forums on Kashmir and other vital issues affecting India's national interests. It was Soviet diplomatic backing and material support, and the confidence provided by the Indo-Soviet Treaty of Peace, Friendship and Cooperation, which enabled India to successfully undertake the operations in 1971 that led to the creation of Bangladesh. This political understanding was underpinned by a strong economic and strategic relationship. Beginning in the 1950s, India received from the Soviet Union generous assistance for its industrialization as well as in the sensitive areas of defence, space and atomic energy. Short of capital, foreign exchange and technology, India appreciated that it received for infrastructure projects cheap economic credits repayable in rupees; reliable, affordable and good quality military supplies, also on credit; and large-scale supply of crucial products like oil and oil products—mostly via a swap deal with Iraq—fertilizers, metals, and so on. Some of today's globally competitive public sector companies like BHEL, Oil and Natural Gas Corporation (ONGC) and Hindustan Aeronautics Limited (HAL), not to speak of the steel industry in India, were set up with Soviet cooperation. The first Indian Institute of Technology to be set up with foreign collaboration was the one in Bombay with Soviet support. In Soviet times it was a truly strategic, if somewhat unequal, partnership, which helped India become more self-reliant.

### **New Priorities in the 1990s**

With the break-up of the Soviet Union, the whole edifice of relations built up over decades came crashing down. Both

sides scrambled to adjust to the new realities. India and Russia drifted apart in the 1990s because of different priorities. While Russia struggled to cope with the wrenching shift from a State-controlled economy to a free market economy and from a centralized authoritarian regime to a multi-party democracy, India too embarked on a process of economic reforms. The business communities in both Russia and India focused their energy and attention on the West, which was seen as the source of technology, capital and management. Oil supplies from Russia to India stopped. Military supplies to India were disrupted badly as many defence establishments in the integrated Soviet military–industrial conglomerate shut down, jacked up prices unrealistically, or were simply unable to coordinate supplies with other defence manufacturing units sprawled all over the post-Soviet space. Neither Russia nor India could devote much time to learning how to deal with the other in the vastly changed circumstances. Political relations too reached a nadir during the Yeltsin era because the Russian leadership was too obsessed with the West and did not consider relations with India a sufficiently important foreign policy priority. Overturning its traditional policy, Russia supported the Pakistani proposal for a nuclear-weapons free zone in South Asia. Under US pressure, Russia reneged on its deal to supply cryogenic engines to India. A decade or so was lost in this period of transition and re-adjustment. In retrospect, perhaps this was unavoidable.

Following the break-up of the Soviet Union, Russia's main foreign policy concerns have been its immediate neighbourhood, the US, Europe, and China—all regions from where the main threats to Russia's security emanate. Russia wants to regain political and economic primacy in its 'near abroad' and is concerned about the threat of Islamic fundamentalism and incipient instability in some of the newly independent states of Central Asia and the Caucasus. This task has become more difficult because of the efforts of the US to permanently weaken Russia by expanding NATO to Russia's western periphery, actively instigating Ukraine, Georgia and Azerbaijan against Russia, and locating missile defences in Poland and the Czech Republic. Outside its immediate neighbourhood, Russia has the



West as the reference point for its foreign policy, both because of security considerations and also because Russians admire the West and want to be considered 'European'. Integration with Europe is an enduring Russian theme and aspiration since the time of Peter the Great. Gorbachev had spoken of a 'common European home'. Historically Europe has been also the principal enemy and threat to Russia. Today, Russia seeks access to Europe's lucrative markets and advanced technology in many spheres. Russia is also trying to counter the mounting pressure from the West by keeping Europe dependent on Russian oil and gas and by taking steps to prevent the consolidation of a common US–Europe approach towards Russia. At the same time, as a country with a vast Eurasian expanse, Russia has to look towards Asia where most of Russia's natural riches are located. For the moment, the interests of Russia and China converge in curbing the presence and influence of the US in Central Asia. In the long term, however, China's economic pull and its demographic expansionism in Siberia, the Far East region of Russia and Central Asia pose a threat to Russia's traditional political influence and economic dominance in these regions.

### **India–Russia Relations in the 21st Century**

At a time when India–Russia relations were at important crossroads, the replacement of Yeltsin by Putin in 2000 brought to the helm in Russia a new leadership that appreciated the strategic importance of Russia's relationship with India and took note of the fact that, unlike the West, India had not tried to humiliate Russia when it was weak. Putin put in place policies that helped to revive the staggering relationship and steer it in the right direction in the new millennium. Even though the days of cheap credits are over, oil flows have stopped, and rupee trade is sputtering to its end, Russia and India have once again begun to regard each other as relevant to their respective national priorities. The relationship has evolved into a more equal one, since Russia is no longer a superpower and India

no longer a mere developing country. Both India and Russia have acquired a new self-confidence arising out of their rapid economic growth, their large foreign exchange reserves, their respective strengths—among others, of Russia as an ‘energy superpower’ and India as a ‘knowledge superpower’—and their sense of destiny.

As rising powers that are likely to play an increasingly larger role on the world stage in the coming decades, the two countries share the goal of creating a multipolar world. Russia’s interest is to keep India, an important State in the global balance of power, as a friendly, independent-minded power. India values the political and diplomatic support it continues to get from Russia on vital issues. The two countries do not have any serious clash of interests. There is reciprocal support and understanding for each other’s priorities and policies in their respective strategic neighbourhoods—South Asia in the case of India, and the former Soviet Union in the case of Russia. Russia has to take India more seriously since India is a nuclear power and its economy has been growing at an impressive pace. India is happy that Russia has recovered economically and militarily, and is reasserting itself on the international arena. Yet it must be understood that India figures only in the second rung of Russian foreign policy priorities; for India, Russia’s importance is greater. Within the framework of the pragmatic foreign policies that both countries are following today, there is no room for ideology or sentimentalism. In today’s complicated and fast changing geopolitical situation, both countries have wisely diversified their foreign policy options, yet have been careful not to jettison a mutually beneficial partnership of trust built up over decades.

The defence relationship is vital for India, which is heavily dependent on Russian equipment and spares especially for the navy and the air force. Although India has diversified its defence purchases, Russia remains India’s most important foreign supplier of military equipment. Problems do remain. Price negotiations are tough and the era of ‘friendship prices’ is over. Product support, supply of spares and maintenance for several important acquisitions by India are still inadequate. Yet it is neither easy nor desirable for India to put at risk a

defence relationship of long standing. Russian military equipment remains competitive, sturdy and reliable. India also appreciates Russia's willingness to sell state-of-the-art equipment and engage in joint research and development of new products, examples being the Brahmos cruise missile (already in production), Multi-Role Transport Aircraft, and the Fifth Generation Fighter Aircraft. Despite all the difficulties in India–Russia defence ties, Russia is still the only foreign military supplier from whom India is able to procure hi-tech equipment unavailable from elsewhere, including nuclear powered submarines and, notwithstanding delays and price escalation, an aircraft carrier. India's legitimate worry is that without a substantial defence relationship, the whole edifice of India–Russia relations would be greatly weakened. For Russia too, considering the large volume of business and India's record of timely payments and scrupulously settled Soviet-era debts, India is a large and valuable customer for defence equipment. It is the only country with which Russia has a military-technical cooperation programme. At a time when Russia's economic situation was fragile, defence sales helped to keep Russia's own defence industry afloat. Concerned that India has diversified its defence purchases, Russia understandably does not want to lose the lucrative Indian market to fast rising and tough competition from Israel, France and the US, whose powerful arms lobbies have scored notable success with the Indian defence services in demonstrating the attractiveness of their products and services.

With synergies arising out of the fact that India is an energy-deficient country and Russia an energy-surplus one, energy is an important area of future cooperation—at least from India's perspective. Following up on the success of the Indian investment in the Sakhalin-1 project in 2001 that has already yielded 2.5 million tonnes of oil, India is seeking more investment opportunities in Russia's upstream oil and gas sector, including the giant Sakhalin-3 project. However, seeing that the decision to let India make investments in Sakhalin-1 was an essentially political one, India may find it difficult to get additional opportunities in Russia's oil and gas sector except as part of a broader strategic relationship and understanding that

entails some reciprocal concessions by India. If India remains committed to an overarching India–US strategic relationship, which has already had some negative fallout on India’s relations with Russia, it will be difficult to expand India–Russia energy ties. From a commercial perspective, Russia’s oil companies want a share in the downstream oil and gas business in India. India could also be an important market for Russian exports of oil and gas if Russia were to want to diversify its markets. Russia, which is already helping India build the Kudankulam nuclear power plant and has recently supplied fuel for the Tarapur reactor, has agreed to set up additional nuclear power plants in India now that the Nuclear Suppliers Group guidelines have been revised to accommodate India.

India–Russia relations will not have a sound foundation and long-term stability unless trade and economic cooperation increases and diversifies. Two-way trade today is at a worryingly low level of only \$5 billion, just about 1 per cent of India’s foreign trade, compared to the Soviet Union’s share of more than 9 per cent in 1991. Even the modest target of US \$10 billion for 2010 will not be easy to reach. In both countries business is now mostly in the hands of a largely West-oriented private sector, which governments can try to nudge and persuade, but cannot compel or direct in a particular direction. This Western orientation is partly the result of a historical legacy. Mainstream Indian traders and industrialists were never involved in trade and economic relations with the Soviet Union. Indo-Soviet trade was conducted on the basis of annual trade plans, heavily influenced by political considerations, drawn up by the central authorities. A whole generation of businessmen, industrialists and trade officials—a rather specialized group—learnt how to work this system and made enormous profits. It was an esoteric activity requiring now irrelevant special expertise and contacts, not the skills required to do business along market principles. After the crutches of the past were taken away, the more reputable Indian industrial and business houses somehow never ventured seriously into the Russian market. A few brave souls who tested the waters in the early years after the break-up of the Soviet Union were badly scalded and beat a hasty retreat. Bureaucratic complexities and rigidities on both sides present

additional hurdles. Indian businessmen have poor awareness of opaque and frequently changing tax, customs and other rules and regulations in Russia. Two persistent and fundamental problems that have defied solution are the enormous difficulty that Indian businessmen face in getting visas for Russia, and the weak banking links between the two countries.

Politically as well, Russia and India seem to have drifted somewhat as India and the US have come closer. India's 2005 defence agreement with the US, the frequent joint military exercises that India holds with the US, India's last-minute reluctance to sign an agreement on setting up additional nuclear power plants at Kudankulam during Prime Minister Manmohan Singh's visit to Moscow in January 2008, and India's tailoring of its policy on Iran clearly under the influence of the US—all these factors have given rise to concerns in Russia about the overall direction of India's foreign policy. With the US increasingly influential in South Asia and in shaping India's policy towards its neighbours, and the Kashmir issue no longer a live international issue, Russian support to India on political issues is perhaps less valued today than in Soviet times. But things could change.

India does look up to Russia as a reliable friend and strategic partner. There is a consensus across the entire Indian political spectrum about Russia's importance for India. Over the years, successive Indian leaders have taken special care to nurture this relationship, which has survived political vicissitudes, neglect and drift during the Yeltsin era, pressures and attempts by outside powers to create rifts and occasional misunderstandings over Pakistan. At the official level, both countries are making efforts to bring back the vigor and dynamism in the relationship that has been missing for some time. Russian President Putin's high-profile visit to India in January 2007 as Chief Guest for India's Republic Day celebrations was an important step in this direction. But towards the end of 2007 there were cool signals from the Russian side. A series of protocol controversies during high-level visits from India to Russia, including those of the Prime Minister, the External Affairs Minister and the Defence Minister, towards the end of 2007 seemed to indicate Russian unhappiness with India. The misunderstanding has

since been removed. Russian Prime Minister Zubkov's visit in 2008 was a success, and the agreement on additional reactors at Kudankulam initialed during his visit was signed during President Medvedev's visit to India in December 2008. However, the misgivings that arose in late 2007 and early 2008 do bring out the need for vigilance to ensure that the relationship remains on track. India should, in its own interests, eschew steps that would weaken the bonds of a trusted, time-tested relationship.

A fundamental weakness in the bilateral relationship is that neither Russia nor India has a wide domestic constituency rooting for each other as partners. Perceptions on both sides tend to be shaped by Western prejudices, and do not conform to contemporary realities. The new generation of Russia's ruling elite views India quite differently and understandably does not have any nostalgia for Soviet times. It also tends to look essentially to the West for business linkages, in part because the West has traditionally been the benchmark for most Russians of what constitutes a 'civilized' society, and also because the windfall profits made in the privatization scams of the 1990s have been mostly invested in Western banks and properties. Russian perceptions of India are outdated and stuck in the time warp of mid-20th century India, and there is little understanding of the much richer, self-confident and savvier India of the 21st century. Perhaps Russians feel that India has no alternative to Russia and that India is not giving Russia the attention and importance it deserves.

The Indian elite's thinking and lifestyle is also oriented towards the West. Culture, language and a democratic polity bring India and the West together. India's links with the West have been strengthened in many other ways—the rich, well-educated and substantial Indian diaspora settled in Western countries; the rapidly growing linkages of Indian business and industry with Western counterparts and the large-scale movement of visitors and students between India and the West. Similar people-to-people linkages do not exist between Russia and India. The image that most Indians have of Russia is outdated—Russia is no longer the crushed, dispirited nation in the immediate post-Soviet period, but most Indians have yet

to register Russia as a strong, modern and stable country, much less show understanding of its problems. India is also ignorant of, and lacks confidence in, many Russian technological capabilities, since Russia is weak in transferring them on a cost-effective basis to the civilian sector. India's elite seems to have fallen under the spell of new suitors that appear more attractive than a known and trusted old partner. The general public too remains somewhat ignorant about the significance of India's relations with Russia, as Russia does not affect most ordinary Indians lives as does, say, the US or the Persian Gulf region.

Indians need to be aware that India's relationship with Russia still matters a great deal. The interests of the two countries are complementary in important fields of cooperation such as oil and gas, defence, nuclear, space, and science and technology—Russia's areas of core strength in which it is globally competitive, and where India needs foreign assistance and collaboration. Despite the many difficulties, irritants and limitations in the relationship, India should not lose sight of its many positive elements. Russia has given India valuable political and strategic support at critical times on Kashmir in the UN. It has not created trouble for India in India's neighbourhood. Russia has repeatedly proved its reliability during India–Pakistan conflicts. In deference to India's sensitivities and concerns, it has not given any advanced defence equipment to Pakistan that would upset the military balance in South Asia. Both nations have strategic convergences relating to Iran, Afghanistan and Central Asia. Russia has been a valuable partner and given India unique access to advanced technologies in many sectors. In the space sector, India is slated to get Russian technology in tracking satellites and to have a collaborative 'Chandrayaan' project, involving space probes to the moon. In nuclear energy, the Kudankulam project is noteworthy because Russia is the only country building civilian nuclear reactors in India. ONGC has a valued stake in Russia's oil and gas sector. If the strategic relationship is to move forward meaningfully, both India and Russia will have to make conscious efforts to understand the other's priorities and become more relevant to each other.

The coming into power of new generations of leaders in both countries adds to the uncertainties in India–Russia relations. Leaders on both sides must appreciate the importance of creating wider public interest and understanding for the relationship particularly among the increasingly influential younger generation. Without such public support, it will be difficult to provide greater depth, a sound foundation and long-term stability to this mutually beneficial strategic partnership that has served both countries well for a long time. Officially sponsored cultural extravaganzas like the ‘Year of Russia’ in India in 2008 and the ‘Year of India’ in Russia in 2009 cannot be a substitute for spontaneous and natural people-to-people exchanges. India will need to build direct contacts with the entire spectrum of stakeholders and interest groups in the political, economic, military and other spheres not only in Moscow and St. Petersburg but also throughout Russia. Similarly, Russia will have to learn how to deal with new centres of power and influence in India.

### **Imperatives in Central Asia**

The swathe of land extending from Turkey to Xinjiang and from the Siberian steppes to the Persian Gulf and the Arabian Sea needs to be viewed in its totality rather than through the simplistic prism of the Cold War era, and as a strategic rather than a mere geographical region. From a historical, cultural and geo-political perspective, Central Asia is not only the Central Asian Republics of the former Soviet Union, as is sometimes commonly thought, but the entire Eurasian space enclosed by Russia, China, India, Turkey and Iran. It includes Afghanistan, Northern Iran, the Tibet and Xinjiang regions of China, Mongolia, as well as Ladakh and the Pakistan-occupied regions of the Indian state of Jammu and Kashmir. Considering that the most dramatic manifestation of the end of the Cold War was the break-up of the Soviet Union, it is important to grasp the significance of the far-reaching geo-strategic transformation that is taking place in this region.



Throughout India's history the Central Asian connection has been extremely important. Central Asia has been India's principal door to the outside world. It has deeply influenced India's history, culture and polity. Of all India's neighbouring regions, whether across land or maritime frontiers, it is with Central Asia that India has had the longest association, and the most extensive people-to-people ties. It is from Central Asia that the traditional threats to India's security have emanated. That is why the Central Asian aspect of India's foreign policy needs greater attention than it has received so far.

India is not merely a South Asian power. India—or at least northern India—has always had a Central Asian character too. While the region south of the Himalayas has determined the mainstream features of India's life, the history of Tibet, parts of Xinjiang, Afghanistan, and the land north of the Amu Darya has been intertwined with that of the Indo-Gangetic plains. Even today, Ladakh has more in common with the cultures of neighbouring regions of Central Asia than with South Asian traditions. Similarly, the Kashmir valley has historically had equally intensive trading and cultural contacts with Central Asia and the plains to the south.

As Central Asia is the area from which threats to India's security have historically emanated, India's interests in Central Asia are fundamentally strategic. India would like to see a stable and secular Central Asia. Weak, unstable States with centrifugal tendencies could become a haven for terrorists, separatists and fundamentalists who could link up with counterparts in Afghanistan and Pakistan. Moreover, instability and chaos in Central Asia carries the danger of a domino effect across the entire region. Central Asia also needs to be watched since developments in Xinjiang, which shares a border with India, would have a direct bearing on India's security. Thus India's approach to Central Asia cannot be passive. India must work actively to get a firm foothold in Central Asia, so that this strategically located region does not become an area dominated by forces inimical or hostile to India's interests. Among other things, India must track any military presence in the region that could potentially threaten it. On the economic side, the Central Asian market is relatively small. However, India would

very much like to gain access to the rich natural resources of the region, such as oil and gas, uranium, rare earths and minerals, copper, gold, diamonds, and to acquire, if possible, some specialized defence technologies and defence production facilities available in the Central Asian countries.

Fortunately, there are many factors working to India's advantage in Central Asia. Unlike China and Russia, India is viewed by Central Asian States as a benign power that does not pose any direct contemporary threat, whether ideological, demographic or territorial. In fact, India has always held a tremendous cultural attraction, a certain romance and mystique for the people of this region. India's 'soft power', which has captivated Central Asia in the past, has the potential to be a powerful tool of India's diplomacy in this region. India's technical-economic assistance programmes like Indian Technical and Economic Cooperation (ITEC), particularly in areas like information technology, are seen as very relevant and useful for Central Asia. India is also the nearest large market for products of the region. In addition, Central Asia's rich cultural heritage and natural beauty could attract large numbers of tourists from India and thereby give a boost to the local economies.

At the same time, there remain many glaring weaknesses in India's policy and approach to the region. When the Central Asian Republics attained independence, they looked forward to India playing a prominent role as a major partner in all spheres of activity. President Nazarbaev of Kazakhstan, for example, made it a point to visit India immediately after Kazakhstan's independence. Unfortunately in the early years after the independence of the Central Asian Republics India was unable to optimally convert the traditional goodwill into contemporary influence. Relatively few people in India had any serious knowledge about or interest in Central Asia. This is changing now, with many institutions and scholars paying much greater attention to Central Asia. Yet, even today, very little news about Central Asia is to be found in the Indian media, and the Indian presence and visibility in this part of the world remains quite poor. Even at the governmental level, India paid inadequate attention to Central Asia. While resident

Embassies were opened in all the Central Asian countries, infrequent high-level visits conveyed the impression to these countries that India was not looking at this region as seriously as were other major global powers.

Nor have India's businessmen, industrialists and bankers shown great interest in Central Asia. There is a reason for this. The emergence of the Central Asian Republics as independent countries coincided with India's own economic liberalization, when the focus of attention of Indian business and industry was understandably on the developed countries from where India hoped to get investments and technology. It's not that Indian companies did not try to do business in Central Asia. But in the 'Wild West' early years after the Central Asian countries became Independent, many Indian companies burnt their fingers. Today, most major Indian companies do not attach importance to Central Asia in their global strategy. Poor air connectivity has contributed to reinforcing mutual ignorance. India's economic relations have woefully lagged behind the political relationship, principally because India is not economically rich enough, nor is its business, industrial and financial community sufficiently motivated or aggressive to be able to overcome India's geographical and other handicaps in dealing with Central Asia.

From the perspective of the Central Asian countries, India is not a country that has been able to show that it is relevant, much less make a significant contribution, to their immediate priorities, namely their search for national identity, security and, more recently, regime survival. Nor have they received any large-scale assistance from India for their economic development. India's good relations with Russia put limits on India's potential as a balancing force in Central Asia. In view of the support that Russia gives India in South Asia, India cannot be seen as pursuing policies in Central Asia that Russia considers inimical to its interests there. Thus India occupies a somewhat low priority, at least in the short term, in Central Asian eyes.

The Central Asian countries would nevertheless like India to be present in a bigger way there, since other powers present there carry considerable baggage. The Central Asians are seeking, as an expression of their sovereignty and independent

identity, to reduce the influence of Russia, a country that they can neither ignore nor do without. They remain suspicious of China that has been traditionally viewed as an expansionist and dominating power. The US is welcomed insofar as it keeps the influence of both Russia and China in check, but Central Asian rulers remain wary of it since the US is also seen as working for regime change. Major bilateral and international donors have not been able to make any meaningful difference to the lives of the people. Against this background, the Central Asian countries continue to have some expectations that India would play a much larger role in that region, and, albeit somewhat vaguely, consider India as a potential balancing factor to the other major players in the region.

India's major dilemma is how to access Central Asia. The absence of easy access to that region severely constrains India's options, particularly in promoting trade. Traditionally, India's contacts with Central Asia have been mainly via Afghanistan, which provides the easiest land route to it. But given the situation in Afghanistan, and the necessity of having to cross Pakistan to reach Central Asia, India cannot realistically hope to have overland access to that region by this route in the foreseeable future. So far, Pakistan's attitude has not given any indication of its willingness to cooperate with India on Central Asia, since this negates its traditional objective of checking India at every opportunity and of seeking 'strategic depth' against it. With a new popularly elected government in power now in Pakistan, possible India–Pakistan cooperation on Afghanistan and Central Asia should be actively explored. But this will take time, assuming that it can happen at all. India has also been trying to access Central Asia via Iran. However, Iran does not provide a reliable or economically efficient access route. Transit to Central Asia via Iran involves cumbersome multi-modal transport, first by road or rail to a port in India, then by ship to an Iranian port, then again by road and/or rail to Central Asia. All connectivity projects via Iran—whether it is the North–South transport corridor from India to Russia via Iran, the trilateral India–Iran–Turkmenistan agreement, or the Iran–Afghanistan route where India is assisting Afghanistan in building the Zaranj–Delaram road that will connect to

the Afghanistan girdle road—have so far turned out to be sub-optimal. Poor infrastructure, multiple trans-shipments involving different modes of transport, and inefficiency and corruption are ills that plague all the legs of the transport corridors. International pressures on Iran inevitably impose additional limitations on using the Iran transit route. Thus, India needs to seriously explore the possibility of establishing links with Central Asia via Xinjiang, since that is the only other overland route to this region from India. Reactivation of trade routes between Leh and Kashgar would lead to the development of Ladakh region, with a spillover effect on the entire state of Jammu and Kashmir, as well as on Himachal Pradesh.

India has to focus on areas other than traditional trade in order to preserve its interests in Central Asia. Investments, science and technology, defence and security, culture and education, training, tourism, media and academic exchanges are some of the promising areas of cooperation. India is already engaged in all these areas, but not sufficiently deeply. More generous funding of projects, especially in infrastructure, under concessional loans is needed. A larger number of seats in training institutions should be allocated to Central Asia. Private airlines should be permitted, indeed encouraged, to fly to this region. More attention and resources need to be devoted to Central Asia in the government, media and academia. Study of Central Asian culture and languages must be encouraged. India could make better use of its cultural centres in Central Asia for its outreach programmes. India also needs to change its image there. The attraction of the people there, particularly the older generation, to India's history and culture is a good starting point and a positive factor; but it also reinforces old stereotypes about India. Today, India needs to project the image of a modern, industrial, scientifically and technologically advanced country that can serve not merely as a role model for these countries—just as India did for many Asian and African countries in the immediate aftermath of their independence from colonial rule—but also greatly help them in their integration with the contemporary world. India's task is much easier today because its image has indeed changed in the West, only the Central Asian countries have little direct experience

of this, except in the information technology sector. India has to particularly attract the younger generation, target them to visit, study and do business in India, and create economic and people-to-people linkages between India and Central Asia. Above all, it is imperative that India gives much greater sustained political attention to Central Asia. It is not enough to have only sporadic high-level visits to the region, mostly on the occasion of regional meetings of the Shanghai Cooperation Organisation (SCO) or the Conference on Interaction and Confidence-Building in Asia (CICA). One hopes that the visit of Kazakh President Nazarbaev to India as Chief Guest on India's Republic Day in 2009 becomes a turning point in India's perspective on Central Asia.

### **A 'New Great Game'?**

As a geographical area that abuts on the borders of major powers in Asia, Central Asia will always attract foreign presences. A century ago, the British geographer, Sir Halford Mackinder called this the 'heartland' that plays a key role in shaping global geo-politics. The reason was simple. It was a huge territory—the largest, most populous and richest of all possible land combinations—in the middle of the Eurasian continent, wedged in by other powers facing the Atlantic, Indian and Pacific Oceans. For more than one millennium starting from the Huns in the 5th century, Central Asia had dominated the world, as a succession of nomadic peoples, most notably the Mongols, emerged from Central Asia to conquer or threaten the States and peoples located in the 'marginal crescent'—China, Russia, Central Europe, Persia and India. The ever-present threat emanating from Central Asia has been fundamental to shaping the history and the psyche of both the Russians and the Chinese. In its search for security from marauding Turks and Mongols, Tsarist Russia expanded its frontiers to Central Asia, Siberia and the Pacific coast. Generations of Chinese emperors periodically sought to establish control over these areas, with only partial and fitful success; at other times they simply

hunkered down behind the Great Wall stretching thousands of miles. Unlike China and Russia, India was fortunate to enjoy the protection of the Tibetan plateau and the Himalayas. It did not need to expand its territory to ensure its security, but it had to deal with frequent invasions of tribes of Turks, Mongols and Afghans from this region through the narrow northwest opening of the Khyber Pass. It was only after the Europeans developed sea power and constrained the power of the continental powers that the power of Central Asia could be checked. The great powers inevitably clashed from time to time. These were the imperatives behind the 'Great Game' between Britain and Tsarist Russia as well as the clash between the expanding Tsarist and Manchu empires in Central Asia in the 19th century resulting in what the Chinese call the 'unequal treaties' of 1858 and 1860.

A century later, the geopolitical realities remain unchanged, only the players are different and the 'game' far more complicated. All the major global players, including the US, have a presence in the region, and energy has emerged as an additional important factor in strategic equations. Many influential US thinkers and strategists like Zbigniew Brzezinski continue to be influenced by Mackinder's theories. For many decades, because of the closed borders between the Soviet Union and China, and their mutual hostility, there was no danger of a single entity emerging as the dominant power in the Eurasian strategic space. After the break-up of the Soviet Union and the vastly improved relations between Russia and China, the possibility of these two countries, plus India, getting together have become a geopolitical nightmare for strategists like Brzezinski, as that combination could challenge US global hegemony.

Having lost its buffer zone of Central Asia, Russia once again feels vulnerable on its southern frontier. For China, Xinjiang could turn out to be its Achilles heel. Among all the people of Turkic origin in Central Asia, the Uighurs are intellectually the most sophisticated, culturally the richest, and politically with the most developed sense of national identity. It does rankle that they do not have autonomy much less independence when much smaller Turkic tribal groups with a poorer sense of identity like the Turkmen and the Kyrgyz have

managed to get their own independent States. Compared to the Tibetan diaspora, the Uighur diaspora is larger and more influential. Moreover, unlike Tibet, which has limited people-to-people contact with its neighbours India and Nepal, Xinjiang has more economic, social and other ties with its immediate neighbours. Any instability in Central Asia could affect Xinjiang's security since the traditional homelands of the ethnic Uighurs, Kazakhs and Kyrgyz straddle the present-day political boundaries of Xinjiang with Kazakhstan and Kyrgyzstan. Historically, all this has been one region—the territory of the ex-Soviet Central Asian States known as Turkestan and the present-day area of Xinjiang known as East Turkestan. The old Sino-Soviet border, now the border between China and the Central Asian States, is unnatural since it runs along a rough north–south axis while the rivers flow from east to west. A more natural division of the combined region of Turkestan and East Turkestan would be between the north and the south. North Xinjiang and adjoining north Kazakhstan are basically steppe lands inhabited by nomad tribes, while the oasis settlements in southern Xinjiang around the Tarim Basin like Khotan, Kashgar and Merv have much closer cultural and economic links with Ferghana Valley and the oasis towns of Samarqand, Bukhara and Merv. Were Beijing's centralized control to weaken in Tibet and Xinjiang for any reason, this would have direct and far-reaching implications for India's security since Tibet and Xinjiang are geographically contiguous to India. The situation would be quite similar to that in Kazakhstan following the break-up of the Soviet Union. India needs to study this scenario carefully. No doubt the Chinese have drawn appropriate lessons from the collapse of the Soviet Union and have tried to put in place suitable preemptive measures, but India would be prudent to look ahead.

In formulating its broad strategy for the Central Asia region, India would be unrealistic to think that, given its inherent handicaps, it can achieve its objectives by acting on its own in that region. In order to protect and preserve its interests in the region, India has no alternative but to closely consult and cooperate with other major powers having an interest and a presence in Central Asia such as Russia and China. This can be



within the ongoing Russia–India–China trilateral framework. It can also be considered within the framework of the SCO—where the other Central Asian countries get involved too—if India becomes its full member. It is logical that these three major Asian continental powers, united through this strategic space whose stability is a matter of vital national interest for all three countries, should actively seek areas of convergence.

All the major powers present in Central Asia, including the US, share some common interests in the region, such as countering fundamentalism, terrorism and secessionism, and in seeing a stable and prosperous Central Asia. However, Central Asia will stabilize only when there is sufficient investment that promotes economic development, reduces unemployment among the youth, and gives people long-term hope about a brighter future. So far only Kazakhstan is attracting sufficient investment that is facilitating its economic growth. Turkmenistan appears to have weathered the immediate post-Niyazov uncertainty and may stabilize if it uses the income from selling its rich gas resources for the welfare of the people and to build the country's infrastructure and institutions. The other three ex-Soviet Central Asian countries, namely Uzbekistan, Kyrgyzstan and Tajikistan are the most vulnerable because they share the strategically important and volatile Ferghana valley that has traditionally held the key to stability in Central Asia. India can help bring stability to Central Asia by leveraging its unique advantage of its heartland being so close to that region. If India is to protect its vital national interests in Central Asia, it has to be a player on an equal footing with the other major players like the US, Russia and China.

## Chapter 10

# US and Nuclear Issues

### **Pokharan-II: A Turning Point**

**D**espite the Indian ruling elite's fascination with and admiration of the US, and Jawaharlal Nehru's well-known but little publicised attempts to get closer to the US in the 1950s, India's relations with the US remained at a low level for the first 50 years after India's Independence. It was only after India became a nuclear weapons power in 1998 that the nature of India's relationship with the US underwent a qualitative change. This event, together with Pakistan becoming a declared nuclear weapons power, jolted the US into taking India, and indeed the whole of South Asia, seriously from a security and geopolitical perspective. Pokharan-II coincided with India's growing economic weight and the increasingly influential role of the Indian American community in the US. Both factors added to India's importance in US eyes. South Asia was no longer a geopolitical backwater that could do without high-level US attention.

India and the US began their unprecedented serious and intensive high-level interaction, now a decade old, with a series of meetings in different parts of the world between Jaswant Singh and Strobe Talbott from 1998 to 2000. President Clinton's visit to India in March 2000, the first by a US President to India after more than two decades, signaled the decidedly higher priority given by the US to India. If there were any doubts that South Asia had emerged prominently on the

US foreign policy radar screen these were removed after 9/11 and the ensuing US 'war on terror' in Afghanistan that necessitated Pakistan's cooperation without alienating India.

From the US side, the focus in the strategic dialogue with India was on preventing India from enhancing its nuclear weapons capabilities. The Clinton administration's mantra was to 'cap, rollback and eliminate' India's nuclear weapons programme. The Bush administration in its first term tried to achieve the same objective, though not so aggressively. Essentially, the US objective was to put pressure on India to sign the Comprehensive Test Ban Treaty (CTBT), join the negotiations on the Fissile Material Cutoff Treaty (FMCT), strengthen controls over export of sensitive technologies and equipment in line with the guidelines of the Nuclear Suppliers Group (NSG) and the Missile Technology Control Regime (MTCR), and work to reduce tensions with a nuclear Pakistan since Kashmir was viewed as a 'nuclear flashpoint'. In return, the US promised to lift its sanctions and give India access to high technology. The US was also very keen in strengthening India-US defence ties including through sale of military equipment. From the Indian side, the National Democratic Alliance (NDA) government in power from 1998 to 2004 was enthusiastic about forging a strategic partnership with the US. As Foreign Minister, Jaswant Singh tried hard, in vain, to seal a strategic partnership with the US by extending support to it on matters the latter considered to be of political and strategic importance. The India-US dialogue lost some momentum for about a year and a half as the US concentrated on the ongoing war in Afghanistan, and India turned its attention to tackling the security threats from Pakistan following the attack on the Indian Parliament in December 2001. In November 2002, an Indo-US High Technology Cooperation Group was set up. India thought this might improve India's access to 'dual use' items (items having both civilian and military applications) from the US. In 2003 President Bush pressed India to send troops to Iraq, but a canny and politically savvy Prime Minister Vajpayee saw the long-term dangers in this and adroitly managed to stave off the pressure. Although Vajpayee considered the US a 'natural ally' he was understandably reluctant to agree to

terms that would compromise India's strategic autonomy. The continuing search for a mutually acceptable basis for a strategic partnership found expression in the bilateral dialogue under the rubric of Next Steps in Strategic Partnership (NSSP) announced in January 2004, which was intended to increase cooperation in civilian nuclear activities, civilian space programmes, and high-technology trade. Later missile defence was added as a fourth component to the NSSP.

On coming to power in 2004, the UPA Government, keen to leave its mark on foreign policy, grew impatient with the incremental progress being made under the NSSP. Prime Minister Manmohan Singh made the nurturing of the relationship with the US his most important foreign policy priority. This coincided with the new strategic focus on India under the second Bush administration with Condoleezza Rice as Secretary of State. Rice's visit to India in March 2005 was the turning point in the India-US quest for a true strategic relationship. Rice's offer 'to make India a great power' appealed to the vanity of Indian policy-makers. President Bush and Prime Minister Manmohan Singh were determined to forge a new strategic relationship between India and the US unencumbered by the disappointments and suspicions of the past. In order to convince the US of its bona fides, India pushed through comprehensive export control legislation in May 2005, agreed to a wide-ranging and far-reaching defence agreement ('New Framework for the India-US Defence Relationship') in June 2005 and at a critical moment, presumably not wanting to spoil the atmosphere on the eve of the Prime Minister's planned visit to the US in mid-July, did not press for a vote in the UN General Assembly on the G-4 (India, Japan, Germany, Brazil) resolution seeking a reform of the UN Security Council.

### **India-US Nuclear Deal**

This set the stage for the India-US nuclear deal outlined in the 18 July 2005 joint statement issued during the Indian Prime Minister's visit to the US. It was abruptly declared that

the NSSP had been satisfactorily completed, without quite explaining how. The nuclear deal was regarded, at least by the Indian side, as the centerpiece of a blossoming India–US strategic partnership. Conscious of the baggage of US dealings with India for over half a century, Indian policymakers were astute enough to realize that it would not be easy to politically sell a strategic relationship with the US, but simplistically concluded that public and political scepticism on this count could be overcome if the US were to recognize India as a nuclear weapons power and lift the restrictions on technology transfer to India. Crafted in stealth and secrecy by a small cabal, the 18 July agreement was thrust upon the Indian public and even the Indian nuclear establishment at the last minute, without adequate preparation, and perhaps without fully thinking through its consequences and implications. Despite this, at that time the country accepted the government’s contention that the overall balance of the agreement was favourable to India and did not compromise India’s national and strategic interests. Had the spirit of the 18 July agreement been maintained there would have been no problem.

Not unexpectedly, trouble started immediately thereafter as the US successfully coerced India into toeing its line in September 2005, and again in February 2006, on sending Iran’s dossier from the IAEA to the UN Security Council. India’s vote confirmed the long-held US view of India as a soft State that could be arm-twisted even on matters concerning India’s vital interests in its own neighbourhood. This reassured the US administration and Congress that India would be a reliable long-term strategic partner willing to adjust its foreign policy to converge with the US global agenda.

India’s foreign policy focus throughout 2006 was on relations with the US in general and the India–US nuclear deal in particular. With External Affairs Minister Natwar Singh having become a victim of the Volcker Report on Iraq’s Oil-for-Food controversy and therefore no longer around to offer even cautionary advice, Prime Minister Manmohan Singh personally guided the India–US relationship for nearly a year. During President Bush’s visit to India in March 2006, the separation plan of India’s civil and military nuclear facilities

was finalized. Quietly, India–US defence relations were given a boost with a Framework Agreement on Maritime Security Cooperation. The two countries also agreed to conclude an Acquisition and Cross-Servicing Agreement (ACSA) along the lines of similar agreements that the US has concluded with its numerous allies. Presumably in order to hide its true intent from the Indian public, this was described as a Logistics Support Agreement. Because of the opposition of the Left parties, the Logistics Support Agreement could not be signed while the UPA Government was dependent on the support of the Left parties.

Political attention in the US and India now turned to the US administration's efforts to get the US Congress to pass enabling legislation that would permit the US to engage in civilian nuclear cooperation with India. It is completely unprecedented for any US administration to have exerted so much effort with the US Congress, or lobbied so hard in India on any issue involving India–US relations. The debate within the US Congress seemed to confirm the fears of many sceptics in India that the US would try to load unacceptable conditions on the US legislation that would go against the 18 July understanding. Sharp divisions within the Indian establishment and public on the nuclear deal engendered a heated and wide-ranging political and public debate in India and destroyed the traditional national consensus on India's foreign policy. Prime Minister Manmohan Singh, under growing pressure to allay widespread public concerns about the nuclear deal, spelt out India's 'red lines' in a statement in Parliament on 17 August 2006. He clearly stated that if the final US legislation imposed extraneous conditions on India, then the government would draw the necessary conclusions consistent with the commitments he had made to Parliament. This reassured the critics and the sceptics.

The passage of the Hyde Act, as the enabling legislation came to be called, by the US Congress in December 2006 marked a defining moment in the ongoing India–US nuclear waltz. Not surprisingly, wide gaps remained between the provisions of the Hyde Act and Prime Minister Manmohan Singh's assurances in Parliament. External Affairs Minister Pranab Mukherjee himself admitted in Parliament that the

Hyde Act did contain 'extraneous and prescriptive' provisions. Any honest assessment of the implications of the Hyde Act would have made it clear that a mutually satisfactory deal was not doable. However, in a remarkable display of sophistry, the government claimed that the offending sections of the bill are 'non-binding', even though the bill does not make any distinction between its so-called 'binding' and 'non-binding' provisions, and Prime Minister Manmohan Singh himself conceded in Parliament that non-binding provisions have 'a certain weight' in the implementation of the legislation as a whole. Nor did the government satisfactorily address widespread concerns that even if President Bush considers some sections of the Hyde Act as merely advisory his successors may not hold the same view. India's bitter experience with fuel for Tarapore nuclear reactors should have cautioned India's negotiators in putting too much trust in the US living up to its written commitments if political considerations dictated otherwise. Had the government wanted, it could have worked on finding an exit strategy that would cause minimum damage to India-US relations. Deliberately ignoring the obvious, namely that the provisions of the Hyde Act had laid down the legal framework for this deal on the US side that US negotiators would have to observe, the government disingenuously averred that the Hyde Act was an internal piece of legislation that does not affect India and that India would only be concerned with the bilateral India-US Agreement, or the so-called '123 Agreement', that was under negotiation. Parliament was given soothing assurances that the country should now await the 123 Agreement!

While the controversy continued to rage in India, the government engaged in protracted and difficult negotiations on the 123 Agreement. The leaders of both India and the US gave them a decisive political push, and showed extraordinary keenness and doggedness to somehow reach an agreement. India's negotiators tried some semantic jugglery to bridge the seemingly irreconcilable gaps between the Hyde Act and the Indian Prime Minister's assurances to Parliament, but a perusal of the 123 Agreement finalized and initialed in July 2007 does not allay the worst fears of the sceptics. The text of the 123 Agreement states, in the very first operative

paragraph, namely Article 2 that each Party would implement this Agreement 'in accordance with its respective applicable treaties, national laws, regulations, and license requirements concerning the use of nuclear energy for peaceful purposes'. This makes it very clear that the US' interpretation of the 123 Agreement would be guided by the Hyde Act and other US laws, and the Nuclear Non-Proliferation Treaty (NPT) to which it is a signatory. Any lingering doubts on this score were removed when US Secretary of State Rice unambiguously stated in New Delhi in October 2008 that the 123 Agreement is consistent with the Hyde Act. For the government to claim that the 123 Agreement, which is merely an enabling inter-governmental agreement, overrides the Hyde Act, an overarching piece of US national legislation without which the 123 Agreement would not have been possible, is wishful thinking.

It seemed that the deal was dead when in November 2007 Prime Minister Manmohan Singh and the Chairperson of the UPA Sonia Gandhi publicly stated as much at the Hindustan Times Summit. A committee of the UPA and the Left parties was set up to examine this matter. Under pressure on the widespread agitations over the controversial proposed Nandigram and Singur land transfers in West Bengal, the Left parties were persuaded to let the government negotiate but not sign a Safeguards Agreement with the IAEA as a face-saving way for the government to exit from this deal. In hindsight it is evident that this was only a tactical retreat by the government. Tremendous pressure was put by the Bush Administration to ensure that India should not walk away from a deal on which the Bush Administration had invested so much time and political capital. Thus, India went ahead and finalized the negotiations on a Safeguards Agreement with the IAEA Secretariat. In June 2008, a couple of weeks before Prime Minister Manmohan Singh's departure for the G-8 summit in Japan, the government made it quite clear that it was going to approach the IAEA to conclude a Safeguards Agreement even without the approval of the UPA-Left committee. As anticipated, the Left withdrew its support to the UPA Government in July 2008, but the government nevertheless managed to survive thanks



to some unprincipled support from the Samajwadi Party. As feared, the nuclear deal became a political football.

Indian official statements, including at the highest level, have been taking the lofty line that this deal is all about civilian nuclear energy, not about India's nuclear weapons programme. That is far from true. Getting US support for India's civilian nuclear energy programme is merely one element, and not the most important one, in this deal. It would be naïve to believe that this deal will somehow provide energy security to India—see Chapter 11 for a detailed discussion. Had it been just a matter concerning nuclear energy, it is doubtful whether the Prime Minister of India would have shown such unseemly haste and anxiety to clinch the India–US nuclear deal, and remained so adamant on going ahead with it in the face of widespread opposition in Parliament and outside. In the absence of a national consensus, any prudent government would have second thoughts about rushing headlong into concluding the nuclear deal. Obviously, a lot more is at stake. For Manmohan Singh personally, there are perhaps considerations of prestige, ego and the 'legacy' he would leave behind as Prime Minister.

One possible valid consideration for India to go in for the deal could be that uranium from abroad for its civilian nuclear energy programme would free up indigenous uranium for its nuclear weapons programme. However, the stringent provisions of the Hyde Act require the US President to keep track of uranium production and utilization in India precisely to obviate such a possibility. Knowledgeable people in India have argued that it would make more sense for India to accelerate its efforts to more efficiently mine existing uranium deposits in India, to step up prospecting for new deposits, and to actively explore possibilities of getting uranium from countries outside the NSG. Although the NSG has given permission to individual members to do trade with India in nuclear materials, individual countries can choose not to do so, or they may be fickle-minded and unreliable. For example, while Australia's Howard Government was inclined to sell uranium to India, the new Rudd Government is much more reluctant to do so.

Other arguments adduced by assorted publicists and drumbeaters drafted by the government to put a positive

spin on the deal and 'sell' it to the public are that the deal would lead to the end of 'technology apartheid' and give India access to latest US technologies. Were India sure of getting all technology transfer restrictions removed, it would be a tangible and significant achievement. However, on the anticipated transfer of technology to India as a result of the deal, there is so far neither any evidence nor commitment to warrant such a conclusion. Neither the 123 Agreement nor the NSG exemption for India give it upfront access to enrichment and reprocessing technology; rather, the stated intention is quite the contrary. Article 5.2 of the 123 Agreement makes it clear that there is no change in the current US policy on transfer of dual-use items. These transfers will remain subject to the applicable US laws, regulations and licence policies. At best, one would have to wait and see whether other countries are inclined to loosen technology restrictions on India, particularly on dual-use items. The government, for its part, has merely made general statements about technology restrictions being removed as a result of the nuclear deal, and has not given any concrete convincing facts or arguments on this point. It is not known whether any promises on wholesale removal of technology transfer restrictions have been made to the Indian government. In matters like this, the maxim 'Trust, but verify' is apposite.

In this context it is relevant to point out that it is not by chance that the majority of current India-US initiatives are knowledge-based. The US wants to ensure that it remains the global centre of cutting edge scientific research and development and technological innovation. US knowledge-based initiatives for cooperating with India are intended to tap into India's enormous talent pool to work for US interests. One should not expect the US to transfer technologies to India that will erode US competitiveness. Given that a shortage of talented people is already being felt in several sectors in India, it is doubtful that US policies that draw India's most talented young people to the US, even as they benefit individuals, will help India realize its potential to be a knowledge superpower in the 21st century.

The way in which the negotiations have been conducted has added to the misgivings of many people in India. On the

Indian side, the negotiations were shrouded in unprecedented secrecy, unusual for a deal that is ostensibly only about civil nuclear energy cooperation. The government shied away from a Parliament resolution reflecting the sense of the House that would have forged a national consensus and strengthened the government's hand in negotiations with the US. It ignored the strong sentiments against the deal expressed by large number of Parliamentarians. Dripping with intellectual arrogance, the Indian government and its acolytes self-righteously sought to dismiss legitimate apprehensions and cautionary advice. However, the views of major political parties, sections of the Congress party itself, former Prime Ministers and Foreign Ministers, top nuclear scientists, experienced diplomats, and leading members of the strategic community in India who have conveyed their unease over this deal cannot be simply brushed aside as being immature or uninformed, much less unpatriotic, as implied by the Prime Minister in one of his public remarks. The government has failed to convince its numerous and voluble critics in Parliament and outside. The pity is that the government does not see the need to take anyone into confidence. Its spinmeisters justify the secrecy by drawing comparisons with the secrecy in which the Indo-Soviet Treaty of 1971 was negotiated, conveniently forgetting that there are significant differences in content and circumstance between the two cases. The Indo-Soviet Treaty was conceived in the context of the growing Bangladesh crisis; it was concluded by a government that had a clear majority in Parliament; and within four months of its signing the relevance and efficacy of the Indo-Soviet Treaty was there for all to see. In any case, such arguments only serve to confirm that the Indo-US nuclear deal is actually a far-reaching strategic agreement, not the civilian nuclear energy agreement it is officially touted to be.

Occasionally, one has got an authoritative glimmer of the actual discussions and the true implications of the nuclear deal from the US side, which has been far more open and honest in stating to its own Congress and people what the deal is really about. However, it is significant that over the last few months the details of the deal the US administration has shared with the US Congress in response to pointed queries

by US Congressmen and Senators have been deliberately kept confidential, presumably because their public revelation would have blown a hole in the line that is being fed by the Indian Government to the public. One disturbing example of this is India's commitment to put its future nuclear reactors under safeguards. This issue does not figure in the 123 Agreement, but has profound implications for India's future nuclear weapons and indigenous nuclear energy plans. Under the Separation Plan agreed to between India and the US on 2 March 2006 and tabled in Parliament on 7 March 2006, it was clearly stated that a civilian facility would be one that India has determined not relevant to its strategic programme and that India retains the sole right to determine which future thermal power reactors and breeder reactors would be termed civilian. Curiously, however, the chief US negotiator of the deal, R. Nicholas Burns, has repeatedly and confidently stated in published statements and articles that all of India's future civil reactors, including fast breeder reactors, would be under IAEA safeguards and that within a generation about 90 per cent of India's reactors and nuclear establishment would be fully safeguarded. Such statements only aggravate concerns that there is more to the deal, perhaps even confidential agreements or understandings, than the Indian Government is willing to admit.

### **A Strategic Partnership?**

The essence of the problem, and hence the controversy, is that the US and India are seeking to achieve different objectives from this deal. The Hyde Act, numerous US policy documents and various statements by US leaders and senior officials—the most detailed authoritative US exposition on the issue being the article in the November/December 2007 issue of *Foreign Affairs* written by R. Nicholas Burns in his capacity as US Under Secretary of State for Political Affairs—clearly bring out two principal US policy objectives in its relations with India. The first is to ensure that India's foreign policy is 'congruent' to

that of the US. The nuclear deal is expected to induce greater political and material support to the achievement of US foreign policy goals, namely the retention of all-round US global domination. India's growing economic and political role in the world is seen as a new and significant strategic opportunity to advance US goals. The US objective is to see if India can be integrated as a 'constructive actor and stakeholder' in a US-led international system. US spokespersons have situated the deal in the US' larger foreign policy objectives. It is seen as advancing US global interests by changing the global balance of power in favour of the US and serving its national security interests. This makes sense from a US perspective. The US would hardly have made so much effort to push through this deal if it were not so. The problem is that there is a fundamental contradiction between US and Indian long-term foreign policy objectives. India's own foreign policy traditions and national consensus have given rise to its legitimate aspirations to have a greater say in global affairs in the coming decades through an independent foreign policy. Whereas the US wants the current so-called unipolar world order to continue, India believes that the world should be multipolar, with India itself as one of the poles. How can these different objectives be reconciled?

### **US Non-proliferation Objectives**

There is another important area where US and Indian objectives in signing this deal are diametrically different. In going in for the India-US nuclear deal, the US hopes to achieve another major objective that it has pursued for decades. This is to corral India into the non-proliferation framework in a way that does not strengthen India's nuclear weapons capability. Rather, the US expectation is that the nuclear deal would curb India's strategic capabilities. India, on the other hand, has a national consensus that it should definitely preserve its strategic autonomy, and wants to ensure that its freedom to pursue its strategic nuclear weapons programme remains unaffected. Successive Indian governments have refused

to sign the NPT or the CTBT. India's becoming a declared nuclear weapons power in 1998 was a logical outcome of this national consensus. Ever since then, India has sought some kind of *de jure* recognition as a nuclear weapons power. It has observed a voluntary moratorium on nuclear testing, and has not proliferated its indigenous nuclear weapons technologies. It has behaved as if it were a signatory to the NPT. However, while maintaining this discipline, it has steadfastly refused to accede to the NPT because of its discriminatory regime concerning the rights and obligations of the five nuclear haves as recognized by the NPT and the nuclear have-nots. Despite its responsible behaviour on non-proliferation issues, India continues to be a principal target of restrictive regimes like the NSG. The US, India thought, would open the door to enable it to enjoy the privileges enjoyed by the nuclear weapons powers that are signatories to the NPT, even if it is not recognized as a nuclear weapons power under the NPT. These were the considerations behind, and India's understanding of, the provisions of the 18 July 2005 India–US joint statement which clearly stated that India would 'acquire the same benefits and advantages as other leading countries with advanced nuclear technology, such as the US', namely no full-scope safeguards, no curbs on India's nuclear weapons programme and implicit recognition as a nuclear weapons power. The Prime Minister had stated quite unambiguously in Parliament on 17 August 2006: 'In these important respects, India would be very much on par with the five Nuclear Weapons States who are signatories to the NPT.' Yet US Secretary of State Rice has expressly ruled out that the 123 Agreement gives India recognition as a nuclear weapons power and Burns has made it clear that the US cannot aid in the development of India's strategic programme. In his testimony before the Senate Foreign Relations Committee in April 2006, Ashley Tellis, who was a member of the Bush administration till 2007 and played a key role in the negotiations on the nuclear deal, stated that 'India has now agreed to obligations that in fact go beyond those ordinarily required of NPT signatories'.

A close reading of the various documents connected with the India–US nuclear deal, namely the Hyde Act, the 123 Agreement, the IAEA Safeguards Agreement, the NSG terms

of exemption, the caveats of the US Congress while passing the 123 Agreement, as well as the Bush administration's public statements and messages to the US Congress—all these have not dissipated fears that India has compromised its strategic autonomy and is signing on to the CTBT and a FMCT through the backdoor. By signing the 123 Agreement and the IAEA Safeguards Agreement, including an Additional Protocol still to be signed, India has accepted implicit and irreversible curbs on its strategic weapons programme. There remain serious ambiguities on many technical points about the deal such as India's practical ability to conduct nuclear tests should the situation so require; India's right to reprocess spent fuel; safeguards in perpetuity; guaranteed fuel supplies and the nature of corrective measures India can take in case fuel supplies from abroad are disrupted. Nor, contrary to the assurances given by Prime Minister Manmohan Singh in Parliament, is this a true India-specific Safeguards Agreement; the India-specific provisions that protect India's interests are essentially in the Preamble and the General Considerations section of the Agreement, not in the operative portions of the main text that spell out the Safeguards Procedures. The latter are along the lines of the Safeguards Agreements that the IAEA signs with non-nuclear weapon States as defined by the NPT. If it is the government's contention that the Preamble is as important as the main body of the Safeguards Agreement, then by the same logic all the provisions of the Hyde Act too have the same weight and legal sanctity without any distinction being made between so-called 'binding' and 'non-binding' provisions. The letter sent by the Bush administration in January 2008 to the Chairman of the US House of Representatives Foreign Affairs Committee, which was released to the media in September 2008, has confirmed suspicions that the US understanding of India's obligations is at variance with the line being fed to the Indian public by the UPA Government.

It is very clear that, notwithstanding the gloss that is being put on the Hyde Act, the 123 Agreement, the IAEA Safeguards Agreement, and the NSG exemption, India will not get the same rights and obligations as other nuclear weapon States under the NPT. Any honest assessment will reveal that India has

definitely not achieved through the nuclear deal all the benefits it thought it would get when it agreed to the carefully crafted balance of benefits and obligations set out in the 18 July 2005 joint statement. To think otherwise is to indulge in sheer self-delusion. India has boarded a plane named 'Nonproliferation Regime' that is carrying nuclear weapons. The plane is flying around the world trying to pick up additional passengers. The plane has got an American captain, a Russian co-pilot and a three-member crew from China, France and the United Kingdom. Entry into the cockpit is firmly barred to everyone else under all circumstances. All other NPT signatories are locked into their cramped and uncomfortable seats in economy class and the keys have been thrown away. The captain suspects that one of the strapped passengers, Iran, is struggling to get loose and has issued a stern warning. One passenger, North Korea, who had broken loose now has a fractured arm and an emaciated look and is being coaxed back to his seat. For a long time, only three passengers—Israel, Pakistan and India—stubbornly refused to board the plane. Israel, in cahoots with the captain, cleverly manages to avoid drawing attention by pretending it does not have nuclear weapons. No one dares to touch Pakistan, a suspected suicide bomber. India has been enticed on board with the offer of First Class travel. The entire First Class cabin is reserved for Indians. Apart from a free ego massage available on demand, also on offer are complimentary gifts of the latest hi-tech toys and gadgets, and mind-boggling frequent flyer miles that can be used for unlimited travel by all family members and relatives (the definition has been left to India) to the US with a guarantee of a 'green card' to anyone looking for one. The food is a combination of the best available in the finest restaurants of New York, London, Paris, Moscow and Beijing. After a hearty traditional English breakfast, one can move on to exotic Chinese food—however, only sweet *and* sour items are on the menu!—for lunch and the smoothest Russian vodkas for cocktails. Dinner brings to the table mouthwatering American steaks, washed down by vintage French wines. Just in case the First Class passengers are still not sufficiently intoxicated by now, rare single malt Scotch whiskies and the choicest French cognacs are available as



after-dinner drinks. The entertainment on board is so engrossing that there is no time to think. Looking out of the window, one can see majestic castles in the air. Finally, there is a lullaby to lull the First Class passenger into a deep slumber, just in case the intoxicating drinks have not had their effect. Manmohan Singh's India is mesmerized by the tantalizing temptations. The trouble is that once on board, it will not be able to get off the plane.

### Limits of Strategic Partnership

As a result of the intense public and political debate on this issue, there is today much better public awareness of the true significance of an India–US nuclear deal, namely the long-term objective of forging a strategic partnership between the two countries. The civilian nuclear energy argument is a red herring, at best a peg on which to hang a wider India–US strategic partnership. The assumption behind the deal is that the nuclear issue is the only major issue that has kept the US and India apart for so many decades and that if this ‘elephant in the room’ were to be removed, relations would develop smoothly. Such flawed reasoning ignores the reality that the nuclear factor came into the Indo-US equation only after India's peaceful nuclear explosion of 1974. India's long-standing and traditional mistrust of US predates 1974. Other fundamental factors have been at work in creating a divide between India and the US.

In the first place, there has been the US unwillingness to accept India's independent foreign policy. Burns recognizes this candidly and categorically in his *Foreign Affairs* article referred to above:

From the American point of view, Indian Prime Minister Jawaharlal Nehru's nonalignment policy and warm relations with the Soviet Union made close political cooperation unachievable (but)... the end of the Cold War removed the US-Soviet rivalry as the principal focus of US foreign relations and the rationale for India's nonalignment policy.

Burns betrays a US misunderstanding of India's policy of non-alignment. Non-alignment as a policy option for India, as distinct from the Non-Aligned Movement, was essentially about resisting pressures to join rival camps during the Cold War and about examining foreign policy options on merit. In short, it was about having an independent foreign policy. This national consensus remains very strong in India, and has nothing to do with the so-called 'Cold War mentality' as many analysts derisively claim. When US Secretary of State Condoleezza Rice stated in 2007 that non-alignment was 'irrelevant', External Affairs Minister Pranab Mukherjee was compelled to give a swift and fitting riposte to this gratuitous and misplaced remark. Jawaharlal Nehru laid the foundations of India's independent foreign policy. Whatever her other shortcomings, Indira Gandhi too was a great nationalist. Visiting the US in 1982, she was asked about the so-called 'tilt' in India's foreign policy. Her tart reply was that India stands upright! Regrettably, UPA Chairperson Sonia Gandhi, who controls the reins of the UPA Government, and whose political legitimacy rests on her inheritance of the Nehru–Gandhi legacy, has been unable to convincingly demonstrate that she too is a proud Indian with an equally stiff spine! Over the last few years, there have been definite signs of a noticeable shift in India's foreign policy to suit US interests. The realignment of Indian foreign policy is being undertaken in dribbles, so as to attract minimum public attention and scrutiny. India's political class instinctively understands that it would be sheer political folly to openly admit this since the common man in India who determines the electoral fortunes of politicians wants India to follow an independent foreign policy.

From the US side, however, there is no such hesitation. In fact, the congruence of India's foreign policy with that of the US is being touted as the payback to the US for the nuclear deal. Ashley Tellis (2007) has unequivocally spelt out in great detail how since 2001 India, despite its formal commitment to non-alignment, supported the US in many areas. According to Tellis, these include:

- Enthusiastic endorsement of President Bush's new strategic framework, although even formal American allies were reluctant to support it.

- Unqualified support for the US war in Afghanistan, including an offer of use of numerous Indian military bases.
- Silence on the US withdrawal from the ABM Treaty.
- Support to the US position on environmental protection and global climate change.
- Collusion with the US to remove Jose Mauricio Bustani, the Director-General of the Organization for the Prohibition of Chemical Weapons.
- Protection of high-value US cargoes transiting the Straits of Malacca in 2002, despite the absence of a UN mandate.
- Refraining from joining the international opposition to the US-led military campaign against Iraq.
- Serious consideration to a US request to send Indian troops to Iraq in 2003.
- Conclusion of a 10-year defence agreement with the US that identifies common strategic goals and the means for achieving them.
- Continuing collaboration with US policies in Afghanistan.
- Vote with the US and against Iran at the September 2005 IAEA Board of Governors meeting to declare Iran in 'non-compliance' with the Non-Proliferation Treaty.

Tellis significantly adds that 'many specific activities are in fact still classified'.

Need anything more be said about US expectations and the willingness, of both NDA and UPA Governments, to have a foreign policy 'congruent' with US interests? Is an Indo-US strategic partnership of this kind in India's interest? Is there at present a sufficient convergence of long-term interests between India and the US? India's National Security Adviser categorically stated in a television interview in 2007 that the US is 'not a benign power'. If this is the case, India should not have adjusted its foreign policy to suit US interests. The UPA Government's sanctimonious statements that India has not compromised on its sovereignty of decision-making ring hollow. The government has already taken significant steps to

enter into a larger and long-term strategic relationship with the US with its eyes open, but wants to pull the wool over the eyes of the Indian public. The classified list alluded to by Tellis would no doubt make fascinating reading. Perhaps this would contain instances of how the US administration pressurized the Manmohan Singh Government into removing from, or not appointing to, key positions within the government people who did not share the Manmohan Singh Government's euphoric and rose-tinted view of the US. It may even include instances of the US' blackmailing important Indian decision-makers or policy-shapers. One hopes not, but the nation has a right to know.

The second factor, which actually flows out of the first, that has kept India and the US estranged for so many decades is the traditional US policy towards Pakistan in recognition of the key role that Pakistan occupies in US long-term strategic plans for the region, including South Asia. India's security has been undermined by consistent US military, political, diplomatic and economic support to Pakistan, including its ill-advised moves on Kashmir in the UN Security Council and the attempts to pressurize India by sending the aircraft carrier 'USS Enterprise' to the Bay of Bengal when India was engaged in military operations in Bangladesh in 1971. In seeking to ensure a military balance in South Asia, a policy that has not been given up even today, the US disregards India's larger security requirements. Furthermore, it has winked at Pakistan's clandestine acquisition and proliferation of nuclear weapons and technology, and continues to indulge the Pakistan military establishment as a so-called ally in the 'war against terror'. Regrettably, under both the NDA and the UPA Governments the US managed to secure India's acquiescence to its flawed policy of 'de-hyphenating' its relations with India and Pakistan, thereby obviating the need for the US to make difficult choices between India and Pakistan, each important in its own way to the US. It would not be unreasonable to assume that it was under US pressure—or perhaps at the urging of the Foreign Secretary—designate who had just been appointed under controversial circumstances—that India agreed at the Havana NAM Summit in September 2006 that Pakistan and India were

both victims of terrorism! Immediately thereafter, a joint terror mechanism was set up, but this has unsurprisingly turned out to be a failure. So long as Pakistan's foreign policy remains highly India-centric, de-hyphenation of the US' relations with India and Pakistan is not a workable option.

While Pakistan is a very special case, India appears to have unwisely ceded strategic space to the US even in the rest of South Asia. There have been disturbing signs that India has been pressurized into coordinating its policies in South Asia with those of the US. Burns clearly states that the US is 'now working closely with India for the very first time to limit conflict and build long-term peace throughout South Asia'. If the US were actually following the Indian line in India's neighbourhood, that would be welcome; but it seems that it is India that is following the US line in South Asia. India's policy on Pakistan, Bangladesh, Nepal and Sri Lanka is already being guided by the US, something that was unthinkable a few years ago. The UPA Government seems to have outsourced its South Asia policy to the US! India's acquiescence to co-sharing with the US responsibility for managing the South Asian region has emboldened India's neighbours to count on the US to balance India's natural influence in South Asia and has aggravated instability in the region. India can hardly have a true strategic relationship with the US when US policies do not coincide with India's priorities and real interests in its immediate neighbourhood.

India has a problem with US policies in India's wider strategic neighbourhood too. In the Persian Gulf, US policies completely ignore India's interests. Millions of Indians are deeply troubled by the US war against Iraq. India and the US have differing views on handling Iran, which will always remain important for India. The Bush administration's arm-twisting of India on Iran has left a bitter aftertaste among the Indian public. India's strategic planners cannot be sanguine about the massive US military presence, which will be a long-term one, in the northern Indian Ocean, the Persian Gulf region, Afghanistan, Pakistan and Central Asia. For a start, and at the very least, there is need for a dialogue where the US should explain and reassure India about its strategic posture in the Indian Ocean and Persian Gulf region. To the east, while

Myanmar is a crucial country for India that impinges on the security and development of India's Northeast Region as well as to ensure the optimal success of India's 'Look East' policy, US policy is to isolate and impose sanctions on Myanmar.

It is remarkable that for two countries seeking a strategic partnership, the documents issued at the end of the last two bilateral visits exchanged at the highest level, namely Prime Minister Manmohan Singh's visit in July 2005 and President Bush's visit in March 2006 do not even mention, much less convey any convergence of views on, important regional issues like Iran, Iraq, Afghanistan and Myanmar! Yet India has embarked on a progressively closer military relationship with the US with the focus for the US being on sale of military equipment so that India can be weaned off its current heavy dependence on Russia, and on bringing in 'interoperability' of the armed forces of the two countries. This seems to be a case of putting the cart before the horse. Generally, a military relationship, particularly the quest for interoperability, follows, not precedes, a convergence of strategic interests and objectives. India would be unwise to let the tail wag the dog.

There are many other persisting differences between India and the US. It is difficult to see how India, with the world's second largest Muslim population, can share the US goals and strategy in the so-called 'war on terror', which seems to not only provide a cover for US unilateral action and arbitrary behaviour in its quest for extending its reach to all corners of the world but, worryingly, is widely regarded by Muslims around the world as having an anti-Islamic character. Is it a mere coincidence that al-Qaeda's activities in India have surfaced as the India-US strategic engagement has got under way? India also needs to bear in mind the growing anti-Americanism around the world, and consider whether it is really in its interest to jettison its traditional constituency among the developing countries and be so closely identified with the US. After all, India will have to turn to the developing countries to get not only the resources to fuel its economic development but also their political support for a possible permanent seat on the UN Security Council. India and the US have differing perspectives on other key global issues like the WTO and climate change.

Although India has so-called 'strategic' relationships with a large number of countries, having a strategic relationship with a superpower like the US is a different matter. A fundamental problem, for any country, is that no strategic relationship with the US can ever be one of equality. No ally or partner of the US has ever been treated as an equal by the latter. On issues where the US feels strongly enough or exerts sufficient pressure, all are expected to fall in line, and they invariably do. On the other hand, perhaps because of its experience of colonial rule, India is firmly committed to pursuing an independent foreign policy. The underlying US presumption, often articulated by US spokespersons, that in the nuclear deal India is being 'rewarded' by the US smacks of a condescending attitude and thereby weakens the foundation of the partnership. With the two countries having many divergent goals and interests, it is difficult to imagine that there can ever be a true strategic relationship between India and the US.

Nevertheless, better India-US ties undoubtedly serve India's interests. It is highly desirable for India to have a strong and stable relationship with the US, which is the pre-eminent power in the world. The US is the largest investor in India, an important technology provider, and India's largest market. India and the US share many values. For the Indian elite, students and professionals in particular, the US remains a most attractive destination. Shared concerns about China also bring together India and the US though India should be realistic and not expect the US to sacrifice its relationship with China for the sake of India. For the moment, it would be best to avoid hyperbole and to see the India-US relationship as a tactical partnership that serves both countries' short-term interests. It will take some time for it to evolve, if at all, into a true strategic partnership.

Since there is an obvious disconnect in the stated objectives of the two sides, the nuclear deal rests on rather shaky foundations. It is unfortunate that the UPA Government has unwisely chosen to hinge the future of the India-US relationship on an iffy nuclear deal. Not only was this unnecessary, but there are definite risks—for India, for the Congress Party, for India-US relations—in doing so. A national consensus on

this issue is essential because it is not an agreement between Manmohan Singh and George W. Bush but an international agreement with far-reaching consequences that binds India for many decades. If it does indeed serve the long-term interests of India and the US then it should be able to survive both the Bush administration and Manmohan Singh's government. After weathering the political crisis in July 2008, the Manmohan Singh Government has gone ahead and signed the 123 Agreement in October 2008. However, the last word has not been said on the nuclear deal. Despite its favourable orientation to the US in general, the BJP considers it politically unwise to support a nuclear deal that is widely seen as compromising India's strategic nuclear weapons programme and thereby India's security. Its charge that the government has compromised India's strategic autonomy could find a resonance among the electorate. Given the UPA Government's track record on this issue, Prime Minister Manmohan Singh has expectedly gone back on his solemn assurances to Parliament that he would come to Parliament before operationalizing the nuclear agreement. It is not ruled out that a new Indian Government that comes to power in 2009 may reject, seek to re-negotiate or simply not implement on the ground the nuclear deal. The uncertainties and ambiguities in the 123 Agreement, and the primacy of the Hyde Act, are likely to create serious difficulties in its implementation. Instead of being a catalyst for promoting India-US relations, the 123 Agreement could become a major bilateral irritant.

Although the US has succeeded in hustling a smug and shortsighted Indian ruling elite into a strategic partnership with the US largely on the latter's terms, it has shown poor grasp of Indian politics. Relying on a narrow group of Indian interlocutors with limited political influence, the US has assumed that the nuclear deal would convince and reassure the people of India that the US is a true friend. It does seem to have won over the Indian urban elite. However, this elite—the corporate sector, the urban middle class and the English language media—reflects essentially its own interests. Then there is the Indian-American community, whose interests considerably overlap with those of India's urban elite. The



Indian–American community’s political activism on the nuclear deal is probably a combination of do-goodism, selfish political ambitions, and perhaps a subconscious wish to see the US and India as allies so that the Indian–Americans can avoid making hard choices between India, their land of birth, and the US, their adopted home. The US has failed to understand that, as in the US itself so in a vibrant democracy like India, trust must be built with a wider public support base.

India’s ruling elite and its supporters, who are ecstatic after the signing of the India–US nuclear deal, have failed to appreciate that a lasting strategic partnership cannot be crafted by stealth and subterfuge. With such a sharp divide both among the political class and the strategic community in India, the foundations on which the strategic partnership rests are far from stable. The unwashed Indian masses may not understand the implications of the nuclear deal, but they do set great store by dignity and self-respect. The India–US nuclear deal may not be able to meet these benchmarks. Even among India’s politicians and officials who negotiated the deal, there remains an underlying mistrust and suspicion that came out clearly on many occasions in the weeks preceding the signing of the 123 Agreement. Specifically, India had privately expressed concerns over:

- the failure of the US to pull its weight that could have ensured NSG clearance for nuclear trade with India at the NSG’s first meeting itself in August 2008;
- the Bush Administration’s detailed written clarifications on the 123 Agreement given in early 2008 to the US Congress that were at odds with the understandings with India;
- President Bush’s message to the US Congress wherein he mentioned that the US commitments on supply of nuclear fuel were political, not legal; and
- President Bush’s reluctance to issue a statement while signing the 123 Agreement into law—which came about only after considerable Indian arm-twisting, including a refusal to sign the agreement during US Secretary of State Rice’s visit to India in October 2008.

If the deal flounders and the quest for an India–US strategic engagement unravels, giving rise to understandable all-round bewilderment, frustration and anger, it will be because of a combination of wishful thinking, inept handling, and inability to feel the pulse of India and understand its soul.

It is a pity that an unnecessary shadow has been cast over an otherwise ascendant and mutually beneficial Indo-US relationship. It would definitely be worthwhile to explore the possibility of having a true strategic relationship, but the terms will have to be more equal. The US should not, and perhaps does not, expect India to be its supine and submissive junior partner in the world. Regrettably, however, the UPA Government's actions so far do not inspire much confidence that it has the political will to stand up to the US on matters concerning India's national interests. The latest embarrassing instance was of Prime Minister giving a 'report' to President Bush at the G–8 summit in Japan in July 2008!

India needs to put in place a strategy that would ensure that the overall positive trajectory in Indo-US relations remains unaffected. Closer ties with the US have opened the doors for India's engagement with many other countries that take their cue on foreign policy from the US. It has given India some leverage in dealing with other major global players. However, the India–US strategic dialogue has a fundamental weakness in that the terms of the dialogue, and the framework for a strategic engagement, have been set by the US, and therefore essentially reflect US interests. India has been merely reacting to what the US proposes, and has been unable or unwilling to put its own agenda on the table. India seems to have proceeded from the somewhat outdated assumption that the US is destined to continue its overall global domination and therefore India has no option but to get closer to it. It has failed to situate the dialogue with the US in the changing overall global scenario where US power has peaked and other countries, including India itself, are becoming more influential. So keen is the Indian leadership on forging a strategic partnership with the US that it underestimates the extent to which the US too needs a better relationship with India.

There is no doubt that a vigilant public, media and political class in India will closely monitor the evolving India–US strategic partnership. The issues that will come up for scrutiny are whether:

- technology restrictions on India are lifted;
- India is able to conduct an autonomous foreign policy;
- India’s strategic nuclear programme has been compromised by its back-door entry into the NPT and the CTBT;
- the US is sensitive to India’s interests in its dealings with Pakistan;
- the US follows India’s lead or dictates India’s policy in the rest of South Asia; and
- imported nuclear reactors can produce safe and affordable energy.

Meanwhile, Barack Obama’s election as the next US President has disoriented many policy-makers and others in the Indian establishment and the strategic community which had imprudently openly sided with the Republicans. While Obama remains committed to a closer strategic relationship with India, Indians are warily waiting to see what policies the Obama Administration may pursue in India’s immediate neighbourhood. Will Obama have the conviction and courage to turn the screws on Pakistan? That, more than anything else, will show the efficacy of the India–US strategic partnership. But the fact that there are question marks in India about Obama’s policies underscores not just the fallacy but also the utter naiveté of the Manmohan Singh Government in pursuing personality-driven and single-issue based policies towards the US. As India moves towards general elections in 2009, Prime Minister Manmohan Singh would no doubt be ruminating on the reality that, far from being the centerpiece of a new long-term relationship with the US, the nuclear deal is, alas, no Aladdin’s lamp!

# Chapter 11

## Energy Security

### India's Energy Mix

India today is the world's fifth largest consumer of energy despite the fact that its current per capita consumption of energy is very low—490 kg of oil equivalent per capita annually—compared to the world average of 1780 kg. India's incremental energy demand is among the highest in the world. If India's economy continues to grow at 8 per cent per annum, India will become the third largest consumer of energy by 2030, but even a more modest 5 to 6 per cent annual growth rate will lead to a sharp increase in India's energy requirements over the next two or three decades. The Integrated Energy Policy report of the Indian Planning Commission, released in 2006, estimates that by 2031–32 India's primary energy demand will at least triple, and that for electricity increase by five to six times, from 2003–04 levels.

Efficient and reliable energy supplies are a precondition for sustaining India's economic growth. As India develops, its population will become more urbanized, more mobile and more prosperous, making India a voracious consumer of energy. The current high share—more than 60 per cent—of traditional fuels—fuel wood, dung cake, and so on—in the energy consumption of rural households is likely to come down as an increasingly prosperous population shifts towards use of commercial energy such as coal, liquefied petroleum gas (LPG) and kerosene oil. Such a shift will also bring health and

environmental benefits. India's commercial energy requirements are expected to increase by an average of over 6 per cent per annum in the coming quarter century.

Currently, India's primary energy mix is dominated by coal (51 per cent), followed by oil (36 per cent), natural gas (10 per cent), hydropower (2 per cent), and nuclear energy (1 per cent). Under any scenario the overall energy mix will continue to be dominated by coal, oil and gas for the next quarter century. Hydropower, nuclear energy, and renewable sources of energy like wind, solar, bio-fuels and hydrogen can contribute marginally, but are not critical, to India's energy security. The Integrated Energy Policy realistically concludes that even with a concerted push and a 40-fold increase in their contribution to primary energy, renewable sources of energy may account for only 5 to 6 per cent of India's energy mix by 2031–32.

### **Hydropower Potential**

Among renewable sources of energy, hydropower is perhaps the most significant source, at least at present levels of technology. The Integrated Energy Policy of the government, however, makes the point that even if India succeeds in exploiting its full hydro potential of 150,000 MW, the contribution of hydro energy to the energy mix will only be around 1.9–2.2 per cent. However, hydropower has its advantages that make its real share in electricity generation higher. A hydropower plant is more efficient since it converts a unit of primary energy in the form of potential energy to almost one unit of electricity whereas fossil and nuclear fuels need almost three units of a primary energy source to produce one unit of electricity. Hydropower output is flexible and suited to meet peak demand. The share of hydropower in India's energy mix could significantly increase if, in addition to India's own hydropower potential, the hydropower potential of Nepal, Bhutan and Myanmar, perhaps even of Tajikistan and Kyrgyzstan, could also be tapped. India should continue

to actively work with its neighbours in this regard, the more so as such cooperation carries non-energy benefits too. While hydropower from projects in neighbouring countries may not contribute much to India's overall energy security, the income these countries would earn by selling energy to India could make a significant contribution to their overall development. Bhutan is a good example of this. Such arrangements would also hardwire the economies of neighbouring countries with India's, and thereby serve the cause of better overall bilateral relations. Political will is the key to the success of such regional projects, though environmental concerns and the problem of resettlement and rehabilitation of affected people will also have to be satisfactorily addressed.

### **Role of Nuclear Energy**

In the context of the controversial India–US nuclear deal, an impression has been created that nuclear energy is the panacea for India's energy problems. Such hype is unjustified. Nuclear energy will always remain marginal for meeting India's energy demand unless India can take advantage of its indigenous thorium reserves. The Integrated Energy Policy puts it very clearly:

Even if a 20-fold increase takes place in India's nuclear power capacity by 2031–32, the contribution of nuclear energy to India's energy mix is also, at best, expected to be 4.0–6.4%. If the recent agreement with the US translates into a removal of sanctions by the Nuclear Suppliers' Group, possibilities of imports of nuclear fuels as well as power plants should be actively considered so that nuclear development takes place at a faster pace. Nuclear energy *theoretically* (emphasis added) offers India the most potent means to long-term energy security. India has to succeed in realizing the three-stage development process... and thereby tap its vast thorium resource to become truly energy independent beyond 2050. Continuing support to the three-stage development of India's nuclear potential is essential.

The three-stage development of nuclear energy programme consists of setting up of Pressurized Heavy Water Reactors (PHWRs) using natural uranium in the first stage. India selected PHWR technology for the first stage, as PHWR reactors are efficient users of natural uranium for producing, as a result of reprocessing the spent nuclear fuel, the plutonium that is required for the second stage Fast Breeder Reactor (FBR) programme. The FBRs will be fuelled by plutonium and will also recycle spent uranium fuel from the PHWR to breed more plutonium for electricity generation. At present, FBR technology, which is critical to developing the second stage of India's nuclear power programme, is at a nascent stage globally. In India the first Prototype Fast Breeder Reactor (PFBR) is currently under construction at Kalpakkam. India can move on to the third stage of its nuclear programme of utilizing thorium to generate nuclear energy only when there is a successful and extensive FBR programme that produces sufficiently large quantities of plutonium. That is why it is important that India must retain the right to reprocess spent fuel from its nuclear reactors. In the third stage, Thorium-232, which is a fertile material, is used as a blanket material in the FBRs to produce fissionable Uranium-233 that will be the fuel for setting in motion a chain reaction that can produce very large quantities of hydropower, estimated by the Integrated Energy Policy Report at between 208,000 MW and 275,000 MW, the higher figure being in case India can import 8,000 MW of Light Water Reactors (LWRs) with fuel over the next 10 years. However, the Integrated Energy Policy Report makes the following significant caveats:

These estimates assume that the FBR technology is successfully demonstrated by the 500 MW PFBR currently under construction, new Uranium mines are opened for providing fuel for setting up additional PHWRs, India succeeds in assimilating the LWR technology through import and develops the Advanced Heavy Water Reactor for utilising Thorium by 2020.

India's first experience of LWR technology is the nuclear plants being set up with Russian assistance at Kudankulam. LWRs are

the kind of reactors that will be imported into India pursuant to the recent approval of the Nuclear Suppliers Group, though the LWR technology itself may not be transferred.

There is also widespread justifiable scepticism about at least four sets of critical issues on which there is insufficient clarity. The first set of issues relate to the availability of fuel. India must have guaranteed availability of uranium at economical prices. The problem is that production and export of uranium is controlled by a very small suppliers' cartel whose decisions will be influenced by overwhelmingly political considerations. In case nuclear supplies from abroad are halted—either as a pressure point against India or as a response to a nuclear weapon test conducted by India to ensure its security at any time in the future—India's industry which is dependent on nuclear power would suffer huge losses.

The second set of issues relates to safety, environmental and security measures. After the experience of the gas leak at the Union Carbide plant in Bhopal in 1984, there can be no compromise on this point. People living around nuclear power plants will need to be reassured that nuclear power plants and the storage facilities for spent fuel will not affect the health of the population or livestock, nor pollute the environment. Nuclear power plants will have to be secured against terrorist or aerial attacks.

The third set of issues relate to the cost of nuclear power. Under the best-case scenario, the cost of nuclear power would be at least three times that of power from coal-fired plants. The capital cost of setting up a nuclear power plant is three times that of a coal-fired power plant. Experience around the world shows that there are invariably cost and time overruns. Safety, security and environmental measures will drive up costs. Since investors, whether foreign or Indian, would presumably want to cover themselves against any mishaps, the cost of product liability insurance would be paid by the end-user. There will be costs related to storage and disposal of spent fuel, for which expensive holding ponds would have to be constructed till the fuel is reprocessed, if at all. The government has not made available to the public any detailed study, assessment or even policy statement to establish whether, with the same quantum



of investment, India is better off giving priority to nuclear power over renewable sources of energy like hydropower, wind and solar energy.

Finally, there is continuing ambiguity about India's right to reprocess fuel, the importance of which has been outlined above. The India–US 123 Agreement gives India the right to reprocess spent fuel, but explicitly says that 'to bring these rights into effect, India will establish a new national reprocessing facility dedicated to reprocessing safeguarded nuclear material under IAEA safeguards and the Parties will agree on arrangements and procedures under which reprocessing or other alteration in form or content will take place in this new facility'. In other words, the US and other countries could withhold, delay or add conditions to reprocessing permission, in which case India will not have enough plutonium for its three-stage nuclear programme. Thus it would hardly be prudent for India to rely unduly on nuclear power for its energy security.

## **Critical Importance of Fossil Fuels**

### ***Coal***

India will have to continue to rely heavily on fossil fuels for its energy security. Coal will remain India's principal source of commercial energy, estimated at about 45–50 per cent but under no circumstances less than 40 per cent, for the next few decades. Although India does have large deposits of coal, these are insufficient for India's growing needs. Neither is Indian coal always cost-effective. As Indian coal deposits are concentrated in one region, namely eastern India, Indian coal is relatively expensive compared to imported fuels along the western and southern coasts of India. Moreover, the quality of Indian coal is poor—it has high ash content, and is therefore unsuitable for manufacturing steel. India has to import about 65 per cent of its coal requirements for the steel industry. It is also currently slightly deficit in coal for power generation. For all these reasons, India will be compelled to import coal in

increasingly larger quantities in the coming years. The Indian Government has set up a new organization, International Coal Ventures Ltd. (ICVL), along the lines of ONGC Videsh Ltd. (OVL) to pursue opportunities for investments in coal mining projects abroad. However, there are infrastructure constraints in going in for very large-scale coal imports. In the long run, keeping environmental concerns in mind, India will have to reduce its reliance on coal as an energy source. If India can tie up long-term arrangements for its imports of gas, gas-fired power plants will increasingly supplant thermal power stations.

### ***Oil***

Over the next quarter century, the share of oil and gas in total energy consumption is expected to be at least 45 per cent in the overall energy mix. India's problem is that it has only 0.5 per cent and 0.6 per cent respectively of global proven oil and gas reserves, against a current share of 3.1 per cent and 1.4 per cent respectively in global oil and gas consumption. Growing urbanization and rapid development of the transport sector will drive the demand for oil. Gas will be used primarily by the power and fertilizer sectors (80 per cent) and to a lesser degree the transport and household sectors. Natural gas-fed power plants are less expensive per kilowatt of electricity generated with higher thermal efficiency; they also have a shorter construction period than oil or coal-based power plants. Unfortunately, India's indigenous oil and gas production has reached a plateau. Despite the recent discovery of new gas fields in the Krishna–Godavari basin in the Bay of Bengal, the additional output from these sources will contribute only marginally to bridging the supply–demand gap in the coming years. Hence India's continued heavy dependence on imported oil and gas is inescapable. Currently about 70 per cent, this dependence is likely to increase to more than 90 per cent by 2030. This makes the oil and gas sector crucial for India's energy security.

At present, two-thirds of India's imported oil comes from the Persian Gulf region and another 15 per cent from Nigeria. In the foreseeable future, India will have to continue to rely

heavily on Gulf oil. India is understandably concerned that instability or disorder in the Gulf could lead to disruptions in supplies. India's decision to establish a strategic oil reserve can mitigate the adverse consequences of short-term oil disruptions, not of prolonged disruptions or permanent denial of supplies. However, India does have an advantage in that the Gulf region is on India's western doorstep, which makes India's energy supply routes much shorter than for other major countries.

India has agreed in principle with the major oil-producing Gulf countries like Saudi Arabia, Kuwait and UAE to develop long-term strategic relationships in the energy sector involving supply of crude oil and petroleum products, upstream and downstream joint ventures and marketing. Such strategic relationships can enhance India's energy security. If the oil-producing countries develop stakes in India's downstream sector, this will provide some assurance that India would continue to receive from them adequate oil supplies. India should also try to get some guarantees of uninterrupted oil supplies in the Free Trade Agreement that it is currently negotiating with the GCC countries, namely Saudi Arabia, Kuwait, Qatar, Bahrain, United Arab Emirates and Oman. India also launched an initiative to get together key Asian producers and consumers of energy to work out a strategy that would protect their respective long-term interests. But this has not been followed up with sufficient vigour over the last couple of years.

With the US occupation of Iraq likely to be long-term, and a real danger that Iraq could break up, India has to be alert to ensure that the oil reserves of Iraq and other Persian Gulf States do not come under the control of outside powers which may be in a position to deny them to India. There are transportation security risks too. Unless India can secure the Sea Lines of Communication (SLOCs) between the Persian Gulf and India, hostile countries could use India's energy vulnerability to exert pressure on India. The development of Gwadar port in Pakistan with Chinese assistance has caused understandable concern among Indian security planners. Hence India cannot afford to have a passive approach to issues of Gulf security. Fortunately, the Gulf countries themselves are keen that the

major Asian consumers of Gulf energy should get involved in helping to ensure the stability of the Gulf countries.

In order to diversify its sources of oil supplies, as well as to ensure that India's imported oil dependence does not go beyond the existing level, approximately 70 per cent, India has embarked on a policy of making equity investments in oilfields abroad. In the last few years, Indian oil companies, both publicly and privately owned, have made significant investments in discovered or producing oilfields as well as exploration blocks in countries as diverse as Russia, Sudan, Vietnam, Myanmar, Iran, Iraq, Yemen, Oman, Syria, Egypt, Libya, Colombia, Brazil, Cuba and Nigeria and some other countries in West Africa. While such measures will certainly help in getting assured supplies as well as giving some protection against high oil prices, they will have only a marginal impact on India's energy dependency on the Gulf. The anticipated output from all the existing and potential properties abroad is at best expected to contribute not more than 25 per cent of India's incremental demand of oil. Nor would Indian equity oil assets abroad mitigate transportation security risks. Thus, equity oil assets abroad cannot really provide energy security. They are, however, commercially profitable for the oil companies and as such should be encouraged.

## **Gas**

In the 21st century, gas is slated to play only a marginally more important role in the global as well as in India's energy mix, but it has attracted attention since it is a 'clean' fuel and the global reserves are relatively unexploited. Natural gas has a Reserves-to-Production ratio (R:P ratio) of 63 against oil's 40.5, which means that at the current rate of production currently known gas reserves will last 63 years. India is fortunate that rich sources of gas are available in India's vicinity, which can be imported in large volumes by pipeline, an option that is not at all available to many large gas-consuming countries. Techno-economic considerations are likely to dictate a mix of liquefied natural gas (LNG) and gas pipeline options for India. Ideally, it

would probably be more economical to use LNG in the southern States that are near existing and planned LNG terminals, natural gas from Myanmar and Bangladesh by onshore/offshore pipelines for the eastern States, and Iranian and Central Asian gas by pipelines for the western and northern States.

Gas-rich and proximate Qatar and Iran are the obvious sources for India to tap. Since 2004, India has been importing a small quantity of gas, in the form of LNG, from Qatar to supplement domestic production, but as there remains considerable unsatisfied demand India is negotiating with Qatar for additional LNG contracts. India had signed an LNG contract with Iran in 2005 but that is currently on hold since Iran wants to renegotiate its terms. A number of LNG terminals are being built on both the western and eastern coasts of India to handle imported gas from proximate sources like Qatar, Iran and Oman, as well as more distant countries like Algeria and Australia with which too India is negotiating purchase of LNG.

Currently other Gulf countries like Saudi Arabia and UAE that possess considerable gas reserves, albeit not on the scale of Qatar and Iran, are not gas exporters. Most of the gas they produce is used either for domestic consumption or for re-injecting into oilfields to boost oil output. Nevertheless they seem to be open to a variant model of gas exports, which India has successfully initiated with Oman, and is discussing with Saudi Arabia. This involves setting up joint ventures in the Persian Gulf countries, using local gas resources, to set up gas-based fertilizer plants whose output the Indian joint venture partner guarantees to buy back. The advantage of such a model for the gas-producing countries is that the fertilizer plants would generate local employment and the country would export not just natural gas but value-added products using gas as fuel.

### **Gas Pipeline Projects**

India was also trying to bring to India gas by pipeline from offshore fields in Myanmar where it is an investor, but has been upstaged by China. While India dithered whether it should

go in for a pipeline across Bangladesh or via the Northeast Region of India, China moved swiftly and clinched the deal, leveraging its economic, military and political clout with the Myanmar regime. India perhaps did not properly coordinate the technical discussions with the diplomatic efforts. India has recently managed to get rights to some additional offshore exploration blocks in Myanmar and if the reserves are large enough a gas pipeline could still be constructed from Myanmar to India. This episode brings out starkly the overwhelmingly geo-political considerations in concluding large oil and gas deals, and the stiff competition that India faces from China.

For gas imports by pipeline, the most promising, but also the most controversial, has been the Iran–Pakistan–India (IPI) gas pipeline project. Although it is a logical project since Iran is a major producer of gas while both Pakistan and India are large consumers with a growing demand, for many years India refused to countenance such an idea since it did not trust Pakistan not to disrupt supplies. It was only after Prime Minister Vajpayee's visit to Islamabad in January 2004 and the initiation of the India–Pakistan composite dialogue to address outstanding bilateral issues that India agreed to de-link the question of the gas pipeline from outstanding bilateral issues such as granting India MFN treatment in trade, and transit rights to Afghanistan. The Indian Government's decision, which itself reflects how important energy security issues figure in its foreign policy priorities, led to a series of trilateral and bilateral meetings between Iran, Pakistan and India since 2005. Iran and Pakistan appear to have resolved most of the issues between them and intend to sign an agreement for an Iran–Pakistan gas pipeline regardless of India's decision.

Indian participation in the IPI gas pipeline project remains uncertain. There are still some differences between India and Pakistan over transit fees. Iran needs to satisfy both India and Pakistan on issues like certification of reserves, quality of gas to be supplied, pricing, and financial and management project structure. India's security concerns can perhaps be managed. Modern technology can mitigate security risks from non-State terrorist groups, and any attempt by Pakistan to deliberately cut off gas supplies is likely to lead to India retaliating by cutting

off water supplies to Pakistan from the Indus and its tributaries flowing from India into Pakistan. More than the financial and security issues, it is political considerations that are holding back India's participation. Official denials notwithstanding, India has given the impression that it is deliberately going slow on the IPI project because of US pressure. While it may be difficult to get technical and financial support for this pipeline project from the Western countries, Russia's Gazprom, which is rich and technically competent, has shown interest in the IPI project. It serves Russia's long-term interest that Iranian gas gets diverted to markets like Pakistan and India, as that would leave the lucrative European market free for Gazprom to continue exploiting without facing competition from Iranian gas.

Another gas pipeline proposal that has been under consideration for some time is the Turkmenistan–Afghanistan–Pakistan–India (TAPI) project. However, there are many questions that need to be addressed before India can seriously commit itself to a gas pipeline from Turkmenistan to India. The extent of Turkmenistan's proven gas reserves is not known. Turkmenistan has already pledged considerable quantities of gas to other countries. Aware of Russia's many other leverages against it, Turkmenistan will keep its traditional commitments to it, especially after the significant price increase it managed to negotiate with Russia in 2008. Turkmenistan has made generous promises to gas-hungry, cash-rich China, and a gas pipeline construction from Turkmenistan to China has begun. Europeans keen to reduce their dependence on Russian gas are also wooing Turkmenistan. This gives rise to legitimate doubts whether Turkmenistan has any surplus gas to sell to Afghanistan, Pakistan and India. Without assurances on this front, it may not be prudent to make huge investments in a politically risky country like Turkmenistan. India will also have to bear in mind Russia's opposition to the TAPI project. Finally, the security situation in Afghanistan and in the Afghanistan–Pakistan border regions in the North West Frontier Province (NWFP) and the Federally Administered Tribal Areas (FATA) creates serious doubts about any international consortium's ability to construct and maintain a pipeline.

Despite so many uncertainties surrounding the TAPI project, India has recently joined the ADB-sponsored TAPI project consortium. India's interests are better served if it is part of such a project than outside it. A Turkmenistan–Afghanistan–Pakistan gas pipeline that leaves out India would enable Pakistan to emerge as the key country outside the Central Asia region with which Turkmenistan, and later the other Central Asian countries too, would be anchored economically, politically and strategically through oil and gas pipelines, roads and railways. This would give Pakistan the dominant influence and strategic depth it has been long seeking against India, and be a disincentive for its military leadership to normalise relations with India. On the other hand, a gas pipeline across Afghanistan would help to stabilize Afghanistan by generating much-needed income and jobs in that country, and would go a long way in persuading the youth to turn away from insurgency. A stable, united Afghanistan is in India's interest, but not if it becomes an economic appendage of Pakistan.

Between the IPI and the TAPI projects, the IPI project may be preferable from India's point of view since it involves only one transit country as compared to two for the TAPI project. Geopolitically, Iran is no less important than Afghanistan. Moreover, Pakistan is unlikely to let India get in on the TAPI project—which involves Afghanistan and is therefore more sensitive for Pakistan—if there is not already an agreement on the IPI project. Although currently the IPI project is on a much faster track than the TAPI project, it is not ruled out that in due course both the IPI and TAPI pipelines could come up and even be linked to create a network of pipelines in this region as in Europe.

At the same time, it would be prudent for India to spread its risks and not to rely exclusively on gas pipeline transit routes via Pakistan. The only possible alternative, or supplement, to IPI and TAPI projects is gas from Russia and Central Asia. A 'new Great Game' is under way in Eurasia. The major global players, namely the US, China and Russia are already entrenched there. India must get involved in Eurasian oil and gas projects, not only for its energy security, but for political and strategic considerations too. Among the regional players,



Pakistan wants to dominate Afghanistan and keep India out of Central Asia. If India wants to have meaningful influence in Central Asia, it must remain integral to Eurasian energy politics. Admittedly, India has relatively few cards to play, but it could try to leverage its position as a geographically proximate, major potential market for Eurasian energy.

### **Eurasian Options?**

How important are Russia and Central Asia likely to be in India's overall energy security strategy? Russia clearly views its energy resources as a key strategic asset and a powerful foreign policy tool. It also exercises considerable, often decisive, control over Central Asia's oil and gas exports. On political considerations, in 2000 Russia allowed India, as a long-time trusted friend and strategic partner, to invest in Russia's energy sector (the Sakhalin-1 project) on very favourable terms. Today, a more hard-nosed Russia may no longer be so willing to give India favoured treatment in the energy sector. Assuming that there is political will on both sides, India must urgently initiate a serious energy dialogue with Russia. India should be ready to make significant investments on competitive terms in 'greenfield' upstream oil and gas projects. OVL's success in taking over Imperial Energy, which has assets in Russia, is an encouraging sign.

There could be a slight window of opportunity for India to access, as a partner with Gazprom, the giant Kovykta field in east Siberia (near Lake Baikal), over which Gazprom has recently managed to regain control from BP-TNK. Although there is an understanding that gas from Kovykta would be used for export to China and South Korea, after taking care of demand within eastern Siberia, China's interest in Kovykta may have weakened now that China has managed to access Turkmen gas. The planned gas pipeline from Turkmenistan to China via Uzbekistan and Kazakhstan, agreed upon in January 2008, would inevitably pick up supplementary gas from Kazakh and Uzbek fields located along the pipeline route. Russia too

may prefer to sell Kovykta gas to India rather than China in the changed circumstances. All three countries could benefit if they could agree on a swap arrangement under which Turkmen and other Central Asian gas contracted for by China could be sent to the more proximate market of India, while China could get gas from Kovykta or other Siberian gas resources in which India has an interest that are located closer to China's main consuming centres.

India must try to develop an understanding on energy with China. Both are major energy consumers often seeking energy from the same sources and their competition is only benefiting the energy producers. China also holds the key to finding a viable transportation route from Eurasia to India. Any energy pipeline from Eurasia to India that does not cross Afghanistan/Pakistan has to be routed via Xinjiang and then across the Karakoram and the Himalayan mountain ranges. Apart from the considerable technical challenges, the political obstacles to such an alignment are likely to be more daunting, since the pipeline route would have to be laid across the Aksai Chin area disputed between India and China. Although difficult, an India–China understanding on a pipeline across Aksai Chin should not be ruled out if the two countries conclude that such a project would bring significant long-term energy and strategic benefits to both.

A gas pipeline across the Karakoram–Himalaya ranges could lead to the development of a major energy corridor between Eurasia and the Indian Ocean. Oil pipelines too could be built along the same alignment, with the oil flowing in the opposite direction. This would be technically much more challenging, since it is much easier to transport gas, which is lighter, than oil at high altitudes and low temperatures. This project could be of great interest to China, which is reportedly examining a Pakistani offer of creating an energy corridor for oil from the Persian Gulf to China via Pakistan. India could offer a similar transit oil corridor. An Indian transit route may not only turn out to be more secure and technically feasible, but also have the advantage of creating a mutual dependence—Chinese dependence on India for transit of Gulf oil destined for China, and Indian dependence on China for transit of Eurasian

gas destined for India. Both China and India would gain from cooperating in creating a north-south energy corridor from Eurasia to the Indian Ocean. They would get assured energy supplies for their own domestic needs, and become central to the energy flows out of Eurasia. Even though they may be competitors for finite global energy resources, India and China do share a larger long-term interest that the energy resources of Eurasia remain available to meet Asia's demand too, not just of the West. To ensure this, the two countries will need to cooperate and use their clout as large and growing consumers of energy. If they act quickly, boldly and imaginatively, they can offer a viable, more secure pipeline route for export of Eurasian gas than the alternatives currently being considered.

Such an energy corridor would bring both China and India significant non-energy benefits too. China could earn sizeable pipeline transit fees. Investments for pipeline projects would provide employment opportunities and stimulate Xinjiang and Western Tibet's economic development and contribute to their stability. China may welcome more people-to-people contacts and economic ties between Xinjiang and India—as an outlet for the growing frustration of the Uighurs and to relieve the drain on China's own financial resources—in preference to linkages of Uighur separatists with fundamentalist elements in Pakistan. China probably inwardly fears that the festering problem of Xinjiang separatism, which is also linked to the situation in the Central Asian Republics, has the potential to spin out of control. If China concludes that closer economic ties of Xinjiang with India serve its long-term interests, it may welcome proposals for sub-regional cooperation for Xinjiang along the lines of, and perhaps as part of a package deal including, China's own 'Kunming Initiative' for sub-regional cooperation between China's Yunnan province, Myanmar, Bangladesh and India.

The gains to India from Eurasian-Indian pipeline projects would be manifold. Availability of a cheap and plentiful clean energy source like gas would go a long way towards resolving growing problems of deforestation and environmental degradation in the Himalayas. This would stimulate the economic development of Jammu and Kashmir (J&K) as well as Himachal Pradesh. Most important, this could open the way for

a long-term solution to the festering problem of Kashmir that erupted violently once again in 2008. It is only if the emotionally alienated Kashmiri people, particularly the unemployed frustrated youth, become part of Indian mainstream economic and political life and concretely benefit from such an association that they will turn away from militancy and separatism. This makes the economic angle as important as the military and political ones in finding a long-term solution to the Kashmir issue. Geographically remote from India's heartland, J&K has not attracted private investment, and tourism has not proved to be a sufficient catalyst for the state's economic development. As a state in the Central Asian geo-strategic space, J&K could benefit enormously from a re-opening of its traditional links with Xinjiang and western Tibet via Ladakh.

An energy project between India and China traversing sensitive and strategic areas like J&K and Xinjiang would have a positive fall-out on overall bilateral relations. Notwithstanding mutual security concerns, suspicions and disputed borders between India and China, proposals for energy pipelines should be pursued, just as India and Pakistan have agreed on road links across the Line of Control in J&K and are actively discussing a gas pipeline from Iran to India crossing Pakistan. Major joint energy projects like pipelines would give an enormous boost to economic relations, hardwire India and China into an inter-dependent relationship, and help generate greater mutual trust and confidence. If both China and India remain stable and grow more prosperous and powerful, they need to work out a non-hostile and cooperative relationship. Moreover, there will be a more stable Pakistan–China–India strategic equilibrium if China feels that its long-term national interest lies in closer ties with India too, rather than an exclusive strategic relationship with Pakistan, cemented by shared animosity towards India. India could reassure both China and Pakistan that Eurasian gas flows would be shared with Pakistan through pipeline extensions from J&K to Pakistan Occupied Kashmir (POK) across the Line of Control and from the Indian state of Punjab to Pakistan's Punjab province across the international border. By building a reciprocal Pakistani dependence on Eurasian gas transiting

via India, this arrangement would assuage India's security concerns relating to IPI/ TAPI gas transiting Pakistan.

Agreement on an India–China energy pipeline project could perhaps create a better climate in India for eventually resolving the border dispute with China along the Line of Actual Control. Both sides have reiterated, during the visit of Indian Prime Minister Manmohan Singh to China in January 2008 that there has to be a political solution to the India–China border dispute on the basis of the April 2005 Agreement on Political Parameters and Guiding Principles. The 1962 Indian Parliament resolution on the subject complicates the task for any government to settle with China on the basis of the existing ground realities. Decision-makers in India presumably recognize that China is unlikely to give up control of Aksai Chin across which it has built a strategically important road. In case the Indian military agrees that Aksai Chin is not critical to India's security, perhaps the Aksai Chin problem can be finessed. It is likely that there would be acceptance by the Parliament and the public of a settlement broadly along the Line of Actual Control in the Western sector if the Aksai Chin road built by China at great cost and effort is seen to benefit India economically by serving as a major economic artery linking India and China, including gas and oil pipelines in both directions. While this would not resolve all the issues in the long-standing India–China border dispute, a large strategic energy-related project across the disputed border would definitely constitute a huge confidence-building measure.

The technical difficulties in a Eurasia–India pipeline project cannot be underestimated. Starting from the reasonable assumption that pipelines can be built more easily and cheaply along existing road and rail alignments, as that clearly facilitates transport of heavy equipment for pipeline construction, a gas pipeline from Eastern Siberia could be easily built up to the railhead of Kashgar in Xinjiang. While a proper topographical and techno-economic feasibility study would have to be done to determine the optimal pipeline route from Kashgar to India, preliminary studies have shown that the best route may be along the existing Aksai Chin road alignment, with entry into India either at Rutog or Demchok. Both these places have easy

connectivity to the existing road from Leh in the Ladakh region of J&K to Manali in Himachal Pradesh.

If, on detailed examination, it turns out that gas pipelines are technically difficult and economically too expensive to construct across the Karakoram and Himalayan ranges, the project could be modified. Eurasian gas could be used to set up gas-fuelled power plants in Central Asia and Xinjiang, and the electricity generated sent across the Karakoram–Himalayas ranges through transmission lines and towers. This would provide value addition to the gas reserves, create local employment and promote regional economic development. Another complementary approach would be to set up hydropower plants in Kyrgyzstan and Tajikistan, both of which have enormous hydropower potential, for export of electricity to South Asia. It might be cheaper and simpler to import hydropower from north of the Himalayas than to set up hydropower projects in the Himalayas. Political hesitations on the part of Nepal, apart from environmental concerns, geological surprises and the problem of resettling displaced populations have prevented hydropower projects from taking off meaningfully in South Asia.

A successful Eurasian energy project is possible only if Russia, as a major energy producer, develops a strategic understanding with India and China, both major energy consumers. If the three countries agree in principle that they should have strategic cooperation in the field of energy, the details can be quickly worked out. Perhaps this could constitute a concrete project within the Russia–India–China–trilateral framework, where energy is an agreed area of cooperation. It could also be considered subsequently within the framework of the SCO, where Russia, China, Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan are members, while India, Pakistan, Iran and Mongolia are observers. Turkmenistan and Afghanistan, while neither members nor observers, nevertheless have an interest in the SCO.

In the geopolitical realities of the 21st century, bold, innovative and visionary approaches are needed in inter-state relations, including in the area of energy security. A grandiose Eurasian energy project as outlined above requires a conceptual

breakthrough in current geopolitical thinking among decision-makers in key countries around the world. If this ever happens, there would be favourable long-term consequences for the whole world. The Central Asian region could be transformed into a strategic space uniting major Asian energy producers, consumers and transit countries in a web of interdependence. Instead of being the battlefield of a new 'Great Game', Central Asia could become the crossroads of a 21st century 'Silk Route', with gas and oil pipelines replacing caravan convoys. The Himalayas–Karakoram region could become a frontier zone of peace, friendship and development, rather than of confrontation and conflict. A mega-project like this would also act as a huge stimulus for the global economy. It would not only bring all-round economic advantage, prosperity, social and political stability, but also create a solid and enduring foundation for greater trust, confidence and understanding, extensive people-to-people ties and communication links that will hopefully lead to new, lasting and stable political and strategic relationships.

Given its location and size, its growing economic and military strength, and its position as a significant consumer of energy, India will be very much a part of global energy geopolitics in the coming years. Since energy flows and energy projects are often key determinants of many bilateral relationships, and invariably have a regional, at times even a global, significance, India needs to give much greater and more focused attention to energy issues in its foreign policy. India should no longer assume that global markets will necessarily provide solutions to its long-term energy requirements. Nor can energy security considerations be fitted into existing paradigms of foreign policy. Rather, foreign policy will have to be reshaped to take account of India's continued dependence on imported energy. Aspiring to play an increasingly central role on the world stage, India has to evolve a determined, coordinated and sustained long-term strategy to ensure its energy security. India needs to develop a holistic energy policy that meshes into an overall strategy covering domestic policies and reforms in the energy sector, foreign policy, national security, economic development and environmental concerns. As a result of high oil prices, as

well as the political and public debate on the IPI project and the India–US nuclear deal, there is much greater awareness in India today about the importance of energy security. This opportune moment must be used to put in place policies that will ensure India’s energy security in the coming decades.



## Chapter 12

# Economic Diplomacy

### Evolution of India's Economic Diplomacy

In dealings with most countries beyond India's immediate and strategic neighbourhood, India's foreign policy goals are primarily economic. India's strategy for developing partnerships with the rest of the world has evolved in response to the transformations in the global environment and India's own changing developmental needs.

Before 1991, India's interaction with the outside world was marked by a defensive and protectionist mindset, which arose out of domestic economic policies that restricted imports and foreign investment, a very modest level of foreign trade—of which a fairly large share was rupee trade with the Soviet Union and countries of East Europe—and an undiversified export basket consisting of mostly raw materials and semi-finished products. The focus of India's economic diplomacy was on export promotion, on canalized imports of critical commodities and products through public sector organizations, and on getting more bilateral and multilateral development assistance. At a multilateral level, India concentrated on South–South cooperation through organizations like the G–77 and, later, the smaller G–15. India had a very marginal role in multilateral trade negotiations within the framework of the General Agreement on Tariffs and Trade (GATT).

With the onset of economic reforms in 1991, India's challenge was to convince other countries that its economic

policies were changing. The priority task of economic diplomacy in the 1990s was to attract foreign direct investment, made much more difficult because of domestic opposition. Considering themselves comparatively disadvantaged because special facilities were being given to foreign investors, many Indian industrialists—the so-called ‘Bombay Club’—wanted a level playing field, without which they feared that they would be wiped out. This was a period of transition as India adjusted to the changed post-Soviet world. In India’s quest for new investments, markets and technologies, the West became much more critical for India, while the importance of the former Soviet bloc countries and the relevance of organizations like G-77 and G-15 sharply declined. Its search for new partnerships led India to become a Dialogue Partner of ASEAN and a member of organizations like the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) and Bangladesh-India-Myanmar-Sri Lanka-Thailand Economic Cooperation (BIMST-EC) (since renamed as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation [BIMSTEC]). However, India failed to get membership of either the Asia-Pacific Economic Cooperation (APEC) or the Asia-Europe Meeting (ASEM). In the Uruguay Round of multilateral trade negotiations (1986-1994), India participated more actively than before but its approach remained defensive.

It is only in the 21st century, as its economy matured, as its business community gained self-confidence, and as India began to integrate with the global economy, that India began to see more opportunities than challenges in the ineluctable process of globalization. Within India, the dismantling of the ‘licence raj’ and the process of economic reforms gathered momentum, resulting in fundamental and irreversible changes in the economy, government policies, as well as in the outlook of business and industry. A growing number of Indian companies became globally competitive and outward looking, and the new generation of Indians more ambitious and self-confident. Buoyed by comfortable foreign exchange reserves, both the public and private sectors of corporate India started making tentative forays into investing abroad. Gradually

increasing inward flows of foreign direct investment and foreign institutional investment enabled India to cut back on its reliance on foreign aid for budgetary support and economic growth. The revolution in information technology opened up new opportunities for India's exports of services. From having a primarily agro-based economy, India emerged as an increasingly service-oriented one. As India opened up, the rising numbers and purchasing power of the Indian middle class transformed India into a large and attractive market for foreign companies. The changed scenario required India's economic diplomacy to shift gears dramatically.

In addition to export promotion, India's new economic diplomacy priorities became more diversified. Now the stress was on trying to attract more foreign direct investment, preferably for greenfield infrastructure projects, as well as foreign institutional investment in India's stock markets; to facilitate Indian investment and joint ventures abroad for profit as well as to gain access to much needed resources, raw materials and technologies; to protect and promote India's economic and commercial interests in multilateral and regional trading arrangements; to influence other countries' economic and commercial policies to create a more favourable environment for Indian business; and to use India's technical and economic assistance programme to foreign countries more effectively to serve larger foreign policy goals. Energy security, intellectual property rights, environment issues and climate change became important new areas of economic diplomacy. The increasing role of the private sector in India's economic development and foreign trade required government and private industry to work in tandem in pursuing India's economic interests vis-à-vis the rest of the world. Decentralization of economic power required that the states also be taken on board in crafting an overall strategy for economic diplomacy.

The success or otherwise of economic diplomacy depends not merely on objective realities; perceptions are equally important in 'selling' India. The stereotyped image of India is one of heat and dust, of crowds and poverty, of snake charmers and elephants, of spirituality and culture. These no longer tell the full story. Side by side, there is a new image of India that

has taken shape since 1998—of a nuclear weapons power; of a politically stable and determined India; of a technologically advanced India; and of an economically vibrant India that remained unaffected by the Asian financial crisis of 1997. India's achievements in the hi-tech sectors whether they are in the nuclear and space sectors, or in information technology and biotechnology, have caught the attention of the world. Once the world saw India's teeming millions as a liability, but today India's large pool of trained manpower and knowledge workers and its youthful demographic profile make this country an attractive long-term partner. India's democratic systems and institutions, its legal system and the widespread use of English in business are seen as providing a stable, predictable and comforting framework for the rest of the world to engage India. India's entertainment industry testifies to the imaginativeness, dynamism and innovativeness of its people. Indians prospering abroad have helped to create a new image of Indian intellectual and managerial capabilities. Working together, the Indian government and private industry have also given high priority to burnishing India's image abroad.

### **India and the WTO**

In recent years, one of the biggest challenges for India's economic diplomacy has been how to protect India's interests in the ongoing Doha Round of Trade Negotiations (Doha Development Round) under the World Trade Organization (WTO). It is important to understand the genesis and importance of WTO and GATT, its predecessor. Against the background of the Great Depression of the 1930s and the resultant trade wars after the end of the Second World War, the West established GATT (1948–1994) as a treaty intended to promote trade and economic development by reducing tariffs and other restrictions. Under GATT rules, global trade was conducted on a Most-Favoured-Nation (MFN) basis, the essence of which is that all countries grant the same trade advantages, including tariffs, to all other countries. The agenda was clearly

set by the West. The biggest beneficiaries were countries whose economies were tied to the West. Communist countries with non-market economies like the Soviet Union and China were excluded. The rest of the world was mostly either under colonial rule or had just become independent. Items of interest to the developing countries like textiles and agricultural products were excluded from the ambit of GATT. Gradually, as the developing countries' economies grew stronger, they sought greater market access from the West for their competitive labour-intensive products. In the Tokyo Round of trade negotiations (1973–79) they managed to get two principal concessions in this regard—the 'non-reciprocity clause' which exempted developing countries from giving reciprocal tariff concessions to the developed countries, and the Generalized Scheme of Preferences (GSP) that permitted developing countries to export their products to the developed countries at less than the MFN rate. In the quid pro quo, developing countries had to concede some crucial matters that reduced market access for their competitive products in the developed world. The 1974 Multi Fibre Arrangement (MFA), also called the Agreement on Textiles and Clothing, established quotas on the quantities that developing countries could export to the developed countries. Non-tariff barriers became the new instrumentality of the developed countries to protect their highly subsidized domestic agricultural sector from competitive agricultural exports of developing countries.

India is a founder member of GATT, but till the Tokyo Round it played a passive role in its deliberations. India's limited agenda was to look for derogations from the MFN principle through non-reciprocal concessions and market access for its products. As India, like other developing countries, had no experience in multilateral trade negotiations and little bargaining power, it had no realistic option but to accept the rules set by the more influential members of GATT. It was only during the Uruguay Round (1986–94) that India became an active participant in the negotiations. India was still comparatively inexperienced and lacked clout, but there was a much better understanding both within the government as well as among the general public of the long-term stakes for

India in the outcome of the negotiations. After seven-and-a-half years of negotiations, at times marked by high drama and brinksmanship, the Final Act of the Uruguay Round trade negotiations, collectively consisting of about 60 agreements, annexes, decisions and understandings running into 550 pages, was signed by 123 countries at Marrakech, Morocco in April 1994. It represents the most far-reaching and wide-ranging reform of the global trading system since the setting up of GATT in 1947. The traditional definition of international trade underwent a drastic change. International trade rules now covered not only trade in goods outside a country's national borders, but new areas that impinged on domestic policy choices. The backdrop to this aggressive attitude of the West was the hubris that had overcome it after the collapse of the Soviet Union.

The outcome of the Uruguay Round was not the best deal from India's perspective of the mid-1990s. Through agreements like TRIMs, TRIPS, GATS and the Agreement on Agriculture, India was obliged to take on commitments in new areas such as foreign investment, intellectual property, services and agriculture for which it was not yet ready. However, India had no choice in the matter since the main players insisted that all the agreements were part of a whole and indivisible package—the so-called single undertaking. There were some gains too: India got greater market access; there was a commitment to end the MFA by 2005; the Dispute Settlement Understanding (DSU) provided a new more effective mechanism for settling disputes. The legal commitments of the Final Act provide the framework and the rationale for the considerable economic legislation, policies, rules and regulations introduced by India over the last 14 years or so. The Uruguay Round also decided that GATT should be succeeded by the WTO on 1 January 1995. While GATT was a treaty that laid down a set of rules agreed to by its members, WTO is an organization that is responsible for negotiating and implementing new trade agreements, and is in charge of policing member countries' adherence to all WTO agreements.

With every passing year since the setting up of the WTO, the battles within the WTO have become progressively sharper

over the divergent priorities of the developed and developing countries. The Uruguay Round agreements contain timetables for new negotiations on a number of topics primarily of interest to the developed countries. On the other hand, the developing countries want the focus to be on the 'unfinished business' of the Uruguay Round and on getting the developed countries to meet the commitments they have already made. Trouble started almost immediately after the WTO came into existence. The West insisted on including areas like labour and environment in the trade agenda. At the first Ministerial Conference of the WTO in Singapore in December 1996, while the developing countries managed to keep labour standards off the WTO agenda, the West succeeded in putting on the WTO agenda four new issues, namely relationship between trade and investment, interaction between trade and competition policy, transparency in government procurement, and trade facilitation—the so-called 'Singapore issues'. Even though the pressure was kept up at the second Ministerial Conference in Geneva in 1998, the West was no longer able to determine the agenda and outcome of trade negotiations as easily as before. There was a growing awareness both among governments of developing countries, as well as among NGOs and the ordinary public not only in the developing world but the developed world too, that the benefits of globalization had been one-sided. Under the pressure of widespread protests and demonstrations by anti-WTO groups that had begun even before the meeting, the third Ministerial Conference in Seattle in November 1999 ended abruptly and inconclusively without being able to launch as originally intended a new round of trade negotiations in the new millennium.

In a bid to insulate the WTO Ministerial Meetings from public demonstrations, the fourth Ministerial Conference was held under tight security in Doha (Qatar) in November 2001. Under the shadow of 9/11, the West got its way and a new round of trade negotiations, Doha Development Agenda, was launched in Doha. This time, however, the developing countries managed to include many issues of interest to them in the work programme of the Doha Round, in particular the implementation of issues of concern to the developing countries arising out of the Uruguay Round. They also gained

a psychological victory through the very nomenclature of the new round of trade negotiations that emphasized an agreed focus on developmental issues. Other principal items on the agenda for the Doha Round of trade negotiations covered agriculture, services, market access or industrial products and manufactured goods—termed as Non-Agriculture Market Access (NAMA), TRIPS and the four ‘Singapore issues’. India played a key role in Doha in ensuring that the inclusion of the ‘Singapore issues’ was couched in ambivalent language that left the door open for the developing countries to fight for their exclusion from the negotiations. The timetable for the completion of negotiations was set for 1 January 2005.

The fifth Ministerial Conference at Cancun (Mexico) in September 2003 marked a watershed in the history of WTO. Its defining feature was the assertiveness of the developing countries in pressing their interests and their determination not to be pushed around by the West. At Cancun, sharp divisions emerged in WTO, but not necessarily along any North–South fault lines. Cancun marked the emergence of new fluid issue-based coalitions of countries within the WTO, the most important of which were the G–20 on agriculture and the G–33 on ‘Singapore issues’ for articulating the interests of the developing countries. The forthright stand taken by India, and its leadership role at Cancun played an important role in encouraging the developing countries to be more vocal in defence of their national interests. The Cancun conference abruptly and unexpectedly collapsed without any formal agreement, but not before three of the four ‘Singapore issues’ had been taken off the table, with only trade facilitation remaining on the agenda for negotiations. Although never articulated, the sub-text at Cancun was the US–led war in Iraq. Unease in most countries of the world over US unilateralism and arrogance and the brutal demonstration of the US’ use of its enormous military power had created a feeling of helplessness among the world’s poorer and weaker countries. This seems to have prompted them to put up a stiff resistance to systematic efforts by the developed countries to get control of their economies through the WTO system. At Cancun, the ‘ants’ of the world were determined to collectively take on the ‘elephants’. Cancun constituted a definitive empowerment of



the weak and the poor countries of the world similar to the empowerment in recent years of the historically oppressed so-called outcastes or Dalits of Indian society. It has not been possible to put back into the bottle the genie that was let out at Cancun.

Despite the collapse of the Cancun Ministerial Conference, negotiations continued. Contrary to general expectations, the unity of the developing country coalitions has survived the pressure and blandishments of the West. The developed countries have been genuinely surprised, and somewhat alarmed, by the newfound strength, cohesion and assertiveness of the developing countries. As there was no give from either side on crucial questions, it was obvious that the original timetable for concluding negotiations could not be maintained and the General Council of the WTO decided in August 2004—the so-called ‘July Framework’—that the deadline for negotiations should be pushed to December 2006, a decision confirmed by the sixth Ministerial Conference in Hong Kong in December 2005. The urgency to wrap up negotiations within a year was dictated by a timetable set by the Congress of the US, the world’s largest economy and trading country. It was hoped that an agreement by the end of 2006 would enable it to be approved by the US Congress under the provisions of the US President’s fast track negotiating authority, also called Trade Promotion Authority (TPA), that expired on 1 July 2007, under which the US Congress would be able to approve or disapprove trade agreements without the right to make amendments. Even that date passed without any agreement. In fact, because of the continuing deadlock, the negotiations were suspended in July 2006 and, in a desperate attempt to achieve a breakthrough before the expiry of the US President’s fast track negotiating authority, resumed in February 2007. A new target date of end-2008 was set for concluding negotiations, but with the collapse of the mini-Ministerial meeting called by the Director General of the WTO in Geneva in July 2008, and despite a valiant but futile effort by the G–20 Heads of State and Government at their emergency meeting in Washington in November 2008 to reach an agreement on modalities by the end of 2008, negotiations have been suspended at least till 2009.

India has an important defensive interest in agriculture in the WTO negotiations. Even though India is a marginal player in global trade in agricultural products, more than 55 per cent of India's work force is engaged in agriculture, many of them subsistence farmers without any safety nets. India considers trade in agriculture not an issue of economics but of livelihood for hundreds of millions of Indians, and is understandably resisting demands from developed countries to limit the use of the tools currently available to India to prevent a potential flood of subsidized agricultural commodities from the rich countries swamping India's markets. India's position on agriculture in the WTO negotiations is guided by the three principles of ensuring food security, livelihood security and rural development needs. Although there have been many voices urging India to take a less defensive and more flexible position on agriculture keeping in mind that in the long term India could emerge as an important exporter of agricultural products, this is not the kind of political risk that any government in India is likely to take. The ongoing global food crisis brings out the hazards of moving India, at least at the current stage of its development, irreversibly into a policy paradigm that would expose its agriculture sector to global market forces. The collapse of the July 2008 talks was on the issue of the terms of operationalization of the Special Safeguard Mechanism (SSM) that India regards as a critical defence mechanism to protect its agriculture from a surge in imports or a fall in price of farm products.

India has not taken a strong position on NAMA. Its interests are limited to ensuring that duties are not reduced to levels that would threaten infant industries, industries in sectors that employ socially and economically vulnerable sections of the population, small business enterprises that are employment intensive, and enterprises in rural, semi-urban and inaccessible regions. As a country more than half of whose Gross Domestic Product (GDP) derives from services, India has become a 'demandeur' seeking more openings for its exports in the services sector, particularly on so-called 'Mode 1'—cross-border supply—and 'Mode 4'—movement of natural persons. India has made it clear that an ambitious outcome in services has to be an essential part of any breakthrough package of the Doha Development Agenda.

From being a bit player in GATT/WTO, India has gradually emerged as one of the key players in the ongoing negotiations. Earlier, the key decisions on WTO were essentially taken by the so-called 'Quad' of Canada, the European Communities (the official name of the EU in the WTO), Japan and the US, and merely endorsed by the rest of the WTO membership. Today, the situation has changed. India, together with half a dozen other countries—Australia, Brazil, China, the European Communities, Japan, and the US—is a member of WTO's new inner core group, variously called the 'new Quad', the 'Four/Five Interested Parties' (FIPS), the 'Quint', the G-6 or the G-7, which has been working to achieve a breakthrough on contentious issues, particularly agriculture. As a member of these informal ad hoc groupings, India is expected to represent not just its own interests, but also those of developing countries as a whole.

There is a practical reason why the developing countries rely on countries like Brazil and India to represent their interests. As WTO negotiations have become extraordinarily complex, legalistic and jargonistic—'Blue Box', 'Amber Box', 'Green Box', '*de minimis* support', 'Aggregate Measurement Support', 'Swiss Formula', and so on—they require a great deal of sustained attention and expertise to handle the wide range of issues being discussed and negotiated simultaneously in Geneva and elsewhere. Most developing countries just do not have sufficient qualified manpower to handle the tasks, and it is left to the larger and more developed among the developing countries to represent their interests in the detailed discussions of various working groups. Even countries like India sometimes find it difficult to cope with the negotiations, since the developed countries have batteries of lawyers, experts and negotiators whose numbers India cannot match. Over the last few years, India has gradually built up its knowledge pool on WTO matters from within the government, private industry, the legal fraternity, academia and think tanks. Considering the far-reaching impact that India's WTO commitments have on India's domestic policy choices, the government does engage in extensive consultations with trade and industry, political

parties and non-governmental organizations. However, more attention needs to be given to integrating the government's position on WTO issues with India's overall foreign policy.

By no means perfect, the WTO still remains the most desirable structure for trade. It already has 153 members and, notwithstanding the enormous economic and political hurdles that aspiring members have to overcome, more countries are striving to join it. All countries understand that a rules-based and transparent multilateral system is in their overall interest; the inefficient and cumbersome alternative, as countries outside the WTO painfully realize, is to negotiate separately with individual or groups of countries. In practice, the multilateral trading system has led to an enormous expansion of international trade over the last six decades.

### **Regional Trading Arrangements**

While the WTO may be the optimal framework, it is no longer the only game in town. In recent years, as multilateral trade negotiations have faltered, Regional Trading Arrangements (RTAs) such as Free Trade Agreements (FTAs) or Preferential Trade Agreements (PTAs) have become more attractive. It is noteworthy that between 1948 and 1994, when GATT was in existence, 124 RTAs covering trade in goods were notified to the WTO, whereas after the WTO came into existence in 1995 an additional 240 RTAs covering trade in goods and services have been notified. Well over half the world's trade is presently conducted through RTAs. WTO rules do permit RTAs under certain strict conditions to ensure that RTAs complement rather than compete with the WTO multilateral regime. RTAs are admittedly inefficient and messy. They often overlap; involve complicated rules of origin and value-addition norms to ensure that third parties do not take advantage of an FTA between two countries or regions; include negative lists for sensitive products; create difficulties in administering multiple tariff lines; and are widely regarded as a trade-diverting rather

than trade-creating mechanism. Yet RTAs remain popular. In practice, RTAs have allowed groups of countries to negotiate rules and commitments that go beyond what was possible at the time multilaterally. RTAs are also building blocks for a multilateral trade regime. Many countries view RTAs as a hedging strategy to guard against a crisis in the multilateral trading regime. Typically, there are six stages of economic integration starting from a PTA, going on to an FTA, a customs union, a common market, economic and monetary union, and complete economic integration. Over the last couple of decades, there has been a process of consolidation of the major trading countries into three major trading blocs, namely the North American Free Trade Agreement (NAFTA), the European Union (EU) and an East Asian bloc of the ASEAN, China, Japan and South Korea. India and South Asia are not part of this trend.

Even though its opening up has resulted in a sharp rise in the proportion of India's overall trade in goods and services to total GDP, India, with about one per cent share of global trade, is still not a major trading nation. Can India afford to be the only large, and fast growing, economy that is not part of a major trade bloc? In a long-term perspective, India has to anticipate future situations. A passive approach by India carries the risk that it could get left behind or marginalized as other major economies integrate or, worse still, that it could be excluded for economic as well as non-economic reasons. This is the economic rationale and main consideration for India's recent activism in negotiating RTAs with a wide range of countries, principally in its strategic neighbourhood. RTAs have both an economic and trade component and a strong political dimension. Thus, RTAs with India's immediate neighbours have been dictated more by political than economic logic. India and the other SAARC countries have signed the South Asian Free Trade Area (SAFTA) agreement. India has an FTA with Sri Lanka and a PTA with Afghanistan. It has concluded a Framework Agreement under BIMSTEC, and is involved with Bangladesh, China, South Korea, Sri Lanka and Laos in the Bangkok Agreement, now renamed as the Asia-Pacific Trade Agreement (APTA). It is with the countries to its east

that India has the most extensive plan for RTAs. Since 2005, a Comprehensive Economic Cooperation Agreement (CECA) with Singapore is in force. India has signed a Framework Agreement on CECA with ASEAN, under which the two sides are expected to sign an FTA in goods in 2009. The Early Harvest Programme of India's FTA with Thailand is being implemented since 2004. With both Japan and South Korea, India is negotiating Comprehensive Economic Partnership Agreements (CEPAs). Looking to India's west, India has signed a Framework Agreement for Economic Cooperation with the Gulf Cooperation Council (GCC) and a PTA with Israel. In Africa, India has a Comprehensive Economic Cooperation and Partnership Agreement with Mauritius, and has finalized a PTA with South Africa Customs Union or SACU (South Africa, Lesotho, Swaziland, Botswana, Namibia). In Latin America, India has a PTA with Chile and MERCOSUR (Argentina, Brazil, Paraguay, Uruguay). These RTAs have had the effect, perhaps not unintended, of spurring progress in India's economic reforms. While the implications of these RTAs do arouse concerns among certain sections of industry, their full impact would be felt only a few years from now, but by then Indian economy would hopefully be much stronger and more efficient to withstand open competition.

### **Major Economic Partners**

Europe's importance to India is principally as a valuable economic partner. There is a high level of trade and two-way investments between India and Europe. European countries have traditionally given a large share of Official Development Assistance (ODA) to India. India's need for capitals, markets and technology necessitate closer ties with the affluent and developed European countries. While the relative weight of Europe in India's external trade and economic contacts has gone down noticeably over the last few years, Europe does remain an important source of technology for India. Perhaps with no other region of the world are there such extensive

official contacts in the form of exchange of high-level visits as with the European Union (EU) as well as individual European countries. Since 2000, there has been an annual India–EU summit, held alternately in India and Europe. While this does signal the mutual desire of Europe and India to engage with each other, the summits are rather ritualistic and often lightweight, depending on the composition of the EU ‘Troika’—countries holding the present, immediate past and next Presidency of the EU. There is also frequent high-level interaction with the individual European countries, particularly the United Kingdom, France and Germany, all of which are also members of the G–8 and have a global influence.

While giving primacy to economic factors, one should not miss out some important political considerations for engaging the Europeans. The United Kingdom and France are both Permanent Members of the UN Security Council and recognized nuclear weapon States. All the European countries are NSG members and most of them also members of MTCR. As some of them have been hosting Indian extremist and secessionist groups and leaders, India has to work with the European countries to coordinate counter-terrorism efforts. Thanks to their aid packages and otherwise large economic clout, European countries exercise considerable influence among India’s neighbouring countries, requiring India to be vigilant to ensure that the policies of these countries are not inimical to India’s interests. Nearly all of the European countries are preachy and intrusive about democracy and human rights, which they frequently use as pressure points or non-trade barriers against India. Many European countries like the United Kingdom and France are also important suppliers of defence equipment and technologies to India. India has developed ‘strategic partnerships’ with the EU as well as with countries like the United Kingdom, France and Germany. However, these are not true strategic partnerships. India does not give the Europeans too much political importance because the Europeans do not individually or collectively significantly affect India’s core political and security interests. For the Europeans, a large portion of whose energies are spent in any case on intra–EU integration problems, India does not figure

prominently on their radar screen, since it is neither a major trading partner, nor a Permanent Member of the UN Security Council or a recognized nuclear weapons power with which they have to cut deals.

Geographical distance has been a major obstacle in building ties with Latin America even though these countries hold tremendous potential because of their large urban and literate population, rich natural resources and considerable popular and political goodwill for India. As a result of India's closer engagement with Brazil—bilaterally, in the framework of IBSA, and in the WTO—as well as the preferential trading arrangements with MERCOSUR and Chile, there is now much more awareness within Indian business circles about Latin America.

### **India's Foreign Assistance Programmes**

Sharing India's own capabilities with other developing countries, and assisting and cooperating with them in developing their own economies has been an integral part of Indian foreign policy from its very inception. India's Independence was an inspiration and a catalyst for many other peoples under colonial rule. India gave other countries considerable political, moral, and diplomatic support in their respective struggles for independence. South–South cooperation represents the economic face of India's political support to the anti-colonial struggle. As a poor and diverse developing country that has made impressive strides in all fields after its independence, India offers an alternative model of governance and development to the one being advocated by the West as a so-called 'universal' one. Without India's support and leadership, there is little hope of bringing about a new world order that gives due importance to the imperatives of social justice and inclusive growth.

India's immediate and strategic neighbourhood of South Asia, with most countries poorer than India, is obviously a priority region for India's development assistance programme,



including concessional lines of credit as well as technical and economic assistance. A large chunk of this is spent on infrastructural and other projects for economic development in India's neighbouring countries, especially Bhutan, Afghanistan and Nepal. India also gives assistance to other developing countries around the world.

Outside India's immediate neighbourhood, Africa is the largest beneficiary of India's technical and economic cooperation programme. India has given credit lines worth \$200 million for New Economic Partnership for Africa's Development (NEPAD), \$500 million to the Techno-Economic Approach for Africa-India Movement (TEAM-9) group of countries in West Africa, as well as bilateral lines of credit to Sudan and some other African countries. India has also made available Lines of Credit to many regional banks like the East African Development Bank, the Eastern and Southern African Trade and Development Bank (PTA Bank) of the Common Market for Eastern and Southern Africa (COMESA), the West African Development Bank (BOAD), and to the Economic Committee of West African States (ECOWAS). A few years ago, India waived off many debts owed by African countries under the World Bank's Heavily Indebted Poor Countries (HIPC) Debt Relief Initiative. Recently, India decided to give phased duty-free market access to 50 Least Developed Countries (LDCs) from Africa and Asia. India is also undertaking an ambitious Pan African e-network project for tele-education and tele-medicine.

In the 21st century India has begun to give much more focused attention to Africa through Africa's regional bodies. Apart from the African Union (AU), ECOWAS and COMESA, India has developed relationships with the Economic Community for Central African States (ECCAS), the East African Community (EAC), the Southern African Development Community (SADC), the Intergovernmental Authority on Development (IGAD), and the Arab Maghreb Union (AMU). In April 2008 India organized, in consultation with the AU Commission and member States of the AU, a representative India-Africa Forum Summit on the theme Industrial Development of Africa. The summit brought together the foreign ministers of Algeria, Burkina Faso, Democratic Republic

of Congo, Egypt, Ethiopia, Ghana, Kenya, Libya, Nigeria, Senegal, South Africa, Tanzania, Uganda and Zambia—countries that represent the chairs of the regional economic communities, the founding members of the NEPAD Initiative and the current and preceding chairs of the AU. India would be able to have a much higher level of cooperation with African countries if it had more and better-staffed resident diplomatic Missions in Africa as well as more frequent high-level visits from India to Africa.

There is sometimes a perception that it is only now, after China has started grabbing Africa's resources, that India is turning its attention to Africa. While India does need more resources from around the world, including Africa, for its economic growth, it does not engage with African countries in order to exploit them. India's development assistance programme to that continent goes back nearly half a century, immediately after the African countries gained their independence from colonial rule. India's economic and technical assistance to developing countries in Africa and Asia at a time when India itself was a recipient of foreign aid was premised both on principle and on the reality that the political independence of newly independent countries would be unsustainable without a matching economic autonomy. India's forthright support for the struggle of African countries against colonialism and apartheid, and the assistance India has given them has generated genuine goodwill and trust for India across Africa. India's projects in Africa are geared towards creating value-addition for its natural resources, generating local employment, transfer of technology, and developing its human resources through training in Indian institutions as well as by deputation of experts to Africa. Africans find India's technology appropriate for their level of economic development, and India's experience in developing the small and medium sectors of its economy as particularly useful and relevant. India has not thrust projects on African countries, but has tried to take into account their developmental priorities and environmental concerns. India gives Africa not just official assistance; the Indian private sector too is involved there in a big way. Indian companies have invested in many sectors of African economies

such as transport, power generation, telecommunications and other areas of infrastructure development, horticulture and agriculture.

There are at present many practical problems in extending large concessional lines of credit to developing countries. Earlier, the Government of India gave lines of credit directly to foreign governments. But there was a problem in that approach, since Indian companies simply availed of cheap governmental lines of credit to subsidize their exports, without the concessional lines of credit having the intended catalytic effect on overall economic relations. India frequently had to write off loans, as many governments did not repay them fully, or not at all. A few years ago India thought that a more practicable approach would be to authorize the Export-Import Bank and other banks to give concessional lines of credit. This approach too has its problems and limitations. As Indian banks have to follow prudential lending norms laid down by the Reserve Bank of India if their own credit rating is not to be adversely affected, on their own they cannot lend to the HIPCs or the LDCs, the categories of countries most in need of such credits but which are not creditworthy. Nor can they give lines of credit on generous terms matching those being given by multilateral aid agencies and other donors, since they have to raise the money in the market at rates much higher than what recipient countries are willing to accept. The government tried to solve the problem by providing bridging finance and repayment guarantees to the authorized lending banks in case of any default by the user of credit. As this creates a budgetary liability on the government, the government imposed a limit beyond which it was unwilling to provide bridging finance and repayment guarantees. Another reason why India seems to think it cannot be too generous in giving assistance is that extending too many lines of credit would prejudice India's own case for concessional funding from multilateral bodies and bilateral donors. There is also a feeling that India should use its resources for its own development rather than as foreign assistance. These problems are not insuperable. If India wants, it can give economic assistance through a combination of grants and concessional loans that would make Indian lines of credit competitive with soft loans available to recipient

countries from elsewhere. The bottom line is one of political will and priorities. When India thinks it is a matter of strategic importance, it has no difficulty in finding funds, as seen in India's generous assistance programmes to Bhutan and Afghanistan.

Technical and economic cooperation with foreign countries constitutes a substantial part of the budget of the Ministry of External Affairs (MEA). More than 150 countries benefit from Indian Technical and Economic Cooperation (ITEC) programme as well as other specialized training programmes in areas like agriculture and science and technology. India's foreign assistance programme is a strategic tool to showcase India's technical strengths and achievements and to harness them to promote India's political and economic interests in the world. It has generated goodwill, brought economic dividends for India and built Indian brand equity, but it lacks a strategic focus. This valuable instrument of India's foreign policy needs to be sharpened. In absolute terms, the foreign assistance programme has been quite modest and has not lived up to its promise and potential. India will have to spend significantly larger sums of money on development assistance. India needs to leverage its core competencies more effectively and optimally and develop its own model of development assistance that matches India's strengths with the changing needs of the beneficiary countries. In a welcome if belated move, the Indian Government has finally decided to set up an autonomous entity, the Indian Agency for Partnership and Development, under the MEA to coordinate India's technical and economic assistance programme. Hopefully, this will help India to pursue its foreign policy goals more systematically and effectively, but only if it has a policy focus and does not become yet another low-level bureaucratic body.

### **Institutions and Influences**

Economic diplomacy is not just MEA's concern. Other ministries and departments in the Government of India, state governments and, most importantly, private trade and industry

have vital roles to play. Abroad, one should include Indian Missions and Posts, both bilateral and multilateral; India's representatives to the WTO, World Bank, IMF and ADB and overseas offices of Indian banks, public sector units and bodies to promote exports and attract investments. At the same time, MEA remains central to economic diplomacy. It must play an important coordinating role with all other concerned organizations and interest groups, and can provide value addition to the functioning of other ministries and departments. Ideally, MEA officers should be working in large numbers in key economic ministries like Commerce and Finance, as well as handling the international cooperation divisions in other economic ministries. Recognizing the importance of economic diplomacy in India's foreign relations, the government created a new post of Secretary, Economic Relations in the 1970s to coordinate all aspects of external economic relations and to be MEA's principal interface with the various economic ministries as well as with the commercial and economic wings in Indian Missions and Posts abroad. It is a great pity, therefore, that under the UPA Government this position was devalued and virtually made defunct for a long period. This development, which signals an inconsistent commitment at the higher levels of MEA to economic work, as well as other weaknesses that have crept into MEA's functioning over the years, have regrettably reduced the ministry's influence and role in economic diplomacy.

Many branches of the government now tend to act on their own in matters involving relations with foreign countries without consulting the MEA, which alone can provide an overall perspective. This is especially true of powerful economic ministries like Commerce and Industry, Finance, and Petroleum and Natural Gas that are normally headed by political heavyweights. In practice, much depends on the relative political clout of the External Affairs Minister, who is not always a member of the Cabinet Committee on Economic Affairs, and the ministers concerned, and on personal equations between senior officials of MEA and the different economic ministries. India needs to give far more attention to institutional coordination of economic diplomacy among the

various stakeholders in the government. India's high-value purchases and other bargaining chips can be leveraged abroad most effectively if domestic stakeholders have the benefit of a harmonious and coordinated diplomatic effort. India as a whole loses when different branches of government act autonomously—say, the Ministry of Commerce in WTO matters or in negotiating FTAs; the Ministry of Finance on accepting foreign aid or extending lines of credit to other countries; the Ministry of Petroleum and Natural Gas and the oil companies on import of crude oil, LNG contracts and gas pipelines; the Ministry of Civil Aviation on purchasing aircraft or the Ministry of Overseas Indian Affairs in negotiating labour agreements with foreign countries. All these instances have important foreign policy implications that should require consultation with MEA. At times, MEA also takes on international commitments at high levels without consulting the implementing agencies or domestic stakeholders. This is avoidable. It is obvious that no international interaction will be meaningful or successful if it is conceived and executed as a purely foreign policy exercise that is disconnected from India's domestic realities, priorities and capabilities.

Concomitant with the significant shift in the balance of economic power from the public to the private sector in India, corporate India's influence on foreign policy has greatly increased. A large business delegation invariably accompanies the Prime Minister on official visits abroad. Indian industry's lobbying associations like the Confederation of Indian Industry (CII), the Federation of Indian Chambers of Commerce and Industry (FICCI) and the Associated Chambers of Commerce and Industry (ASSOCHAM) have emerged as important foreign policy players. These bodies are frequently co-opted by the government to handle economic aspects of foreign policy, for example, CII's annual Partnership Summit, periodic Business Summits with ASEAN and the European Union, ad hoc interactions of trade and industry leaders with visiting foreign leaders, the India–US Strategic Dialogue with the Aspen Strategy Group, the India–Singapore Chief Executive Officers (CEOs) Forum, the car rallies with ASEAN and SAARC, and the Pravasi Bharatiya Divas. Their views command considerable

attention from the decision-makers since not only must foreign policy serve India's economic interests, but also because their inputs, advice, insights and networking skills are often invaluable. Another linked interest group is the affluent Non-resident Indians (NRIs) and Persons of Indian Origin (PIOs) based in Western countries who can act as force-multipliers for India's diplomatic efforts, particularly on the economic side.

Economic issues have occupied a central place in the foreign policy of all countries, particularly during prolonged periods of peace. Historically, trade has generally been the wedge that has opened the door for empires, which were established with the primary purpose of protecting and furthering the imperial country's trade and economic interests. Even today, the foreign policy of most countries is guided by economic considerations—the search for markets for goods, services and labour; for sources of raw materials and latest technologies; and for investment destinations. Whereas earlier 'economic' had a much narrower definition that was synonymous with trade, today it is a much broader term encompassing practically every non-political aspect of diplomacy. Tourism, media, entertainment, health care and education are important sectors of a country's economic growth that come under the rubric of 'economic diplomacy'. India too needs to give growing attention to its economic relationship with all countries, the more so in a globalized world. This is not to suggest that India should be complacent and naïve in pursuing only economic objectives while ignoring other traditional foreign policy concerns like security. Yet even in strategic relationships, trade and economic interaction provides a solid foundation for relations, creates interdependencies that foster mutual trust and confidence, and gives people concrete stakes in the relationship. India's economic diplomacy will be most successful if official India understands the importance of public–private partnership and an all-round coordinated national effort that involves close and purposeful cooperation with all stakeholders.

## Chapter 13

# Defence and Diplomacy

### **Military Power and Diplomacy in Inter-state Relations**

**M**ilitary power is the principal instrument of a sovereign State to protect and defend its national interests, especially its security interests, vis-à-vis foreign powers. Unless a country has a credible military deterrent about which the other side is aware, the latter could be tempted into launching an attack. Military power is also a critical, in some cases the most important, element of a State's offensive arsenal to influence the behaviour of other States and to promote its own interests on the international stage. It was the British navy's 'gunboat diplomacy' that successfully advanced Britain's national interests overseas and created the British Empire. Today, it is the ability of the US to project military power all over the globe by sea and by air that gives credibility to its claim to be a superpower with global interests that it can and will protect. The only reason why Russia is taken seriously by the US in its strategic calculus is because of Russia's military might, in particular its unique ability to annihilate the US. Military power is not the only, but certainly an essential, element of being a great power. For all their economic weight, Japan and Europe do not figure as prominently in the strategic calculations of other powers as they would have had they shown the ability and willingness to project military power. China on the other hand does have



military and strategic clout. The US can live more comfortably with China's large trade surplus and US dollar holdings than it can with China's rapidly growing military strength.

Inescapable though it may be, military power is an insufficient and imperfect instrument of State policy. In inter-state relations, politics drives decisions; war is merely an instrument of State policy, and usually the instrument of last resort. It has been said, with a degree of truth, that war is too serious a business to be left to the generals! Diplomacy, or the management of international relations by negotiations, is the preferred means to keep relations between States smooth and friction free. War breaks out when diplomacy fails or deterrence weakens. In any case, war cannot be waged indefinitely. War has to ultimately lead to a political settlement, which has to be negotiated diplomatically. Very often, during the course of a war, diplomatic negotiations are simultaneously under way, be it to settle the conflict or to weaken the enemy. Incidentally, the concept of diplomatic immunity evolved in the context of war. Warring sides looking for a peace settlement had to exchange emissaries, whose person and belongings had to be inviolate in order to enable the emissaries to carry confidential messages from one side to the other.

For military power to be effective and for diplomacy to be successful, there has to be a synergy between these two instruments of State power. A couple of examples from India's recent experiences would illustrate this point. In 1971, it was diplomacy—through the instrument of the Indo-Soviet Treaty of August 1971—that created favourable political conditions for the successful Bangladesh operations of December 1971. Unfortunately, because of poor political judgement and negotiations, the diplomatic options that the military victory opened up could not be converted into a favourable peace settlement at Shimla in July 1972. In Sri Lanka, on the other hand, it was the Indian military establishment's over-confidence about its capabilities that led in 1987 to the induction of the IPKF in Sri Lanka, which turned out to be an enduring political and diplomatic disaster that has had the effect of reducing India's influence in Sri Lanka.

Military thinking has also influenced diplomatic technique. For the school that thinks that diplomacy is simply war by other

means, the goal is a triumphant victory. In pursuit of this goal, the enemy is outflanked and weakened by attacks behind the lines; wedges are drawn between the principal opponent and his allies; there is the resort to tactics like feint and surprise attacks, sometimes even a strategic retreat; intimidation and propaganda are used to weaken the opponent's resolve and confuse him. On the other hand, another school of thought considers that fairness and honesty are more effective than deceit and trickery in achieving the desired results. The example of the Treaty of Versailles that imposed a crushing peace on a defeated Germany after the First World War thereby sowing the seeds for German rearmament and the Second World War is often cited as making the case for the second approach. This precedent appears to have guided India when it gave generous terms to a defeated Pakistan at Shimla in 1972. In truth, every State has to apply a combination of techniques to achieve the desired result.

### **India's Strategic Culture**

India's circumstances and geography have shaped India's strategic culture and traditions. Historically, India has never been an aggressive power, simply because it did not need to be one. Blessed with abundant water, sunshine and fertile land, protected by the seas to the south, virtually impassable mountain ranges to the north, thick forests to the east and deserts to the west, India was a self-contained, self-satisfied and rich civilization that had no urge to conquer foreign lands since it had nothing to gain by making forays beyond its natural frontiers. The only threats and invasions it periodically faced were from marauding tribes and empires from the northwest—the Greeks, the Huns, the Persians, the Turks, the Afghans and the Mongols. India's deep hinterland gave it enormous cushion to absorb the impact of foreign invasions, and the non-dogmatic philosophical moorings of the people prudently dictated a compromise with invaders that would assimilate them within India's fold, making them stakeholders in a peaceful and

prosperous India. Just as the raging fury of a rushing torrent cascading down the mountain gradually peters out in the plains and the sands, so the energy of the invaders streaming into India via the Khyber Pass was gradually and inexorably exhausted by the time they reached the lower reaches of the Gangetic plains in Bihar and Bengal. This led to the development of a defensive mindset in tackling problems of national security. The only problems of diplomacy and statecraft in India that existed were those faced by ambitious feudal rulers, emperors and kings wanting to spread the extent of their empire within the confines of the Indian sub-continent, not about crafting a strategy to tackle foreign threats that could potentially upset the everyday social and economic life of India.

Its historical experience left India unprepared for the vastly different kind of challenge that the European powers posed in the 18th century. For the first time the external challenge was different in vital respects from earlier security threats faced by India. First, it came not from the land but from the sea, which was unprecedented in India's experience. India's maritime contacts with people across the seas, whether it was the area of modern day Oman and the Persian Gulf, or Yemen and the Red Sea, or the coast of east Africa, or the territories and islands of Southeast Asia had been largely peaceful, with a focus on trade and culture. Second, the threat came not from the northwest, but from the east, making eastern India a frontline region for the first time in its history. Unlike the people of northwest and north India who had developed over the centuries the instincts and the ability to tackle frequent security challenges emanating from the Hindu Kush region, the response of the inhabitants of eastern India was conditioned by their considerably different historical experience and temperament. They misread the Europeans and underestimated them. Thus began the colonization of India. India's defensive mindset carried over into the early years of Independent India, when defence was neglected, resulting in India's inability to resist the Chinese invasion of Tibet in the 1950s and later the Chinese aggression against India in 1962. Fortunately, today there is a better, although still inadequate, appreciation among India's political leaders and strategic community of how military power is an essential component of advancing India's national interests.

Other countries' perceptions about India's military capabilities too have changed. Pakistan no longer makes exaggerated claims about how each of its soldiers is equal to 10 Indian soldiers. China's hitherto contemptuous view of India's military capabilities changed somewhat after India became a declared nuclear weapons power. The US started taking India seriously only after India became a nuclear weapons power. In inter-State relations, perceptions matter as much as reality. States deal with one another with one eye invariably on the military power of the other State. Today, apart from nuclear weapons, the demonstration effect of India's missiles, high-resolution satellites, aircraft carrier, a submarine fleet, large numbers of combat aircraft and hundreds of thousands of well-trained and motivated men in uniform is palpable for an adversary. The Indian armed forces' combat skills both against foreign adversaries and in the conduct of counter-insurgency operations at home, as well as their capabilities in areas like high-altitude and jungle warfare, training, joint exercises, peacekeeping operations, airlift operations and disaster relief—all these project India's military power, engender respect for India and thereby create more space for diplomacy.

Successful diplomacy involves using all aspects of national power, in particular military power, as instruments of diplomacy. Which elements of military power are more important depends on the circumstances. Newer technologies do reduce the salience of older technologies but rarely do these become redundant. Given that the principal security threats to India are on its land borders, it is understandable that in military matters India's overwhelming emphasis has been on the Army and the Air Force. Air power plays an important demonstrative role in psychologically intimidating the adversary, but it has limits since only boots on the ground can capture and hold on to land. Nuclear weapons, missiles, satellites and cyber networks have added a new dimension to warfare. India's capabilities in these new areas constitute the principal strategic forces for projecting India's interests and for ensuring that India has a credible nuclear deterrent. It is therefore surprising that India inexplicably abruptly declared an end to its Integrated Guided Missile Development Programme in 2008.

## India and the Indian Ocean

In view of the navy's relatively limited role in the wars India has fought, the significance of naval power has been inadequately understood in India. There are many objective reasons for this. The Navy is the least visible component of India's armed forces. Naval activity does not affect ordinary citizens' lives, unlike the functioning of the Army. The Navy's domestic constituency is limited. Traditionally having had to deal with security threats from the land, and ensconced in a capital far from the oceans, India's ruling elite in general has a continental rather than a maritime mindset.

Yet the Indian Ocean is vital to India's security and well-being. The Indian Ocean played a critical role in empire building. It is worth reiterating Sardar K.M. Panikkar's views expressed many decades ago that for India, the Indian Ocean is different than what it is for other powers. Panikkar wrote:

While to other countries, the Indian Ocean is only one of the important oceanic areas, to India it is a vital sea. Her lives are concentrated in this area; her freedom is dependent on this vast water surface. No industrial development, no stable political structure is possible for her unless the Indian Ocean is free and her shores fully protected.

Panikkar's remarks remain true today. The Indian Ocean's strategic importance for India remains undiminished. It should not be forgotten that the Indian Ocean is called 'Indian' because India dominates it. The Indian Ocean is central both to the potential threats it poses to India's security as well as the opportunities it offers for force projection in various directions. The Indian Ocean is like the Mediterranean Sea in that it is a large virtually enclosed space, with comparable choke points and civilizations flourishing around its rim. Over the centuries, India has been the most advanced civilization in the Indian Ocean area, exerting an influence on other regions on the periphery of the Indian Ocean like the Persian Gulf, Africa and Southeast Asia. After India became independent, the military

and economic elements of India's maritime strategy were not very prominent. There were no maritime threats, nor did India have any capability or need for military force projection. India had a relatively small share of global trade, and few offshore assets to protect. The Navy was understandably India's smallest military arm.

The situation is different today. The Indian Ocean controls access to and from the oil-rich Persian Gulf. The Indian Ocean is the new energy security heartland and a major trading artery. Southwest Asia, washed by the northern Indian Ocean and the Persian Gulf, and the adjoining landlocked Central Asia, has become the most militarized region in the world, much like Europe was during the Cold War era. Earlier the principal conduit for the colonization of Asia and eastern Africa, the Indian Ocean is once again a major battlefield for power projection on the Eurasian landmass, as has been seen in the case of Iraq and Afghanistan. It is an arena of possible confrontation between Islam and the West. It is the area where terrorism is most widespread. It is the area where the bulk of the world's population, what is more a rapidly growing population, resides. It is also the area where some of the world's most dynamic economies are located. All these factors give enormous contemporary economic and strategic significance to the Indian Ocean. It is not surprising that India's leaders have repeatedly declared that the entire Indian Ocean basin—from the Persian Gulf in the north to Antarctica in the south, and from the Cape of Good Hope and the east coast of Africa in the west to the Straits of Malacca and the archipelagos of Malaysia and Indonesia to the east—constitutes India's strategic neighbourhood.

What is India's maritime policy? The forthright statement of the Minister of External Affairs, Pranab Mukherjee, in Kolkata in June 2007, where he brought out the increasing importance of the maritime dimension in India's foreign policy and emphasized the Navy's role as 'a versatile and effective instrument of our foreign policy', clearly brought out that the traditional Indian indifference to maritime issues is changing. He said:

For far too many centuries of our history has India either neglected or devoted insufficient attention to this relationship (between international relations and maritime affairs). Fortunately after nearly a millennia of inward and landward focus, we are once again turning our gaze outwards and seawards, which is the natural direction of view for a nation seeking to reestablish itself, not simply as a continental power, but even more so as a maritime power, and consequently as one that is of significance upon the global stage... it was only when the ruling Indian elites forgot the imperatives of maritime security that ancient and medieval India's dominance of world trade was lost. The realization that this gross neglect of maritime security eventually led to the colonization of the sub-continent and the consequent loss of India's very independence for nearly three centuries should make a repetition of this strategic error utterly unaffordable. These harsh lessons of history are not lost on the modern, independent republic that is India.

India has rightly drawn some lessons from the fact that India's conquest by the West was from the sea. Will there be another 'Vasco da Gama' era redux, this time dominated by the US instead of by the European powers? India's policy should certainly be to try to have control over at least its immediate maritime neighbourhood, namely the Arabian Sea, the Bay of Bengal and the north Indian Ocean. India's interests in the Indian Ocean are not merely defensive. If India aspires to be a great power, then the only direction in which India's strategic influence can spread is across the seas. In every other direction there are formidable constraints. To the west there is a hostile Pakistan and a turbulent Afghanistan. To the north there is rival China and the geographical barrier of the Himalayas. To the east are a non-cooperative Bangladesh and an isolated Myanmar. Thus, if India wants to be a more influential regional and global player, it has to sort out its neighbourhood, and then seek an expansion of its influence via the sea. The other notable development that has compelled India to do considerably more strategic thinking on the maritime front is the coming into force of the United Nations Convention on the Law of the Sea (UNCLOS) in November 1994, which sets out

a legal international maritime regime. This changed outlook finds reflection in the Maritime Doctrine of 2004, and the Maritime Strategy of 2006. Any lingering doubts or hesitations on the criticality of maritime security have been dispelled after the November 2008 terrorist attacks launched from the sea on Mumbai jolted India out of its lethargic slumber.

The Indian Navy and the Coast Guard retain their traditional defensive roles. They are part of the Indian armed forces that will conduct military operations in our neighbourhood; protect India's increasingly important trade and energy SLOCs; protect the resources of India's large Exclusive Economic Zone (EEZ) covering an existing area of more than 2 million square kilometres that could soon go up to 2.54 million square kilometres once the current 200-nautical-mile EEZ is extended to a line 350 nautical miles from its coastal baseline; protect India's offshore assets, including oil and gas; safeguard its deep-sea mining areas in the central Indian Ocean where India has been allotted a mining area of 150,000 square kilometres; deal with piracy (the decision to deploy an Indian warship in the Gulf of Aden off the coast of Somalia is significant); and counter terrorism.

In addition, the Indian Navy has to play a new strategic role as a foreign policy tool. The rest of the world too now understands and respects India's strategic maritime capabilities in tandem with India's growing weight in world affairs. After the 1999 'Alondra Rainbow' incident when India's Coast Guard successfully interdicted a hijacked Japanese vessel, Japan woke up to the realization that India was a credible naval power, and was convinced that the Indian Navy could play a key role in ensuring Japanese energy security. Over the next few years, other developments contributed to the enhanced image of the Indian Navy. There was the interdiction of a North Korean ship carrying weapons to Pakistan and Libya. Thereafter the Indian Navy provided security for the African Union summit in Mozambique in 2003, and demonstrated its capabilities and efficiency during the tsunami crisis of 2004-05 and the evacuation of Indians from Lebanon in 2006. Other factors that bring credibility to India's expanded maritime role in the Indian Ocean are the professionalism of India's navy, the fact



that it is one of the few navies in the world with an integral air power arm, and India's critical strategic location in the northern Indian Ocean that enables it to keep a watch on the major SLOCs in that area.

India cannot ignore the growing stakes of countries outside the Indian Ocean rim. Foreign naval presence in the Indian Ocean is not a new phenomenon, and will remain. The UN General Assembly resolution of December 1971 on declaring the Indian Ocean as a Zone of Peace has come to naught. The US Navy has an overwhelming presence in the Persian Gulf. In the Indian Ocean, it has had a presence in Diego Garcia for decades, and has set up a new Africa Command (AFRICOM) that would undoubtedly have strategic implications for the Indian Ocean region and India's own security. NATO has a growing presence in the Indian Ocean area and its future role and mission remain disturbingly unclear. France claims to be an Indian Ocean power because of Reunion and a few other islands. The US and NATO presence in the Indian Ocean will remain, and probably increase in the coming years, for the sake of Gulf energy, Afghanistan and Iraq. Iran may provide another pretext to strengthen the presence of these powers. There is growing concern about China's strategy of establishing maritime footholds in places dotted around the Indian Ocean, including in India's nearest neighbours—its 'string of pearls' strategy. What should concern India is the nature of the overall foreign presence in its immediate neighbourhood, not just at sea, but also the foreign bases on land. With so many extra-territorial naval powers present in the Indian Ocean so close to India's shores, it would only be prudent for India to have its own significant naval presence in the region, both for defensive purposes as well as to project force if needed.

The setting up of the Tri-Services Command in the Andaman and Nicobar Islands was a shrewd move. India should follow a conscious policy of steadily strengthening this outpost in the Bay of Bengal so that it not only plays a defensive role for ensuring India's security but also because a strong Indian military presence here enables India to keep a close watch on the SLOCs from the northern Indian Ocean to the Straits of Malacca and to potentially exert pressure on other powers. The Tri-Services

Command gives credibility to India's regional naval capabilities and posture in the Bay of Bengal and adjoining regions. At the same time, seeing that the strategic horizons of many of the East Asian countries converge with those of India in the eastern Indian Ocean, India needs to keep in mind the sensitivities of the Southeast Asian countries. Malaysia was very upset over India providing an escort of high value US cargo through Malacca Straits in 2002. Malaysia and Indonesia have been resisting any US initiative for the security of the Malacca Straits, which they feel should remain principally the responsibility of the littoral States. This is a position that India has broadly supported. There are two other considerations to bear in mind. One, the countries of Southeast Asia are looking for an alternative to Chinese domination. Two, they are very afraid that they will be caught in an India–China rivalry.

Fortunately, there are many confidence-building and cooperative frameworks already in place, such as the India-sponsored MILAN exercises generally held at two-year intervals with the participation of ASEAN countries, Australia, New Zealand, Bangladesh, and Sri Lanka; India's active participation in the ASEAN Regional Forum (ARF); and India's participation in the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP). There are some other informal and Track-II dialogues such as the 'Shangri-la Dialogue' sponsored by the London-based International Institute of Strategic Studies (IISS), and the Council for Security Cooperation in the Asia Pacific (CSCAP). India's growing bilateral military ties with the countries of the region have also served to create a higher level of mutual comfort between India and these countries. India holds regular naval, military and air exercises with Singapore, and undertakes coordinated patrolling with Thailand and Indonesia along the international maritime boundary. All these are integral components of India's maritime policy to its east.

India does not have a significant naval presence in the maritime domain to its west, where the challenges and dangers are probably greater. The US Navy dominates this region comprehensively. The US remains reluctant to involve India even in discussions about Gulf security, not to speak of the

actual process of ensuring it. There is symbolism and substance in the fact that India comes under the Pacific Command (PACOM), rather than the Central Command (CENTCOM) of the US Navy whose area of operations covers the Persian Gulf region and Pakistan. India has vital interests in the Persian Gulf region, related both to energy and Indians living in the region, but plays no role in the security arrangements in place there, including the Combined Task Force (CTF 150) that was set up at the US initiative following the declaration of the 'Global War on Terror' post-9/11. The CTF includes ships principally from the Western members of NATO—US, United Kingdom, Germany, France and Italy—plus Australia, New Zealand and Pakistan. Strangely, the security of this region is seen as something that concerns only the extra-regional powers. India too holds the maximum number of exercises in the Indian Ocean with the Western countries, specifically the US, France and the United Kingdom, although the gains from such an extensive engagement remain unclear.

As there is no getting away from the fact that the US, as the preponderant maritime power globally, will continue to exercise a decisive influence in the Indian Ocean region, India's attitude to the presence and policies of the US in the Indian Ocean region needs to be formulated and articulated with clarity and foresight. All the other navies combined cannot match the US Navy. India's undoubted need to engage the US provides the context for the Indian Navy's regular Malabar exercises with the US Navy since 1992. At the same time, India needs to make a careful assessment of the US' long-term strategic view of India. Many questions need to be addressed. Can India be subjected once again to the kind of pressure that was put on it through the presence of 'USS Enterprise' in the Bay of Bengal in 1971 or the intelligence reconnaissance missions undertaken by US planes from Diego Garcia? What are the implications for India if Pakistan retains its current importance in US strategic plans? Going back to the signing of the India–Sri Lanka Accord in 1987, are the factors that led to that pact, namely the setting up of the Voice of America transmitter in northern Sri Lanka and the possibility that Trincomalee port, with its excellent harbour, would be leased

out to the US, relevant today? Given the history of pressures that the US has exerted upon India from the Indian Ocean, it will be some time before India is ready, if at all, to consider the US as a benign power. In planning for the future, India should consider whether in a decade or two, if India continues to grow by 8–9 per cent per year, India could become a country of concern to the US, as China is today. Or has India's strategic perspective changed, since India now apparently does not feel uncomfortable with Sri Lanka hosting multiple foreign military presences?

Realism dictates that India should look at capabilities; intentions can change. Thus, while there may be a shared tactical interest today, is there a long-term strategic coincidence of interests? What are these shared security interests, and are they more important than the differences? How will the US help India to secure its interests? India must have a benign US, but the US too needs a benign India, since in a few years' time India would perhaps be the only other power that has sea-based nuclear assets in the Indian Ocean. The fact that the US Senate has not ratified the United Nations Convention on the Law of the Sea (UNCLOS) sends its own disturbing message. It has implications for India, because US assumptions about freedom of navigation on the seas appear to be different from India's.

India will also have to consider Russia's attitude. There is no getting away from the reality that India's naval capabilities have been built largely because of Russian/Soviet assistance, and India remains dependent on Russia for spares and maintenance. Sensitive equipment like nuclear submarines and aircraft carriers are on the anvil. Too close an alignment of India's naval plans and cooperation with that of the US may not be to Russia's liking at a time when serious tensions are brewing between the US and Russia at a strategic level. It is good that since 2003 India has been holding regular exercises with the Russian Navy.

In order to underline its seriousness in playing a more active role in matters related to the Indian Ocean, India took a welcome initiative to convene in February 2008 an Indian Ocean Naval Symposium (IONS) with the participation of the

Naval Chiefs of about 30 littoral countries of the Indian Ocean region. The aim of IONS was to provide a consultative forum to discuss issues and concerns related to maritime security and, based upon a common understanding, to develop a comprehensive cooperative framework on maritime security, by pooling resources and capacity building and exchanging information. However, within India a lot more work remains to be done, both in terms of allocation of resources and in working out institutional mechanisms to better coordinate and integrate India's multifaceted maritime interests. There is a case for setting up a maritime commission along the lines of the Atomic Energy Commission and the Space Commission to ensure greater coordination among the different stakeholders on maritime issues.

### **Foreign Policy and Defence Policy**

Defence cooperation with foreign countries illustrates well the close inter-relationship between India's foreign policy and defence policy. Foreign defence cooperation is the most sensitive aspect in any bilateral relationship. By its very nature, it presupposes a certain level of trust, confidence and understanding between cooperating partners, as well as a broad coincidence of strategic objectives. It therefore flows from and reflects a good political relationship, not the other way round. Defence cooperation—whether it be training, buying or selling defence equipment, conducting joint exercises or joint operations—cannot, or at least should not, be conducted independently of the overall thrust of a country's foreign policy. Thus India has a long-standing and robust defence relationship with Russia, but not with Pakistan or China. In between these two ends of the spectrum, there are many shades of grey. After decades of mutual suspicion and wariness, India and the US are now engaged in a rapidly intensifying military relationship, even though there is no political consensus within India on a strategic relationship with the US. Yet, by participating for the first time in August 2008 in the multi-nation 'Red Flag' air exercises with the US and its allies, the UPA Government has signalled that

it shares the strategic perspective of this group of nations. It is highly debatable whether it is wise for India, which remains heavily dependent on Russian military equipment, to enmesh its military planning and systems with those of the US, particularly when the latter is not prepared to share with India some of its defence technologies and weapons systems. As a major buyer of defence equipment, India must be able to effectively leverage its high-value defence purchases not only as direct defence offsets but also for getting concessions on other issues.

Although it is overall foreign policy that will essentially drive a defence relationship, defence diplomacy can and does invariably serve to cement bilateral ties, simply because it creates linkages in the crucial field of security. In some cases, it supplements economic relations. For example, India's ties with ASEAN countries started off as an essentially economic relationship but over the last five years or so the defence component has developed and served to supplement and strengthen the other aspects of India's relations with ASEAN relations. In other cases, as with Russia, substantial defence cooperation plays a vital role in holding together the overall bilateral relationship. A third example is that of Israel, where growing Indian dependence on Israel for defence equipment exerts some pressure, albeit unacknowledged, on India to moderate its position on political issues like Palestine that matter to Israel.

India's defence policy and its foreign policy are closely inter-related. 'Defence' and 'diplomacy' are really two sides of the same coin. The goal in either case is the same, namely the defence of India's unity, territorial integrity and sovereignty from outside threats; only the means are different. In order to conduct successful diplomacy, India's foreign policy-makers must clearly understand India's military capabilities as well as that of India's adversaries. They must also understand the military way of thinking, for not only is the military the instrument of last resort for every State but it also either directly or indirectly wields political power in many countries. India's interests can be best served if there is much closer coordination and consultation between the defence and foreign policy establishments. Only then will India be able to optimally mesh its diplomacy with its military strength.

## Chapter 14

# Traditions and Institutions

**A**lthough the Indian civilization is old, the Indian nation is young. Ironically, it is India's experience under colonial rule that created the idea of India as a modern nation. Macaulay's educational reforms were intended to create an Indian elite who, cut off from the deep roots of their own rich heritage of culture and achievements, would become loyal subjects of the British Empire. Macaulay's strategy did succeed, perhaps more than he envisaged. An unintended outcome of educating Indians was the rise of Indian nationalism. The Indian elite educated in the Western mould drew inspiration from the great ideas of nationalism, communism and socialism that were sweeping across Europe in the second half of the 19th and the first half of the 20th centuries. There were also warning lessons to be learnt from the fascist tendencies in Germany and Italy.

### **Influence of Nehru and Gandhi**

Jawaharlal Nehru, who became India's first Prime Minister and Minister of External Affairs, played the main role in shaping India's foreign policy. Nehru's understanding of history and knowledge of foreign affairs was unmatched among independent India's first generation of leaders. His Western education and personal familiarity with different European political movements and trends deeply influenced his thinking and gave

him a valuable grounding in foreign affairs. Even before India became independent, he had deeply reflected on important foreign policy matters and had a clear farsighted vision for an Independent India. It was only natural, therefore, that his ideas and theories provided the crucial inputs and guidance for India's foreign policy when India became independent.

Alongside Nehru, Mahatma Gandhi's thinking and philosophy had a significant, although insufficiently appreciated, influence on India's foreign policy. The essential elements of Gandhi's philosophy were the concepts of non-violence, the importance of the moral dimension in the conduct of men as well as nations, and *Satyagraha* or the struggle for truth, compassion and justice. Gandhi's thinking was influenced by the moral, ethical and philosophical precepts of Indian holy books and scriptures like the Ramayana and Mahabharata as well as the teachings of Lord Buddha. At a conceptual and intellectual level, India's freedom struggle was not just about gaining India's freedom from British rule, but part of a wider global anti-colonial movement. This internationalist aspect of India's movement for independence emanated from Gandhi's own encounters with racism in South Africa, which contributed to the understanding among Congress leaders that India's own freedom was linked to that of people suffering under colonial rule elsewhere in the world.

It is therefore hardly surprising that from the very beginning, India's foreign policy concerned itself not only with India's narrow national interests, but also how it would impact other colonies in Asia and Africa. The defining characteristics of India's foreign policy in the first few decades after India's independence were: non-alignment, or the right to follow an independent foreign policy and to decide foreign policy issues on merit; moral, diplomatic and economic support for the struggle against colonialism, racialism, apartheid and other forms of discrimination; non-violence and the quest for nuclear disarmament and India's role as an international peacemaker. India's position on world issues was informed by moral clarity and courage, which won India many admirers, made India the leader of the developing countries, and gave it an influence in world affairs out of proportion to its real economic and political



strength. At the same time, India's moralistic posturing as well as its air of self-importance and self-righteousness irritated the Western countries.

The internationalist perspective in India's foreign policy has served India's broader national interests. Would India have survived as a united, sovereign and independent State if it alone had been decolonized? Undoubtedly, the spread of the movement against colonialism and racism, leading to the emergence of large numbers of independent countries, buttressed India's own independence. The pride and self-respect that Gandhi engendered among the people of India gave India the moral courage to stand up and follow an independent foreign policy rather than submit to pressures to join one of the Cold War blocs. This has stood India well. It has consistently remained a defining feature of India's foreign policy for over six decades. So deep-rooted and widespread is the conviction that an independent foreign policy is the right policy for India to follow that no Government in India can openly call for any change in approach.

India's foreign policy institutions and traditions necessarily carry the stamp of Jawaharlal Nehru, who conceptualized and executed India's foreign policy for the first 17 years after India's independence. No less important is the fact that he trained and inspired a generation of Indian diplomats who shaped India's foreign policy during the remaining part of the 20th century. Under Nehru, India strutted on the world stage. Its lofty voice was a standing feature of important international gatherings. In India's diplomatic traditions, multilateral diplomacy acquired an aura that was denied to hardcore bilateral diplomacy. Indian diplomats became experts in trying to work out compromise positions than to playing hardball to preserve and promote India's national interests. Diplomats gave more attention to elegant formulations on paper than to the substantive outcome of negotiations.

Nehru's foreign policy style was personalized. He remained his own Minister of External Affairs, interacting directly with the officials of the Ministry of External Affairs (MEA), at the head of which was the unique, newly created post of Secretary General. The Cabinet as a whole did not exert much influence

on foreign policy. Just one Minister, Defence Minister Krishna Menon, shared Nehru's burden of guiding foreign and defence policy. As the Indian Foreign Service was very new, India had no trained and experienced professional diplomats who could advise Nehru. Nehru's political interaction was extensive, but his approach was explanatory and exhortatory, not open-minded. His utterances and writings—speeches in Parliament, letters to the Chief Ministers, statements during his visits abroad and when dignitaries visited India—were long and rambling, combining considerable practical wisdom with theoretical and philosophical musings. At times he was naïve and unrealistic. It is very likely that if the thinking represented by revolutionaries like Bhagat Singh, Veer Savarkar and Subhash Chandra Bose or even of Sardar Patel had had greater influence on India's Gandhi-inspired and Nehru-directed foreign policy, it would have been imbued with a greater dose of realpolitik.

The personalized conduct of foreign policy is one of Nehru's enduring legacies. Nehru's personal rapport with many of the world's leaders was undoubtedly genuine and sometimes effective, but it meant that insufficient attention was paid to the development of institutions for the conduct of foreign policy. Subsequent Indian leaders have similarly tried to conduct Indian foreign policy on a personalized basis. To this day, Indian leaders delude themselves that foreign policy successes, both real and imagined, are due to a magical 'personal rapport' they enjoy with foreign leaders.

### **Post-Nehru Evolution**

Lal Bahadur Shastri was in office for too short a period to make any meaningful contribution to the development of foreign policy institutions. Indira Gandhi continued the personalized approach of her father, and made the dubious contribution of undermining the weak foreign policy institutions she had inherited. Her approach was informed by two factors, namely the Bangladesh crisis of 1971, and her concept of a 'committed' civil service. It was during her time that the

office of the prime minister became a source of enormous power. In foreign policy, she exercised control through her Principal Secretary, P.N. Haksar, who was originally from the Indian Foreign Service, and D.P. Dhar, Chairman of a newly set up and extremely powerful Policy Planning Committee in the MEA. Bypassing the Minister of External Affairs of the day, Dhar oversaw the Bangladesh operations and relations with the Soviet Union. Personalized decision-making cost India dearly in the 1972 Shimla Agreement, where Indira Gandhi relied on her personal instincts and close advisers rather than impartial professional advice to cut an unsatisfactory deal with Pakistan's Prime Minister, Zulfikar Ali Bhutto. The position of the Chairman, Policy Planning Committee was subsequently dismantled, only to be revived during Indira Gandhi's second term of office when G. Parthasarathi, another loyalist, was appointed to this post.

Rajiv Gandhi too had an imperious style. In foreign affairs, he relied less on the established institutional structures and chain of command, and more on the officials in his own office. During his tenure, the Prime Minister's Office became unprecedentedly powerful, with middle level officials exercising power that far exceeded their formal position in the bureaucratic hierarchy. At times, Rajiv Gandhi himself held the office of Minister of External Affairs. When he did not, he made sure that the incumbent did not step out of line. The role and the importance of the MEA was greatly reduced, its established hierarchies disrupted. If Rajiv Gandhi's most blatant move was to give effective responsibility for certain aspects of foreign policy to the Secretary of a Ministry (Information and Broadcasting) that had nothing to do with foreign policy, his most cavalier one, with tragic long-term consequences, was the public sacking of the Foreign Secretary in 1987.

Sonia Gandhi, the Chairperson of the UPA, has continued the Nehru-Gandhi legacy of personalized foreign policy formulation and execution. 'Loyalty' to the Nehru-Gandhi family is the watchword. In Nehru's time, it is understandable that many public figures should have been appointed as Heads of Mission to important world capitals both as political patronage and in view of the fact that there were not enough

suitably qualified senior career officers who could fit the bill. All subsequent prime ministers, including Indira Gandhi and Rajiv Gandhi, were content to let career diplomats man most of the crucial posts abroad. The UPA Government, however, has shown itself to be egregiously prone to cronyism.

### **Policy Formulation—Structures and Influences**

One difficulty in institutionalizing foreign policy in any country is that the chief executive of the government, the prime minister in India's case, necessarily has to get intimately involved in foreign policy matters. As India's standing in the world has improved, so have the visibility and the international commitments of its Prime Minister. This makes the relationship between the Prime Minister and the Minister of External Affairs a delicate one, particularly if the External Affairs Minister is a political heavyweight. However, it is in the very nature of things that it is the Prime Minister, particularly one experienced and interested in foreign affairs, who ultimately determines the extent of leeway and freedom of action given to the Minister of External Affairs.

India's experience has been that prime ministers belonging to the Congress Party, whether from the Nehru–Gandhi family or not, have exercised more decisive control of foreign policy than non-Congress prime ministers. P.V. Narasimha Rao, who had earlier served as Minister of External Affairs, gave a definite strategic direction to India's foreign policy in the early 1990s. For a person who had neither any previous experience nor any known interest in foreign affairs, Prime Minister Manmohan Singh has been surprisingly assertive— and controversial. This is seen in his single-minded keenness, almost obsession, with the India–US nuclear deal, for the sake of which he not only kept the post of Minister of External Affairs with himself for nearly a year, but also staked the future of his government. Even after a very senior and experienced minister, Pranab Mukherjee, was appointed Minister of External Affairs, the overall control of the relationship with the US remains with the

Prime Minister. The new phenomenon in the UPA Government has been the influence, often decisive, of players who are not formally part of the government. These include the Chairperson of the UPA and parties like the Left and the Samajwadi Party, on whom the government relies for support.

On the other hand, non-Congress prime ministers have tended to give a little more slack to the ministers of External Affairs. During Morarji Desai's tenure as Prime Minister, Atal Bihari Vajpayee was a powerful Foreign Minister. Similarly, during the governments of V.P. Singh and H.D. Devegowda, I.K. Gujral effectively ran foreign policy. As Prime Minister, Atal Bihari Vajpayee concerned himself only with the broad strategic vision and was content to give External Affairs Ministers Jaswant Singh and Yashwant Sinha a relatively free hand in foreign policy.

The most important institutional mechanism for the Prime Minister is to exercise control over his own office. Since the time of Rajiv Gandhi, the Prime Minister's Office, whose foreign affairs component has vastly expanded, exercises more direct control over foreign policy. From 1998 onwards, the National Security Adviser (NSA), who has unrestricted access to the Prime Minister, supervises matters relating to foreign affairs in the Prime Minister's Office. He also controls and coordinates work relating to the Ministries of Defence, Home, Space, Atomic Energy, as well as the various intelligence agencies. Currently two Deputy NSAs, at least a couple of Foreign Service officers in the Prime Minister's Office, as well as a full-fledged dedicated National Security Council Secretariat assist him in this task. In this way, the NSA has emerged as a very powerful figure behind the scenes on foreign policy issues, even though he need not necessarily have any background or expertise in foreign affairs. Unencumbered, on the one hand, by the demands of protocol, of formal meetings with visiting dignitaries, of public appearances, of Parliament and political work, and armed, on the other hand, with information on nuclear, space and intelligence matters to which only the Prime Minister is often privy, the NSA has much more time for, and control over, foreign policy formulation and supervision than the Minister of External Affairs. He also has the advantage that

he is not accountable to either the Parliament or the public—in fact to no one except his political bosses. Thus there is an inbuilt conflict of interest between the NSA and the External Affairs Minister, which has frequently come out in the open since the setting up of the office of the NSA in 1998.

While it is the Prime Minister or the External Affairs Minister who are concerned with the day-to-day conduct of foreign policy, the Indian political structure has institutions to ensure that there is no arbitrariness in the conduct of foreign policy. These are both within the government and through Parliament. In the government, most major foreign policy decisions are taken through deliberations of various committees of the Cabinet, the most important of which, as far as foreign affairs is concerned, is the Cabinet Committee on Security. This Committee, headed by the Prime Minister, has as its members the Home Minister, the Defence Minister, the External Affairs Minister, the Finance Minister and the NSA. Decisions are invariably arrived at by consensus, and in practice the Prime Minister can often steer the outcome of such meetings in the direction he desires. Matters where a wider gamut of political consultations is deemed necessary could be referred to the Cabinet Committee on Political Affairs, or the full Cabinet if need be. If a matter is particularly knotty, then it is open for the Prime Minister to set up a smaller informal committee, or a Group of Ministers, to look into the issue in greater detail and report back to the Cabinet Committee on Security or the Cabinet Committee on Political Affairs. The Cabinet Committee on Economic Affairs or the Cabinet Committee on WTO matters deliberates over some foreign policy issues with an economic angle, though one problem here is that the Minister of External Affairs is not always a member of these Cabinet committees. Since 2005, in an effort to generate a consensus among key stakeholders and to fast-track decision-making on knotty and controversial issues (in particular FTAs and WTO negotiations) involving India's economic relations with foreign countries, the government has set up a Trade and Economic Relations Committee (TERC), where the key concerned Ministers of External Affairs, Finance, and Commerce and Industry, the Deputy

Chairman of the Planning Commission, the Chairman of the Economic Advisory Council and the Chairman of the National Manufacturing Competitiveness Council are members.

Individual Ministers also hold, on an ad hoc basis, smaller meetings with other Cabinet colleagues or senior officials from other ministries/departments. The Minister of Defence, for example, holds weekly or fortnightly meetings in which the Cabinet Secretary, the National Security Adviser, the Chiefs of the Army, Navy and Air Force, the secretaries in the various departments of the Defence Ministry, as well as the Foreign Secretary and the Home Secretary participate. At the bureaucratic level, issues that involve many ministries and departments are discussed in meetings of the Committee of Secretaries headed by the Cabinet Secretary. This ensures that the inputs from all the relevant ministries/departments are available on any particular issue. The National Security Adviser or the Principal Secretary to the Prime Minister sometimes calls meetings on specific issues where the Prime Minister has a special interest. Key secretaries concerned with foreign policy matters in ministries like External Affairs, Home, Defence, Commerce and Finance and Intelligence Bureau and the Research and Analysis Wing also sometimes hold informal meetings to resolve an issue. All these mechanisms are extremely valuable, indeed essential, for harmonizing the positions of different stakeholders in the government before formal decisions are taken by the concerned minister, the Prime Minister or the Cabinet.

There are inbuilt mechanisms, though not all of them work satisfactorily, for parliamentary oversight of foreign policy too. The Standing Committee of Parliament for the MEA that includes Members of Parliament from different parties meets twice or thrice a year. The Foreign Secretary, assisted by his officers, has personally to answer the queries that members may have on the functioning of the MEA. The Standing Committee also examines in detail the MEA budget proposals. Then there is the Consultative Committee of Parliament on External Affairs, where the Minister of External Affairs, assisted by his Ministers of State and senior officials, responds to queries, clarifications and observations made by the Members of Parliament on foreign policy issues. Typically, one issue is

selected for in-depth discussion, but it is open to the members to raise any foreign policy issue of interest or concern to them. Parliamentary oversight is also done through questions raised by Members of Parliament in the Lok Sabha or the Rajya Sabha. On important issues, the government explains its position in short-duration discussions, longer debates (mostly without voting), *suo moto* statements, responses to calling attention notices, zero hour questions, and so on. Unfortunately, the level of parliamentary interest in foreign affairs has steadily declined, in contrast to the situation a few decades ago. This has weakened parliamentary oversight over foreign affairs, which is a pity, since foreign policy impacts many other areas of governance.

In a parliamentary system of democracy like India's, there is a convention that Parliament does not have to approve or ratify treaties or agreements signed by the government with foreign countries. Such a practice is based on the premise that, as it enjoys majority support in the Lok Sabha, the government has the support of Parliament for its actions in all fields, including foreign policy. However, recently in the case of the India-US nuclear deal this practice has been questioned by both the Left parties, which were supporting the government from outside, as well as by the Opposition Bharatiya Janata Party. Their argument has been that on important issues that have long-term consequences for the country the government should not be allowed to take policy decisions without Parliamentary scrutiny and approval. Even though it goes against precedent, a change in the current practice would seem to be desirable in situations where a minority coalition government is in power. This would ensure that foreign policy reflects the prevailing political consensus in India.

The parliamentary systems and procedures that India inherited from the British system have necessarily had to be adapted to the conditions under which Indian democracy functions. One mechanism that has been used from time to time, including in the field of foreign policy, to tackle difficult situations, is the constitution of all-party committees to examine a knotty issue on which there is no national consensus. This was successfully used by former prime minister Vajpayee



on the issue of sending Indian troops to Iraq in 2003. Under great pressure from the US as well as from many within his own party to send troops, Vajpayee instinctively felt that this might not be a good idea, both for his party and for India's national interests. He therefore hit upon the stratagem of convening an all-party Joint Parliamentary Committee to consider the issue, and managed to wriggle out of a difficult situation—in retrospect, an extremely prudent decision. Similarly, although the UPA Government also used such a tactic to postpone the SAARC summit in 2006, it refused to do so on highly controversial and divisive issues such as India's vote in the IAEA on Iran's nuclear programme, as well as on the India-US nuclear deal. In general its preference has been to conduct foreign policy on its own, rather than by trying to build a broad political consensus.

Such an approach is problematic. India has come a long way from Nehru's time when the Congress Party's control of the Central Government and most of the states ensured that there would be no serious dissenting political voices on foreign policy decisions taken by the Central Government. Today, the coalition partners of the Congress are regional parties, whose influence does not extend beyond one or two states and whose perspective on foreign policy is dictated by local considerations and interests rather than a broader national perspective. The same holds true for the Bharatiya Janata Party that led the NDA-coalition of similar regional parties. So far, in the coalition governments they have headed, neither the Congress nor the Bharatiya Janata Party have given up control of the portfolio of the Minister of External Affairs to any other party. This state of affairs may not last forever, and it may become necessary to evolve new mechanisms to deal with a situation where the Minister of External Affairs is a person from a regional party that has a narrow foreign policy perspective.

In practice many foreign policy choices and outcomes are heavily influenced by the predilections of state governments, particularly in respect of neighbouring foreign countries with which they have common borders. As an example, it was only through the intercession of the then Chief Minister of West Bengal that India and Bangladesh could sign the agreement on sharing the Ganga waters. India's Sri Lanka policy continues

to be hobbled by the virtual veto that Tamil Nadu politicians exercise on giving enhanced levels of military assistance to the Sri Lankan government to deal with the LTTE. India's attitude towards Myanmar is dictated in large part by considerations of the development and security of the Northeast states; Sikkim and Arunachal Pradesh take a great interest in India's relations with China; while India's policy towards Pakistan is influenced by what Jammu and Kashmir and Punjab think. In short, the states have become important stakeholders in India's foreign policy and therefore have to be treated as such by the government in New Delhi. It is in recognition of this reality that over the last few years the MEA has opened offices in a number of state capitals and the recently set up Public Diplomacy Division has started an outreach programme there.

### **Ministry of External Affairs (MEA)**

Within the Central Government, the MEA is the principal institution concerned with the conduct of foreign policy. As the administrative head of the MEA, the head of the Indian Foreign Service (IFS), and the principal foreign policy adviser to the government, the Foreign Secretary wields great power and influence. His position carries considerable prestige and public visibility. Technically, the Foreign Secretary reports to the Minister of External Affairs. But a lot of the Foreign Secretary's work brings him in direct and frequent contact with the Prime Minister. Moreover, it is through the Foreign Secretary that the Prime Minister ensures that his policies are faithfully implemented by the MEA and the vast network of Missions and Posts abroad. Thus, the post of Foreign Secretary is one of the few appointments at the Secretary level in the Government of India where the Prime Minister takes an active interest.

Against this background, it is not surprising that the post of Foreign Secretary has become progressively more politicized and has been frequently mired in controversies, particularly over the last three decades or so. Three Foreign Secretaries have been removed from office before the end of their respective

terms; six have been given extensions in service; and, contrary to the practice in other government organizations and services, on several occasions the Foreign Secretary appointed has superseded several officers. Such cavalier treatment of the office of Foreign Secretary by successive governments, particularly the present UPA Government, has seriously damaged the effective functioning of the MEA, as well as undermined the integrity and cohesiveness of its structure. The Foreign Secretary is required to administer the MEA with fairness, equity and justice. The problem is that a Foreign Secretary who is too beholden to political masters may lack the moral authority, perhaps even the will, to do so.

One severe shortcoming of this larger-than-life role of the Foreign Secretary has been that the MEA, a large sprawling organization with multifarious functions and responsible for the functioning of more than 160 Missions and Posts abroad, is not structured and run in accordance with professional management principles. Decision-making at the top is not collective or consensual, but personalized. Most Foreign Secretaries have functioned like a frenetic one-man band, not an orchestra conductor. They have tended to pursue a personal rather than a well-thought out collective agenda. Trying to keep under their control areas of work that they consider important, or simply to put their stamp on the MEA, Foreign Secretaries have frequently added or given up countries and areas of direct responsibility, whimsically carved up divisions, created new ones, or simply renamed them! The globe in their vision has become like a Swiss cheese, with holes in those places where the Foreign Secretary has chosen to bite! This has also led to absurd situations where the Foreign Secretary handles relations with France and the United Kingdom (presumably on the ground that they are Permanent Members of the UN Security Council) but not Germany or the European Union! Many Foreign Secretaries have fallen between two stools—unable to give sufficient attention either to the areas under their direct charge, or to the onerous responsibility of supervision and coordination of MEA's functioning.

In addition to the Foreign Secretary, there are two or three other secretaries in the MEA who have their own independent areas of responsibility and report not to the Foreign Secretary

but to the Minister of External Affairs. The position of Secretary is one of considerable prestige and responsibility. Secretaries in MEA give critically important inputs for policy formulation, and are the highest official level negotiators and interlocutors with foreign governments. They are members of the Foreign Service Board and the Departmental Promotion Committee that are entrusted with the responsibility of recommending appointments and promotions at higher levels. Not all Grade I Foreign Service officers are considered suitable for appointment as Secretary in the MEA. A successful tenure as Secretary in the MEA has traditionally been considered an important assignment that has frequently been a stepping-stone to appointment as Foreign Secretary. But the controversial manner in which Foreign Secretaries have been frequently appointed in recent years has regrettably devalued the position of MEA Secretaries, and only reinforced the prevailing mindset among IFS officers that it is better to be an Ambassador abroad in one of the 'important' Embassies rather than be a Secretary or Additional Secretary at headquarters. This can hardly be a satisfactory state of affairs for the Foreign Office of a country like India that has multifarious interests and a presence in all parts of the world and aspires to become a Permanent Member of the UN Security Council.

Successive Foreign Secretaries have to bear much of the responsibility for the progressive devaluation of high-level posts in MEA. The charges, even the designations, of the other Secretaries and Additional Secretaries in the MEA have frequently been changed by the government. Selection of officers for working at headquarters, sometimes even for key assignments, is often arbitrary and personalized, and it is not unusual for officers having no previous experience of the area of work to be entrusted with the position of Head of the Division. Regrettably all too often, some Joint Secretaries, and at times even Secretaries and Additional Secretaries, in the MEA are given ad hoc and rather light responsibilities. Contrary to the practice in the rest of the Government of India, a new practice has been followed in the MEA since the early 1990s whereby the Minister of External Affairs can make appointments of

Additional Secretaries and Joint Secretaries in MEA without the approval of the Appointments Committee of the Cabinet. Such tampering with MEA's institutions and traditions has created a skewed organizational structure that breeds frustration and creates inefficiencies.

Unlike the Foreign Offices of other major countries, MEA does not have a large and influential Policy Planning Division that, unburdened by day-to-day tasks and preoccupations, engages in long-term strategic thinking and forecasting by taking a holistic view of foreign policy cutting across various disciplines as well as territorial and functional charges. Given the personalized style of running MEA that has become the norm, it is not surprising that successive Ministers of External Affairs and Foreign Secretaries have shied away from creating a meaningful Policy Planning Division. Meanwhile valuable manpower is kept idle or engaged in divisions having objectively much lesser priority. The Historical and Research Division too has steadily eroded into oblivion. More than six decades after India's Independence there is, sadly, still no established framework of foreign policy planning, and it is left to a handful of politicians and bureaucrats who find themselves in seats of power to take decisions based on their gut feelings and personal prejudices instead of relying on well-reasoned alternatives projected to them by a professional policy planning structure.

One of MEA's fundamental structural flaws is that, for the work expected of it, it is extremely poorly staffed at headquarters and in Missions abroad. The government seems to have finally realized that MEA and Missions/Posts abroad need expansion to take care of India's fast increasing international profile and responsibilities. Problems will, however, remain in the immediate future. It requires considerable lead-time to train officers, and a higher level of recruitment today will take a few years to show any positive effect. Moreover, this increased intake is counterbalanced by the tendency of an increasing number of officers to take early retirement from the government as greener pastures in the private sector or in international organizations lure them away. There are also inherent tendencies within the Indian government that militate

against good management. One is the politically correct urge to cut down posts regardless of objective requirements. Another is bureaucratic inertia.

The pity is that even the meagre human resources that MEA has, are not optimally deployed. MEA's functioning is too Mission-oriented. Normally, the Headquarters to Missions ratio in most Foreign Offices around the world is 1:2, but in the case of the MEA it is more in the range of 1:3 or 1:4. There are just not enough people at Headquarters to process and analyse the information flowing from Missions or Posts abroad as well as from the media and other sources that have proliferated in this information-overload age. Given the speed of communications and the ubiquity of information thanks to the Internet and round-the-clock electronic media, Missions no longer need to spend too much energy on basic reporting of developments. This should have led to some cutting down of staff in Missions abroad and transferring the posts to Headquarters, but in practice the reverse has happened. In personnel management, much more attention is given to selection of personnel for all categories of officers and staff posted in Missions/Posts abroad than to deployments at Headquarters, in which the Minister of External Affairs and the Foreign Secretary enjoy untrammelled discretion and patronage. There is no longer any sanctity about the level of a particular post abroad. A Second Secretary can replace a Counsellor, a Grade III officer a Grade I Head of Mission. The reverse is also true. Such practices tell on morale.

In the allocation of human resources to Missions/Posts abroad, there is a definite bias in favour of the West. All diplomatic and consular posts in Africa and Latin America, and to some extent even in Asia (as well as the divisions in the MEA dealing with these area), are under-staffed compared to the existing quantum and untapped potential of trade, economic and consular work. India does not have senior Ambassadors representing it in the Third World. India has recently opened Missions in small European countries, which objectively occupy a relatively low priority in India's foreign policy. By contrast, it has no or at best poorly-staffed Missions in important but

difficult countries in Africa and Latin America where Indian public and private sector companies have made sizeable investments. In all these countries Indian diplomats need to closely follow internal developments and build relations with the major political players in order to protect India's interests against unexpected political changes.

It is evident that the functioning of MEA, which remains the main branch of the government dealing with foreign policy issues, and India's methods of diplomacy need an urgent review.

### **Other Institutions and Mechanisms**

Increasingly complex foreign policy issues, many of which have far-reaching domestic ramifications, can no longer be handled within the traditional foreign policy framework or in a fragmented and compartmentalized manner. The formulation and conduct of India's foreign policy has to be an integrated national effort using all available institutional and human resources. Within the government, apart from MEA, many other ministries and departments handle foreign policy issues. Ministries like Defence, Finance, Commerce, Overseas Indian Affairs, Water Resources and Petroleum and Natural Gas, just to name a few, play critical roles in foreign policy. There is an urgent need to have an institutionalized and much more efficient coordination mechanism among different branches of the government.

At present there is no efficient mechanism to take full advantage of the considerable talent outside the government for policy formulation. This is regrettable since contemporary foreign policy tasks and challenges before India have become far more complex and demanding, and the government's own resources are not adequate. The only institutional mechanism set up a few years ago is the National Security Advisory Board. Its composition is broad-based, and its members are generally persons of eminence and credibility. So far there is not much evidence that it has provided significant policy inputs, or

that its advice, when given, has been taken seriously by the government. Its most relevant contribution has been the draft Nuclear Doctrine. Thereafter, its importance seems to have declined, and the National Security Advisory Board is used by the government more to give some favoured retired officials, academics and journalists a sinecure than to genuinely use the available expertise and scholarship among non-officials in foreign policy formulation. Another mechanism, used on an ad hoc basis, is that of an Eminent Persons Group, comprising experts from different disciplines, that has been set up with some countries to provide jointly agreed recommendations to both governments for policy formulation. Some prime ministers and ministers of External Affairs have relied on 'Advisers' or 'Special Envoys' to handle specific issues. The Ministries of External Affairs and Defence do support a handful of think tanks, and sometimes contract policy studies from think tanks, universities and individuals, but this is done on an ad hoc basis rather than as part of a systematic programme. There are a few well-structured think tanks, but far too many small personality-based outfits that have failed to develop meaningful expertise in area studies. Apart from one or two honourable exceptions, the private sector has not deemed it worthwhile to support independent think tanks. In the universities too, international affairs and the study of foreign languages are not given adequate attention. Most of India's strategic policy community is based in New Delhi. While some commendable work is being done in other parts of the country too, researchers and students there feel quite disconnected from discussions at the Centre. There is an urgent need to set up an extensive network of centres that specialize in the study of different areas and countries.

India aspires to be a great power in the world, but lacks the required institutional structures and sophisticated systems for considered foreign policy formulation and execution. Obviously, no foreign policy initiative will be meaningful or fruitful if it is conceived and executed as a purely diplomatic exercise that is disconnected from India's domestic realities and priorities. At the same time, India's strengths can be leveraged abroad most effectively only if domestic stakeholders



have the benefit of a harmonious and coordinated diplomatic effort. The government will have to give up its current fire-fighting approach and know-all attitude. It will have to get over the problem of lack of coordination in India's foreign policy structures, and undertake a comprehensive revamping of the institutional set-up for foreign policy. Only then will India be able to play an effective role on the international stage in the coming years.

## Chapter 15

# India's Strategic Choices

**I**t has become commonplace to say that in the aftermath of the Cold War and the changed global strategic environment, there is need for new thinking in India's foreign policy. The US, so the argument goes, won the Cold War and it makes sense for India to hitch its wagon to the victor; Russia is down and out, and China will always be a hostile neighbour. The postulate that the collapse of the Soviet Union has created a unipolar world to which India must adjust is simplistic, inaccurate and flawed. It unacceptably implies that India's non-alignment was a sham when, in fact, non-alignment was about India having an independent foreign policy. Moreover, this argument is rooted in the global power equations that are a decade and a half old when the US strode the world like a colossus and believed it would be an eternally hegemonic power. It does not take account of the subsequent relative decline of US power, matched by a revival of Russia's strength and the emergence of other influential centres of power, including India itself. Considering that India today is much stronger than half a century ago, and therefore presumably better placed to resist outside pressures, such arguments by Indians also betray a surprising lack of self-confidence.

Nor do such arguments make strategic sense. Any overt alignment by India with the US changes the global strategic balance, with an inescapable negative fall-out on India's relations with both Russia and China. That hardly serves India's long-term interests. China's reaction has been to take

steps that have slowed down the process of rapprochement and rekindled mutual suspicions and mistrust. With China as its neighbour, India should not have a long-term vision that presupposes a hostile China for all time to come. Similarly, a degree of coolness has developed in India's relations with Russia. India must be careful not to weaken the decades-old mutually beneficial partnership of trust with Russia, which has been a reliable pillar of strategic support. In today's complicated and fast changing geo-political situation, India has wisely diversified its foreign policy options, but must retain flexibility in order to be able to pursue an independent foreign policy, on which there is an overwhelming national consensus.

India is faced with a key strategic choice—does India want to be co-opted into the existing international structures that have been fashioned by and are dominated by the West in general and the US in particular, or does India see itself as one of the 'poles' in a multi-polar world? Should it strive to play an independent role in the world or be content to remain a second-rung player? India can become a major world power in the 21st century only on its own strength and political will, not because others want it to. In international affairs, no state has been known to cede its power willingly to another. Power is always taken, never given. It stands to reason that India can become more powerful only if existing power centres become relatively weaker. Indeed, this is the trend in the world today. The power and influence of the West have peaked—even if the US is likely to remain for the next two or three decades by far the pre-eminent global power. A prolonged struggle over redistribution of power is under way in all the major international organizations such as the UN, the WTO, and the IMF. India should also draw lessons from its unsuccessful attempt to become a Permanent Member of the UN Security Council, and its failure to get its candidate elected as the UN Secretary General. Clearly, India is not yet strong enough to break into the ranks of the most exclusive clubs in the world, but is it strong-willed enough to resist admission as an associate member with permanently fewer rights and privileges?

'Nations', British Prime Minister Lord Palmerston had perceptively noted a century and a half ago, 'have no permanent

friends or enemies, only permanent interests.' Notwithstanding public platitudes about common values binding the US and India, India has to be cautious in expecting dramatic changes in its relations with the US. There are, and always will remain, limits to the Indo-US partnership, which cannot yet be characterized as a true strategic relationship. The US has its own interests to pursue. So does India. If the US wants a stronger India, it is to serve US, not Indian, interests. It is fatuous for US leaders to say that they will help India become a major power in the 21st century, and naïve for credulous Indians to believe them. There are no free lunches. India is too large and independent to be a reliable ally of the US on the latter's terms. While there are many short-term factors bringing the two countries together, the long-term strategic interests of the two countries are likely to diverge. The US' professed good intentions towards India remain untested in areas of critical concern to India like India's immediate neighbourhood and the Persian Gulf region. Indian policy-makers presumably do realize that if India were to threaten the US dominance in any way, India would become a country of concern that the US will seek to contain, just as is being done with China today. That is why the US will want to keep all options open on India, including the time-tested one of using Pakistan to keep up the pressure on India.

Even as India rightly continues to pursue closer all-round ties with the US, hopefully as equal partners, realpolitik dictates that the challenge for a wannabe great power like India will be to reciprocally develop hedging strategies and points of pressure on the US. Much more serious thought needs to be given by India to this matter. This could involve working out policies that impose restrictions on military purchases from the US if it continues to supply weapons to Pakistan that are clearly intended to be used against India; creating global pressures on the drug-consuming countries; diversifying India's foreign exchange holdings away from the dollar; and introducing policies that would discourage the outflow of talent from India to the US.

India must keep its foreign policy options open. These will increase if it can build and retain its strategic autonomy that it believes, rightly, it acquired after becoming a nuclear weapons

power. More than anything else, it was India's status as a nuclear weapons power that compelled both the US and China to take India more seriously, and brought it welcome attention and grudging respect from other countries. At the same time, India remains committed to universal, non-discriminatory and verifiable nuclear disarmament. India is committed to no-first-use of nuclear weapons and is observing a 'voluntary' moratorium on conducting nuclear tests since 1998, presumably because India's scientists are confident that India does not need further tests to validate its indigenous nuclear weapons designs. Its political and military leaders may be similarly confident that the size and character of India's nuclear arsenal gives it second-strike capability. Perhaps nuclear weapons are no longer usable weapons of war, but they do remain weapons of deterrence and extremely potent political and psychological weapons in a State's arsenal. The problem is that if other States make a wrong assessment of India's nuclear capabilities, they could be tempted to take out India's nuclear weapons without fear of a retaliatory strike. Situations may arise in the future where India may feel compelled to test nuclear weapons or to expand its nuclear arsenal. It is therefore regrettable that the Safeguards Agreement that India has signed with the IAEA and the terms of the NSG exemption for nuclear trade impose legal and practical constraints on India's nuclear weapons programme. The India-US nuclear deal, as negotiated and signed, threatens to deprive India of flexibility in its strategic choices.

Politically, India has always sought to preserve its independence of action and autonomy of decision-making. It has also shown that it has the capacity to do so. Various factors, including its sense of pride and self-worth based on a rich heritage of civilization and culture, its past achievements, and its multi-faceted successes as an independent nation, impel India to seek its due place in the comity of nations. India is too big, too proud, and too steeped in the anti-colonial tradition to become a camp follower of any power. This has been vividly confirmed by the long and impassioned debates in India over the India-US nuclear deal. It is puzzling, and worrying, that the UPA Government has preferred the illusory shelter of a supposedly benign and protective US. India's weak-willed

foreign policy may well be a factor that has prompted China to harden its stance on the boundary negotiations with India; encouraged Pakistan in its traditional belief that the US could be counted upon to put effective pressure on India whenever required and created doubts among developing countries about India's willingness and ability to protect their interests if it were to ever become a Permanent Member of the UN Security Council.

Contrary to widespread belief, India has not been a status quo power. It fought against colonialism and apartheid; it resisted pressures to join the Western bloc; it did not sign the NPT or the CTBT. India's long-term interests require that there should be a modification of the status quo in international relations. Understandably, the West would like India to become a 'responsible stakeholder' in the current global system that has been fashioned by and is dominated by the West. There should be little reason for India to buy into the existing system, unless it is suitably changed to accommodate India. India is not a Permanent Member of the UN Security Council; it is not a recognized nuclear weapons power enjoying the same rights and responsibilities as the five nuclear weapons powers under the NPT—although India's negotiators on the India-US nuclear deal seem to have deluded themselves to this effect; it has not been completely liberated from technology denial regimes like those imposed by the NSG and it is a marginal player in the IMF and World Bank. As India's ambitions inevitably pose a long-term challenge to the existing global order created and controlled by the industrialized West, India will have to be prepared to deal with the resistance and counter-measures that such a challenge will provoke among the present-day 'haves'. History shows that emerging or rising powers have rarely been smoothly co-opted into an existing system. India must use the current window of opportunity, when it is being seriously viewed by the rest of the world as a country that will inevitably play a much greater role in world affairs in the coming years, to evolve a strategy that would enable it to become a global player in all respects—economically, politically, militarily and technologically.

On its own, India cannot become a global player. It will have to work with other rising powers that also want a multi-polar world. At a global level, there is a shared interest among the outreach countries of the G-8, namely the O-5 countries of China, India, South Africa, Brazil and Mexico, which of late are being regularly invited to the G-8 summits because they carry a certain political, economic and military clout that cannot be ignored. The O-5 is complemented and reinforced by the India-Brazil-South Africa (IBSA) grouping and the trilateral Russia-India-China (RIC) framework. In the geopolitically crucial Eurasian space, India, China and Russia are the only three countries outside the US-led alliance systems that can even aspire, that too only collectively, to craft a new global balance of power. Nor can anyone afford to ignore the potential of Iran, which remains between India and the Atlantic coast the only credible independent-minded regional power not dependent for its security on the West. Only these countries collectively have the economic, military, and technological potential, as well as the critical geographical landmass and demographic structure, matched by political will, to pose a credible potential challenge to US global domination. Although the RIC is a serious and credible endeavour to craft a multi-polar world, it is not a strategic alliance, merely a demonstration of the growing trend towards issue-based coalitions in today's complex global scenario. For a true strategic alliance, conscious decisions will be needed in all countries. These have not yet been taken, and may never be taken, since relations with the US are extremely important for all three countries.

The US understands this, and would therefore like to see these countries kept divided and, where possible, co-opted on the side of the US. In this scenario, India assumes great importance for the US as a 'swing' State, and seems to be relishing its role. However, India should not get carried away. Post-Georgia, a resurgent Russia may once again come to occupy centre-stage in US strategic thinking, forcing the US to try to co-opt China, with which its economic fortunes are closely linked, to contain Russia. Can one rule out attempts to forge a US-China global duopoly, in which case India's Russia connection could turn out to be critically important?

China will remain among India's most pressing and difficult foreign policy challenges. India will have to deal with China at many levels. It is a possible partner in a cooperative endeavour to build a multi-polar world. It is also a long-term strategic competitor for influence and leadership in Asia. But, above all, it is a neighbour that has exaggerated and preposterous territorial claims on India, and that is suspicious of India harbouring the Dalai Lama and a large population of Tibetan refugees. It is their presence in India that has principally kept alive the Tibetan issue, which is at the heart of the festering border dispute with China.

The approach India follows towards China should be along multiple tracks. India must continue to seek to lower mutual mistrust, build greater interdependencies, keep the border peaceful and tranquil and address differences maturely. Deep and mutually profitable economic linkages, such as a Eurasian energy corridor, that make it difficult for either country to disrupt them without also hurting itself could create greater mutual confidence. India should also continue to look for other areas of agreement with China including in promoting a multipolar world. However, all this is useful only up to a point. India's booming trade with China has not allayed India's security concerns vis-à-vis China. Essentially, India has to deal with China from a strategic perspective because vital national security interests are at stake. China's policy is to keep India bottled up in South Asia, preoccupied with handling threats from China and Pakistan on its land frontiers. India will have to try to weaken or at least develop a counter to China's strategic engagement with Pakistan and India's other South Asian neighbours. There would appear to be a coincidence of Indian and US interests in this respect. On the military side, India must evolve a calculated and calibrated policy to put China under some pressure to safeguard its interests and concerns. India must urgently build up both its missile capabilities to bring China's major population centres within reach as well as its naval strength so that China's energy and trade flows can be disrupted in a crisis. India should eschew its current defensive, timid and somewhat legalistic approach in dealing with China.



There is no need to be in awe of China. It may be militarily and economically stronger than India today, but India too has its long-term comparative advantages vis-à-vis China. India does have an important, albeit considerably diminished in value, Tibet card in its hand. It must be skillfully played. As a country with aspirations for a larger regional and global role, India has to do some hardheaded scenario building such as a relentlessly rising China or a disintegrating China. India must be alert, imaginative and quick-footed in order to protect its national interests. It must also be on the lookout for new strategic opportunities that may come India's way. India has to evolve a focused and activist policy towards China, signal it clearly and unambiguously, and be more willing to test and probe the Chinese. Track II diplomacy could play an important role.

What India does vis-à-vis the major global players is perhaps not as important as what India manages to achieve in its own neighbourhood. India can emerge as an influential regional and global player—an independent 'pole' in the world—only if its relations with its immediate neighbours are harmonious and cooperative. India cannot be a credible great power unless it has a natural sphere of influence where it is dominant. That region can only be South Asia. In order to develop its comprehensive national strength that would narrow, if not close the existing gap with China, India needs to improve relations with its South Asian neighbours, bilaterally and within a regional framework. As India prospers and develops, it has to take along its neighbours; otherwise, its economic growth will not be sustainable. Ultimately, India's objective should be maximum possible economic integration of its neighbouring countries with India, which would tie their destinies with India regardless of the political predilections of the regimes in power. Economic interdependence leading to economic integration may also lead India's neighbours to have a better appreciation of India's security concerns and to cooperate with it in this respect. Without this, the chances of peace and stability in South Asia are bleak. India also has to guard against the inevitable machinations of outside powers to exploit existing tensions and to create differences between

India and its neighbours. It would be a mistake for India to let outside powers assume too great a role and influence in South Asia. India should never forget that the principal interest of outside powers in South Asia is in relation to India. Nor should it assume that such interest would necessarily be benign.

India's highest foreign policy priority must be to evolve a coordinated and coherent strategy vis-à-vis its neighbours. India has to handle relations with its neighbours with great care and delicacy, mindful of their sensitivities, aspirations and dignity. It is not enough for India to consider itself the natural leader of South Asia. It is equally important that other South Asian countries accept it as such. India has to earn the right to leadership by setting an example, by showing magnanimity, and by successfully managing the growing challenges and contradictions of the region. No matter how difficult and hopeless the relationship may look at present, India must always keep the doors open for dialogue. Patience and an appeal to its neighbours' self-interest have to mark India's attitude. Such an approach will earn India its neighbours' respect and admiration. India has to understand that its neighbours will never love it. India is feared by its neighbours, but perhaps not enough. It is difficult to project the image of a strong and efficient India to its neighbours when the roads and other infrastructure, including the symbols of the Indian State like customs and immigration offices, on the Indian side of the border compare poorly with that on the other side. Such issues also require India's attention.

Even as it must be visionary, large-hearted and sensitive to its neighbours, India needs to firmly and unambiguously define for its neighbours the goalposts of India's non-negotiable national interests. India should make it clear that it will be uncompromising on security issues. India has a legitimate right to expect its neighbours to be sensitive to its security concerns by cooperating with it in combating terrorism, by not giving shelter to extremist and separatist elements from India, and by not permitting outside powers to conduct anti-India operations from their territory. That has to be India's bottom line. Regrettably, an impression has gained ground among India's neighbours that India is a soft State whose nose can be

tweaked with impunity. It is imperative that India makes sure that its neighbours know and respect India's core interests. If not, India should be prepared to use its many leverages against them. Additional leverages must be developed if needed, particularly against Pakistan and, to a lesser extent, Bangladesh.

The issue of democracy in India's neighbouring countries will require skilful handling. In general, non-democratic regimes in neighbouring countries have been more inimical towards India, principally because the interests of ruling elites who are unaccountable to their own people invariably require a policy of aloofness if not hostility towards India, in contrast to the much greater meeting of minds and convergence of interests at the popular level. Obviously India cannot be seen as interfering in the internal affairs of its neighbours and must continue to deal with whoever is in power. At the same time, it does matter to India what kind of regime is in power in a neighbouring country. For the sake of its security, if nothing else, India cannot remain detached from the dynamics of internal politics of India's neighbours, and will always have to maintain close contact with the major political players there. Coincidentally, all its immediate neighbours are currently grappling with the fundamental issue of democracy in their respective internal politics today. India should encourage the ongoing democratic trends in its neighbours. It must move away from its excessive regime-oriented policies towards people-to-people relations. Only if the regimes in power in India's neighbours reflect the interests of the people are they likely to eschew anti-India policies.

India's strategic neighbourhood, both in the east and the west, constitute the next level of priority after India's immediate neighbourhood. India's 'Look East' policy has been one of its most significant strategic foreign policy moves with long-term ramifications. In a psychological, political and strategic sense, India's membership of the East Asia Summit (EAS) has bridged the gap between India and East Asia. Despite China's obstructionist approach, India will have to make sure that it continues to work with other Asian countries, in particular Japan, to develop a regional architecture for Asia.

India will also need to devise means to take along its South Asian neighbours in the larger Asian integration process. It is not a stable scenario where India continues to develop and integrate with East Asia while its South Asian neighbours, particularly Bangladesh, are kept away from the larger Asian integration process. If the EAS does manage to provide a credible framework for Asian community building, Asia could emerge as a new and independent pole of growth and influence, thereby changing strategic equations within Asia as well as globally. Other models for an Asian regional architecture are being discussed. All these will have to include India. The 21st century cannot be truly 'Asian' without India playing a central role in this endeavour. India's cultural and other attributes of 'soft' power also exercise considerable influence among India's eastern neighbours. A systematic, focused strategic initiative by India to leverage its cultural advantage in Southeast and East Asia, be it Buddhism, Bollywood or Bharatanatyam, will yield good dividends.

So far, India has looked at the West Asia and the Persian Gulf region principally as a major source of oil imports and a destination for migrant Indian workers. There is enormous goodwill for India among the Arab States. Although India is now beginning to view this region additionally as a possible source of large-scale investments into India, it must move faster and more purposefully to attract their capital. Deeper long-term stakes of the Arab countries in India are in India's interests. India must also see how it can leverage its asset of having a huge Indian expatriate population in the Persian Gulf region. Taking a long-term strategic perspective on this complex, vital and volatile region that is on India's doorstep, India cannot rely on others to protect its interests in the Persian Gulf. India must urgently and actively expand its bilateral security ties with the countries of the Persian Gulf region, including Iran. In addition, India is well placed to play a much more active diplomatic role than it has been playing so far. India has enormous stakes and good relations with all the principal actors in the region, be it the Arab Gulf States, Iran, Israel or the US. As a major consumer of Gulf oil and gas, as the nearest significant military power, and as a country having 5 million of

its citizens living in the Gulf, India should take the lead in the search for an alternative paradigm for Gulf security.

India should also give more attention to the Indian Ocean, and study carefully the implications of a permanent foreign military and naval presence in its neighbourhood. The key question before India is: can India become a great power without exercising decisive control of its maritime neighbourhood, including at least the northern Indian Ocean? Can it do so on its own, or in cooperation with other powers? While cooperation on an ad hoc basis for disaster relief as happened at the time of the 2004 tsunami is understandable and in order, India's forays into developing a more structured and permanent relationship with the US and its Asian allies brought unnecessary political complications for the Indian Government in 2007. The thinking of the new leaders of Japan and Australia has also changed. Although the multilateral naval exercises seem to have been given up for the moment, to the extent that these exercises put tactical pressure on China, they were useful and could be revived in future. A stronger Indian naval assertiveness in the Indian Ocean can increase China's maritime vulnerabilities and thereby to some extent offset China's superiority over India on land, in air and in space. On the whole, India should probably veer towards an independent maritime policy in Asia, cooperating with other countries on a selective basis.

Central Asia, including Afghanistan, has always been critical to India's security and remains so even today. The Himalayas are not, and have never been, India's geopolitical and security frontier to the north. Over the centuries, India was invaded many times from Central Asia. Without delving into the distant past, even some examples from India's experience during the 20th century bring out the strategic importance of Central Asia to India's security. Whenever India has vacated the trans-Himalayan strategic space, India has suffered—be it the 1947–48 war against Pakistan which left Pakistan in control of a part of the state of Jammu and Kashmir; the failure in the early 1950s to bring Nepal into India's exclusive sphere of influence which has created many security headaches for India; the inability or unwillingness to resist the entry of China into Tibet that has made China a direct neighbour of

India; or, most recently, the intrusions by Pakistan in Kargil in 1999. Conversely, by acting firmly and decisively over Sikkim and Bhutan, India's security interests have been preserved in these regions. From a security perspective, it is imperative for India to exercise at least some degree of control over the trans-Himalayan strategic space. It is what one may call a 'negative security space', where the major powers, including India, cannot afford to let other powers or forces exercise a dominating influence. With some bold and creative thinking, India must try to deal itself in as a major player in the unfolding 'new Great Game' in Eurasia. Improbable as it may sound, India will have to work with Pakistan in Afghanistan if there is to be any hope for lasting peace and stability there.

India's policy-makers will have to look beyond the West and its troublesome neighbours like Pakistan and China to find its niche in the world. India's traditional source of standing and influence was as the leader of the non-aligned countries, often a synonym for developing countries that the West derisively called the 'Third World', an expression deliberately used as a psychological tool by the rich and powerful countries that dominated the world and its thinking in order to engender a sense of inferiority among these countries. It brought out the disdain with which the West regarded this motley bunch of countries that were regarded as neither fish nor fowl, since they were neither part of the West—the so-called 'First World'—and therefore not co-opted into Western institutions or ideologies, nor part of the Communist bloc—the so-called 'Second World'—that was a competitor and an opponent of the West. This 'Third World' constituted the leftover countries that were unceremoniously lumped together and dumped into the global fishpond designed by the West. The affected countries were individually too weak to rebel against this concept, much less change it. It was India, principally because of its size and relative weight in the world, which provided the political leadership to this group of countries. The successes on the ground were generally limited and ephemeral, but were invaluable in giving a sense of dignity and self-confidence to these countries. It is this legacy that has enabled some of these so-called 'Third World' countries to even dare to voice their

demands and leverage their strengths in the globalized world of the 21st century.

The so-called 'Third World' is India's natural constituency, not least of all because a large chunk of India itself is decidedly 'Third World'. If India expects to ever make it as a Permanent Member of the UN Security Council it will be not so much because the existing Permanent Members of the Security Council (P-5) want it there, but because the 'Third World' wants India to represent it in the UN Security Council and to protect the interests of its members. India's steady achievements in diverse fields have made it an increasingly influential international player. For countries that may be too weak to follow autonomous policies but remain ready to rally behind a stronger country that can be an independent global player, India has become a potential leader, as seen of late in the WTO negotiations. In any case, India's strategic economic objectives—such as energy and other resources to sustain its economic growth, and new opportunities for exports and investments—require the support and goodwill of developing countries. India can no longer afford to neglect, as it has tended to do of late, the poorer countries of the world, including its immediate neighbours.

## Chapter 16

### India Rising?

The rest of the world clearly thinks that India will be one of the leading players in the world a few decades from now. Five years ago, in October 2003, the 'BRICs Report' of Goldman Sachs, the world's leading investment banking, securities and investment management firm, had created waves when it forecast the growing importance of the economies of Brazil, Russia, India and China in the coming decades. One of its conclusions was that in the long term India is a potentially greater growth story than China. The argument was that its favourable demographic profile and dynamic private sector would enable India to become the world's third largest economy by 2050. In a follow-up Report in 2007, Goldman Sachs predicted that between 2007 and 2020 India's Gross Domestic Product (GDP) per capita in US dollar terms would quadruple, and that by 2043 the Indian economy would be bigger than the US economy. In March 2006, PricewaterhouseCoopers, one of the world's largest professional services firms, had published a report on the increasing global significance of the 'E-7' emerging economies comprising the four BRIC countries, plus Mexico, Indonesia and Turkey. Two years later, in its updated report of March 2008, PricewaterhouseCoopers is even more optimistic about the potential of China and India. PricewaterhouseCoopers sees India as the third largest economy by 2050, by when India's GDP would be nearly 90 per cent of the US', slightly over two-thirds of China's, and as large as the combined GDPs of Japan,



Germany, United Kingdom (UK), France, Italy, Canada and Spain!

It is not just the world's influential banks and consultancy firms that are talking about India as an increasingly weighty actor on the world stage in the coming decades. India's central role in the WTO negotiations and its involvement in all the new groupings that have come up in the 21st century such as O-5, SCO, EAS, BRIC and China-India-Brazil-South Africa (CHIBSA), testify to its increased relevance in the eyes of the rest of the world. As the financial crisis unfolds, there is an urgent realization, now being increasingly articulated publicly by influential decision-makers around the world, that India has to be involved in managing the affairs of the world. This should make Indians more self-confident that it is the world that will have to adjust to India rather than the other way round.

Such global optimism and expectations about India have led many in India to exult about India's seemingly inexorable rise. There has been unwarranted hyperbole among Indian officialdom, corporate India and sections of the intelligentsia about a 'shining' or 'incredible' India. A large section of the Indian urban elite, which has arrogated to itself the right to determine what constitutes national interest, really believes that India has already become 'First World' and should jettison its 'Third World' baggage. True, India has come a long way. India's considerable assets, which should be leveraged, include its size and pivotal geographical location in the heart of Asia; a growing and youthful population that is in contrast to the demographic trends in most other countries or regions that are present or potential poles of influence and power in the world; a strong scientific and technological base; an open society with a long tradition of individuality and innovation; a diversified economy with a promising rate of economic growth; deeply embedded democratic traditions, a secular polity and the rule of law that provide resilience and some insurance against social and political instability and various elements of India's 'soft power'.

Although India does possess many attributes of a great power, huge parts of India remain undeveloped. It is only the elite that aspire for a 'green card'; most Indians would happily

settle for a mere 'ration card'! India's foreign policy makers should never forget its realities. Many factors continue to hold back India. These include paucity of energy resources, as well as looming fresh water and possibly even food shortages; alarming environmental and ecological degradation; widespread poverty; uneven development that has created growing regional disparities and left large sections of the population out of the developmental process; communal tensions; a weak and vacillating leadership; a growing credibility gap between the masses and the ruling elite; deep-rooted corruption; poor infrastructure; a generally unresponsive bureaucracy; illiteracy and falling educational standards; an antiquated legal and regulatory framework and policies that undermine meritocracy and are unable to attract the most talented people into public service for jobs as military officers, civil servants, doctors, teachers, scientists and technologists. If India is to become an influential player in the world these weaknesses must be overcome. This requires a strong and bold leadership that can muster broad and active popular support for its policies.

### **Connecting with People**

In India, as in most countries around the world, people in general have tended to regard foreign policy as an esoteric activity to which they cannot easily relate their personal interest and welfare. Such perceptions are understandable. In the 21st century, unlike in earlier times when foreign policy had an elitist character, globalization and the revolution in information and communication technologies have made India's foreign policy challenges far more complex and difficult. Among other factors, a much higher level of trade and other economic interaction, including movement of capital and labour across international borders, has become increasingly important for India's economic development. Economic liberalization has raised the stakes and influence of the private sector in foreign affairs. Today, an increasing number of Indians, particularly the young—students, professionals, and businessmen—have global interests and see themselves as global citizens. There is a

sharp rise in general public awareness of foreign policy issues. This makes it all the more necessary and important that there should be a wider public discussion and deeper understanding of foreign policy issues among all stakeholders.

Diplomacy can no longer be conducted in a rarefied atmosphere. Nor is it the exclusive preserve of diplomats and officialdom. The government will always remain the central player in India's foreign policy, but it is not the only one. Government has to play an important coordinating role with all other concerned institutions, organizations and interest groups. Foreign policy issues require understanding and support among India's political class, corporate leaders, journalists, academics and all other sections of the intelligentsia. India's foreign policy framework is determined by national interest, including overriding domestic priorities such as poverty alleviation, economic development and people's welfare. In a democracy like India, people must understand and support the rationale of government's policies. Foreign policy must show that it makes a difference to the lives of people. With a large number of Indian states having land and/or maritime boundaries with foreign countries, their development in important and sometimes critical respects depends on interaction with neighbouring foreign countries. State governments are getting more exposed to direct dealings with foreign entities. The intertwining of many key foreign and domestic policy issues, especially in dealings with neighbours, necessitates close cooperation of the Central Government with state governments.

Changed domestic realities and priorities have made the task of foreign policy formulation more complex. The major parties have been unable to preserve the traditional Indian foreign policy consensus. The phenomenon of coalition governments, now an inescapable reality in India's political life, has given small regional parties a greater say in governance, including foreign policy. Regrettably, regional parties often cannot rise above short-term, local interests and do not consider foreign policy issues in a broader perspective.

Another interest group whose influence on foreign policy has increased is that of the affluent community of Non-resident Indians (NRIs) and persons of Indian origin (PIOs)

settled in the West, particularly the US and the UK. They have strong business linkages with Indian corporate houses and politicians, and are often important financiers of many Indian political parties. NRIs and PIOs play an important role as a bridge between India and their country of abode—in shaping foreign perceptions about India and in furthering economic and cultural cooperation. Sometimes, as in the case of the Khalistan movement, NRIs can also create security problems for India. NRIs and PIOs played an active and crucial role in lobbying for US Congressional support for the India–US nuclear deal. To tap this asset, annual jamborees like the Pravasi Bharatiya Divas serve little useful purpose; there should be focused schemes attractive enough to encourage them to strengthen linkages with India and to use their skills, talent and resources to create capabilities in India.

Separately, India will need to clarify its attitude and policy towards besieged communities of PIOs who have been settled for many decades in countries like Sri Lanka, Fiji and Malaysia. In situations of crisis, their plight, which evokes sympathy in India, could create strains in relations between India and the concerned country. Indian workers in the Gulf constitute a particularly sensitive but somewhat neglected section of Indians living abroad, and India will need to be constantly alert to the need to protect their interests and promote their welfare. There should never be an impression that India cares only for its rich and well-off brethren abroad, not those who are disadvantaged in their overseas homes.

In a democratic country, the media is an important and integral part of the foreign policy establishment. It can be, and frequently is, an invaluable ally of the government, be it to test out an idea, to generate greater public support for an initiative, for example, the India–US nuclear deal, or to establish back-channel contacts with a foreign government. Politicians understandably want to cultivate the media. This has given editors, columnists and commentators in the print and electronic media an opportunity to become active diplomatic players, a role that they relish since this gives them considerable power. However, its far-reaching influence behoves the media to be responsible and independent-minded. At times, journalists

and columnists give in to the temptation of becoming instant 'experts', and can mislead or prejudice viewers with their self-assured views and sweeping judgements. Round-the-clock news channels put the government constantly under pressure for instant reactions, with the result that sometimes sub-optimal policy announcements are made and decisions taken in a hurry, rather than in a considered manner—for example, the decision to release terrorists in jail in India to secure the release of passengers in the Indian Airlines plane that was hijacked to Kandahar in December 1999. The challenge before the government is how to make the media a willing and responsible partner in pursuing India's foreign policy goals.

One of the innovations that the Ministry of External Affairs has introduced is the concept of 'public diplomacy', an idea that is laudable in theory but that does not appear to have been very well implemented in practice. The one issue where public diplomacy was sorely needed was the India–US nuclear deal; unfortunately, a small coterie of no more than a dozen people handled this issue, and the government made no effort to build a national consensus among political parties and civil society on this issue. Instead the government used the media to create the impression that there was wide support for the deal when in fact there was not. On the other hand, an excellent example of public diplomacy was the India–ASEAN Car Rally organized in 2004 that started from Guwahati and ended in Batam, Indonesia after passing through Myanmar, Thailand, Laos, Vietnam, Cambodia, Malaysia and Singapore. It brought India into small villages throughout the region and did wonders for India's image in the ASEAN region. The domestic impact of the rally was equally significant. For the people of the Northeast Region it was a matter for huge celebration, as it gave them hope of the revival of their region's traditional connectivity with their eastern neighbours, and of a more normal and even exciting life beyond being the object of suspicion and crackdown by the security forces. It is this kind of enthusiastic public support that is essential if foreign policy initiatives are to bear fruit.

A most valuable, but an under-utilized, diplomatic asset is India's culture. A person's personality and thinking are shaped

by his cultural traditions. To understand another person's culture is to know what makes him tick, to show respect to him and, ultimately, to get through to him. For centuries, Indian culture, religion and philosophy have attracted millions abroad, which is why India is often called a 'cultural and spiritual superpower'. It is not only the traditional Indian culture that is attracting the rest of the world. Contemporary Indian foods, fashions and films are a magnet for more and more people throughout the world. Even though Buddhism is not an active religion in the country, India remains the Land of the Buddha. India is therefore rightly trying to market the enormous tourism potential of Buddhist destinations. The project to recreate the Nalanda University and to develop a Buddhist tourism circuit augurs well for establishing closer people-to-people links between India and many countries of South, Southeast and East Asia. Cultural diplomacy has to be carefully differentiated according to the target country and the message that India is trying to convey. Used imaginatively and intelligently, cultural diplomacy can be an important means to achieve strategic ends.

### **The Road Ahead**

As in the 19th century, capitalism in the 21st century continues to produce many discontents, arising out of its fundamental weakness that it cannot ensure either sustainable or inclusive growth. The ills of capitalism in the modern era gave rise to socialism, the defining idea of the 20th century. Even if the socialist and communist experiments around the world have left much to be desired, the idea of socialism remains firmly entrenched among hundreds of millions around the globe. The unprecedented massive bailouts of private financial institutions by governments all over the world have emphatically underlined the responsibility of the State to ensure social welfare and stability. The American Dream is no longer achievable even for Americans, much less for the rest of the world. Nor can one be optimistic about authoritarian forms of

governance. If there is to be any hope of peace, stability and harmony in an increasingly turbulent world where expectations have outstripped resources and now threaten to destabilize an iniquitous global political and economic order, the world needs a model of development that takes care of the interests of the world's underprivileged and dispossessed billions. Does India have something to offer the world?

In its foreign policy, India can and must play its role as conscience-keeper of the world. The realist or pragmatic school of foreign policy that holds sway in India today scoffs at any suggestion that morality has a role in world affairs. They believe that power flows out of the barrel of a gun, and that non-violence, as one critic has eloquently put it, is 'a form of masochistic surrender'. Morality, alas, cannot be wished away. It remains the core principle of all religions and continues to guide individual human behaviour. In politics and international affairs, it is a widely employed strategic psychological tool. The practitioners of *realpolitik* in all countries, including India, invariably rely on moral arguments—be it to persuade, to convince, or to justify. The veneer of morality is what gives legitimacy to arbitrariness.

Half a century ago, a comparatively weak India had a stronger voice in the world because there was a certain morality and therefore a welcome boldness in India's foreign policy. India was seen as a leader. Mahatma Gandhi, because of his moral and ethical view of life, has probably done more for the cause of peace and the image of India abroad than any other Indian. Today, regrettably, India is being seen as a camp follower. Perceptions do matter, perhaps more than reality. As a junior partner, India will not make it to the high table. Leadership implies not just economic and military strength, but also ideas that inspire and motivate. Has the escalating level of violence in the world, which has brought suffering and misery to millions, finally awakened the world's conscience to the need for a revolution against violence? What can and should be India's role in this? The election of Barack Obama, a self-confessed admirer of Mahatma Gandhi, as the US President has raised hopes that there could be a fundamental change in US foreign policy. Is there reason to believe that a

new Indian Government and the Obama Administration could have a convergence of views on this matter? These are issues that India should ponder over.

India can draw inspiration, as well as lessons, from its past. In ancient times, India had a well-developed understanding of statecraft and diplomacy. In his classical treatise *Arthashastra*, Kautilya listed six measures of foreign policy (*sadgunya*)—(a) policy of peace (*samdhi*); (b) policy of hostility (*vigraha*); (c) policy of keeping quiet (*asana*); (d) marching on an expedition (*yana*); (e) seeking another’s protection (*samsraya*); and (f) a dual policy of seeking peace with one and waging war against another (*dvaidhibhava*). Alongside the six policies, Kautilya also mentions the four techniques (*chatur upayay*) namely (a) *Sama* or the use of friendliness, persuasion, polite argument or reason; (b) *Dana* or the resort to gifts, concessions or compromises; (c) *Bheda* or the fomenting of discord, dissensions and divisions through use of propaganda and other means and (d) *Danda* or the use of force when all else fails. These lessons of statecraft did serve India well. For more than a millennium India was a sophisticated, well-run State. However, security and wealth bred complacency and arrogance. India stagnated and ossified. It fell an easy prey to invaders, its spirit was crushed, its self-confidence destroyed.

When it gained Independence in 1947, India had what Prime Minister Nehru called its ‘tryst with destiny’. This has now become an open flirtation. Will India’s relationship with destiny be consummated? It can be, provided there is a change of mindset among India’s leaders and its people. There can be no place for a *chalta hai* or ‘anything goes’ attitude. Aspiring to become a great power, India will have to behave like one. Its diplomacy will have to be imaginative and skilful, guided by hard-nosed national interest, and tempered with morality and ethics. The challenge before India is to formulate and conduct an independent foreign policy in the decades ahead so that it does indeed live up to its own expectations and those of the world. India’s foreign policy must get back to its moorings, from which India has drifted over the last decade or so. There are no short cuts. Piggybacking strategies are futile. Based on an objective evaluation of India’s resources and comparative



advantages, India must have a clear grand strategic design. Tactics can, and must, be continually reviewed and revised. India must have self-confidence in its destiny, determinedly follow clear-headed policies without being pushed around, and work purposefully to build the required institutional structures and public support to sustain its ambitions. Only then can India forge ahead and transform its much vaunted 'potential' into the reality of a strong, prosperous and globally influential country.

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