



# Special Report

DECEMBER 2014

ISSUE # 7

## India and Israel: Reinforcing the Partnership\*

Taruni Kumar

India and Israel share a unique partnership. It is both varied and comprehensive and is characterised by pragmatism and trust. It is transactional as well as strategic and has withstood the test of time and political transitions in both countries. The meeting between Indian Prime Minister Narendra Modi and Israeli Prime Minister Benjamin Netanyahu on the sidelines of the UN General Assembly meeting in September 2014 underscored the bonhomie between the leadership of the two nations. The subsequent visit to Israel by Indian Home Minister Rajnath Singh in November 2014 clearly indicated the new Indian government's commitment towards the bilateral relationship.

There are several reasons for New Delhi's interest in forging a stronger relationship with Tel Aviv against many odds, both at the diplomatic level as well as at home. First and foremost, Israel has been a reliable partner on many fronts. Stifling under various international regimes and sanctions, India has found in Israel a willing partner, especially during crises. Israel has been forthcoming in supplying weapon platforms and weapons that India was prohibited from procuring in the international market. During the 1999 Kargil conflict, for example, Israel was quick to respond to the Indian requirement for artillery munitions and other critical war stores. It is not surprising that Israel is today one of the biggest military suppliers to India.

Another key element which sustains this relationship is pragmatism. Both the countries have serious differences on Palestine and Iran, and now on Syria. These differences are unbridgeable. But both nations have agreed to remain disagreed without letting differences hold the relationship hostage.

The manner in which they have learned to live with each other's divergent views is amply reflected in the case of Palestine. India has traditionally supported the Palestinian cause. Palestine Liberation Organisation (PLO) leader Yasser Arafat was, not long ago, considered to be a 'great friend' by India. India

---

**\*This special report draws substantially from three discussions organised jointly by Observer Research Foundation, New Delhi, and Institute of National Security Studies, Israel, in 2012, 2013 and 2014.**

Observer Research Foundation is a public policy think tank that aims to influence formulation of policies for building a strong and prosperous India. ORF pursues these goals by providing informed and productive inputs, in-depth research and stimulating discussions. The Foundation is supported in its mission by a cross-section of India's leading public figures, academics and business leaders.

was the first non-Arab state to recognise PLO as the official representative of the Palestinian people in 1974. It was much later in 1992 that India established a diplomatic relationship with Israel.

Although there has not been any significant change in India's stand on the Palestine issue, its relationship with Israel has flourished to an extent that it has overshadowed India's previous attempts to champion the Palestine cause. Some analysts believe that this marked change is a result of the lack of returns from India's pro-Arab policy. Proximity to Arab states was aimed at creating leverage over Pakistan. But with Arab states making no attempts to shore up India's position on Kashmir and terrorism sponsored by Pakistan, there was a sense of disillusionment in New Delhi. The Palestine cause was also viewed in the political circles in India as being 'sensitive' to the Muslim community. But it was a misplaced belief, since much of the Muslim anxiety was about empowerment and justice. India, however, has not abandoned its traditional support for Palestine but has kept it distinct from its relationship with Israel.

An example of this was seen soon after Israel launched Operation Protective Edge in July 2014. In a public statement, India expressed concern over the “tragic loss of civilian lives” in Gaza, but added that the “cross-border provocations result[ed] from rocket attacks” on Israel.<sup>1</sup> The mention of cross-border provocations is reminiscent of the cease-fire violations that take place on the Indo-Pakistan border with alarming regularity. India seems to draw a parallel between Israel's struggle with Hamas and its own struggle against cross-border terrorism from Pakistan.

In many ways, terrorism has brought the two countries together in recent times. There is much in common in the nature of threats both countries face. Both India and Israel are isolated by widening circles of uncertainty in their immediate neighbourhood. Both are victims of terrorism, from global jihadi groups as well as state-sponsored terrorist proxies. India and Israel remain, besides the US, the prime targets of almost all terrorist groups operating in the world today. Democracy has given both countries a sense of stability, unlike most of their immediate neighbours.

Besides a common democratic heritage, India is drawn to Israel's power of innovation. Israel has made remarkable progress for a country of its size and location in emerging as one of the important manufacturing hubs for specialised weapons and weapon components. It has developed excellent electronic warfare systems, aviation electronics and is home to some of the best military software firms in the world. Its military R&D is on par with far bigger and powerful countries. India has benefited noticeably from Israel's military hardware superiority, and more important, its willingness to supply hi-tech armoury and weapons systems that other countries are reluctant to sell or sell with severely restrictive clauses.

Likewise, Israel's progress in achieving remarkable breakthroughs in water management and innovative farming practices make the relationship even more critical for India, which today faces major water and farm crises.

India clearly has much to gain from a strengthened bilateral relationship. But so has Israel—in terms of political recognition, a burgeoning market and a relationship with an emerging economic power that is a maritime nation with a stake in the world's most critical shipping lines in the Indian Ocean. This is apart from an overwhelming goodwill among the people of the second most populous country in the world. Israel is also one of the very few countries which has a notable support in different political quarters in India.

The above cited factors have given the relationship a strong foundation to build an even more robust, all-weather partnership, encompassing agriculture technologies to cyber security. Both nations, islands of stability in turbulent regions, could learn, support and shore each other up in facing the ever-growing challenges to their people and future.

This special report takes a closer look at some to intelligence sharing of the issues enumerated above with the objective of identifying areas where the relationship could be enhanced. The first section examines cooperation between India and Israel across a wide swath of domestic issues ranging from defence and science to trade and agriculture. The second section looks at cooperation on foreign policy issues.

## Defence Cooperation

One of the key areas of cooperation between India and Israel has traditionally been defence. It will continue to be so in the future as well.

With estimated sales of \$11 billion in the period 1999-2011, Israel is the second largest defence equipment and service supplier to India. India is also the number one export target of Israel's defence industries. The equipment that India receives ranges from subsystems to integrated systems, apart from a wide range of services and technical exchanges.

The full potential of the Israel-India defence relationship, however, remains unrealised. This is principally because the relationship so far has been that of a buyer and a seller. This transactional relationship must change from a largely supplier-recipient relationship into a partnership defined by technology transfer and collaborative arrangements between companies of the two countries.

A major stumbling block, according to Israel, has been India's restrictive Defence Procurement Policy. India had capped the Foreign Direct Investment (FDI) in defence sector at 26 percent, believed to be a deterrent by international firms. The 2014 Union Budget has raised this cap to 49 percent, raising hopes for greater investment. There is, however, scepticism on this front, as Israeli companies are uncomfortable with leaving management control solely in the hands of Indian partners. Despite these reservations, Israeli companies have by and large reacted positively to the raising of the defence cap and are pursuing partnerships with Indian firms.

Until now, much of the Israeli procurements have come through inter-government arrangements. This is now changing as the Indian government has begun to place greater emphasis on collaborative arrangements and competitive bidding. Israeli companies are interested in participating in competitive bidding programmes that promote collaborations. While so far confined to partnering with the government-owned DRDO, they will now be able to look beyond and partner with Tier II and Tier III companies that have potential and are active in the defence sector. This could benefit both countries.

Another likely area of cooperation is cross investments in defence industries. India can invest in projects and programmes in Israel in return for production lines of basic hardware used by Israeli defence forces for the Indian armed forces. Both nations can also think of locating the entire production line in India to take advantage of lower labour and production costs, and explore third country markets across the world. The development and production of Brahmos cruise missile with Russia is a case in point of the kind of collaboration that India and Israel can also pursue.

## Emerging Security Challenges

India and Israel face many common security challenges, not the least of which is the political implosion in the Arabian Peninsula. The increasing influx of weapons and extremist/terrorist organisations in the region could put pressure on Israel to increase its defence spending and border security expenditure. As for India, the events unfolding in Syria, Iraq and other parts of the Middle East are of serious concern. Not only does India rely heavily on the Middle East for its energy, but a large number of Indian workers are also living and working in the region. Apart from an abiding concern for their security, remittances from the Gulf contribute significantly to Indian foreign exchange reserves.

Terrorism is a challenge faced by both India and Israel. Both countries face threats from different terrorist groups, some of them state-sponsored. But the events unfolding in the Middle East and Afghanistan-Pakistan region could make these threats even more complex and difficult to deal with. The rapid emergence of Islamic State (IS) in Iraq-Syria has a direct impact on Israel. For India, at least for the present, the threat comes from Indians being drawn to the global jihad inspired by IS and al Qaeda (QA); the more immediate and compelling threats come from groups like Lashkar-e-Tayyeba, which are supported by the Pakistan Army. The emergence of a Qaeda in South Asia in early 2014 and the possibility of different terrorist groups joining hands after the US drawdown in Afghanistan could magnify the threat to India and the region as a whole.

India believes that the US drawdown will embolden extremist and terrorist forces active in Afghanistan and Pakistan. The possibility of a revival of jihad in Kashmir cannot be overlooked. Many groups which were part of the Kashmir Jihad in the 1990s like Jaish-e-Mohammad have resurfaced in the recent past. Arrested Indian Mujahideen leaders have indicated the possibility of a collaboration with AQ or other transnational terrorist groups to carry out terrorist activities and attacks in India in the near future.

AQ also presents a threat to Israel with the ongoing civil war in Syria. AQ affiliate al-Nusra Front's bases are being established near Israel's borders. Israel has always been a prime target of global jihadi groups; apart from Hamas, it will now have to deal with al Qaeda, IS and other affiliated groups whose reach and influence extend beyond South Asia. These common threats have brought the two countries even closer in recent times, especially after the November 2008 Mumbai attacks where Jews were specifically targeted by Pakistani terrorists.

The bigger challenge for both the countries is how to respond to these threats without triggering an all-out war. This is more relevant in the Indian context, as Pakistan is a nuclear weapons power and has often threatened to deploy nuclear weapons to counter Indian conventional military superiority. While this may not be relevant in the case of Israel at present, the possibility of terrorists using chemical, radiological, biological and nuclear materials to subvert conventional counter-offensives remains a clear possibility.

Given this context, planning and executing a response, as well as securing socio-economic systems, involves complex challenges due to emerging trends in warfare patterns. The new paradigm of managing conflict intensity entails keeping to a level below the threshold of war to avoid high costs and irreversible collateral damage. But the cumulative impact on the victim state is high, and there is an increasing tendency to use asymmetric urban warfare to cause low input, high impact losses to the target, particularly since defence and security forces shoulder the responsibility to ensure minimal collateral loss of life and property. It is therefore sensible to pressure enemy forces to ceasefires and to keep military activity

subdued. But such a status quo cannot be sustained for a long time. Cooperation between countries must focus on evolving strong responses to tackle these threats. The focus of such cooperation could be on choking supplies that enemy agencies need for sustenance, like money, arms and human resources. Besides sharing of real-time intelligence, both countries, especially India, need to continuously upgrade their technological capabilities, strategies and tactics. The three security-related agreements signed between India and Israel in February 2014 follow from these common challenges.

Broadly, dealing with non-state actors and joint cooperation on terrorism requires a holistic approach encompassing multiple areas like diplomacy, law, PR, humanitarian aid and economic development. Military strikes must remain the last resort. Strategic partners like India and Israel can work together to evolve models of communication with problematic non-state actors and state-sponsored insurgent groups. The two countries are already engaged in a comprehensive cyber security arrangement: This needs to be enhanced.

Another critical issue is maintaining legitimacy and acceptability of security policies at various multilateral forums. Both the countries have suffered on this count due to propaganda and disinformation propagated by vested interests and paid lobbyists. Social media has been an important tool for the distracters. The expanding nature of the media makes it almost impossible for any nation to keep an effective check on its misuse. This is even more arduous in democratic countries where freedom of speech and privacy prohibit any blanket action against social media. It can be done in China but not in India and Israel.

Some experts push for coalition building between nations that face the same challenges and share similar interpretations of international law. States often face dilemmas regarding the legality of using force against terrorists. States should have dialogues with legal experts and decision-makers to develop laws that explain and clarify their actions. There are also questions of how to function in a conflict and the appropriate proportionality of response. There is pressure on democratic states to act without collateral damage. Any civilian casualty is often considered excessive. Cooperation and coordination is thus important to explain the states' response. Exchange of information between India and Israel about case laws on terrorism can be extremely helpful not only in dealing with the expanding threat of terrorism but also in evaluating individual responses to terrorism. This could be a significant area in which the India-Israel relationship can move forward.

## Trade and Investment

India and Israel have been successful in increasing the volume and variety of bilateral trade. India is Israel's 8th largest trading partner and the third largest trading partner in Asia after China and Hong Kong. In 2011-12, trade between the two countries exceeded \$6.5 billion. The total trade in the year 2012-13 was over \$4.3 billion.<sup>2</sup> However, concomitant with the increase in trade as seen in the table below, there is a fear that the countries might be approaching the ceiling in volume and variety of trade.

**Table 1: India-Israel Bilateral Trade 2007-2011 (in US\$ millions)<sup>3</sup>**

S.No.	Particulars/ Year	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Export	1,604.36	1,458.55	1,968.59	2,919.78	4,040.52
2.	Import	1,425.94	2,090.41	1,885.06	2,253.51	2,577.69
3.	Total Trade	3,030.30	3,548.95	3,853.66	5,173.28	6,618.21

Diamonds are a major item of trade between the two countries. A large number of diamonds from Israel come into India for cutting and polishing, which increases their value. Numerous Israeli companies are dependent on the diamond trade with India. Moreover, some car manufacturers like Suzuki and Ford use their factories in India to supply cars to Israel.

Israel and India also share common interests in the establishment of business operations in countries like South Sudan and Vietnam. The two can therefore work together to promote and facilitate greater interaction between the business communities in their respective countries for ventures in third country markets.

Both countries could also explore higher investment and marketing as well as implementation of an R&D platform. There can be greater FDI in the defence sector in a manner that is profitable and feasible for both countries. Cooperation could be enhanced in agriculture through a private sector platform.

The real boost in the trade relationship could be achieved with a Free Trade Agreement. Such an agreement, Israel believes, could increase the volume of trade to \$10-15 billion in three to five years. It would help shift the focus of trade and investment to areas that Israel believes are the future for an enhanced relationship, which include IT, biomedicine and renewable energy.

### **Water and Agriculture**

India faces enormous challenges triggered by growing demands for water and its inefficient usage. It is estimated that by 2025 India could face a water scarcity if current usage patterns were to continue. Climate change, inefficient irrigation, aquifer depletion and rapid urbanisation are some other key factors affecting water availability in India.

India is also saddled with trans-boundary river-sharing problems with its neighbours. It has a running feud with Pakistan over water distribution and availability despite a robust Indus Water Treaty signed in 1960. Flood control and water usage have been serious impediments in a comprehensive relationship with Nepal. Similarly, there are serious water distribution concerns with Bangladesh; India's failure to sign the Teesta river water agreement is only one of the contentious issues. There are also concerns about China and its use of the Brahmaputra River.

Given that Israel has been developing efficient new technology for waste water management and water conservation, India has been keen on engaging with Israel on this front. The Joint Declaration for Cooperation in Water Technologies between the Indian Ministry of Urban Development and the Israeli Ministry of Industry, Trade and Labour in February 2012 bears testimony to this interest.

Indeed, Israel's water situation, despite the absence of fresh water sources in the country, is much better than that of India. Desalination of the water from the Mediterranean Sea provides 30 percent of Israel's water at a cost of \$0.60 per cubic meter. Thus, for Israel, self-sufficiency has reduced the struggle over water in the region. Israeli progress in lowering the cost of desalination has attracted attention in India. In the future, desalination could be a major solution for water unavailability. Israel also recycles 80 percent of its water for irrigation use.

Unlike India, Israeli analysts see water as the least complicated of their geostrategic problems. They will need to reduce their usage of the Western and Eastern aquifers so that Palestine can receive more water,

and Israel has also agreed to supply more water to Jordan from the Sea of Galilee to meet the latter's growing demand because of the influx of Syrian refugees. Some analysts believe that environmental cooperation between Israel, Jordan and Palestine could be extended to preserve water quality. Effectively, water can be used as an instrument of trust-building through cooperation over a vital commodity. Like Israel, India can make an effort to use water similarly with its own neighbours to build trust and increase cooperation.

Apart from water, decision-makers in both Israel and India face the heavy burden of providing food to their people despite the difference in population strengths. Israel has made immense technological and engineering progress in agriculture. It exports many new crops and products that capture a niche in the international market. The country works on developing special and unique products which cater to specific markets because it is difficult for Israel to compete with other countries that can produce fresh agricultural goods given lower labour costs.

On this front, Israel has extended cooperation in capacity-building programmes in India. India has benefited in the areas of horticulture, mechanisation, protected cultivation, orchard and canopy management, nursery management, micro-irrigation and post-harvest management. The Action Plan 2008-2010 focused on Haryana, Maharashtra, Rajasthan and Gujarat. The Action Plan for 2012-2015 expanded the focus to seven Indian states, adding Karnataka, Tamil Nadu and Punjab to the list.

The Israeli Centres of Excellence are focal points for Indo-Israeli R&D in agriculture. The implementation of Israeli technologies has helped in improving the quality of production and capacity-building amongst farmers. But these centres face challenges in extending their services directly to farmers and maintaining long-term project viability. An alternative to keep the projects active is transferring operations to the Indian government.

Israel is not involved with any other country to this extent. This is a unique example of what can be achieved in the field of agriculture by bringing in Israeli technology and adapting it to Indian conditions with the help of state funding.

## Energy

India faces numerous challenges in the field of energy. A very large share of the fuel mix in India still comes from primary resources like dung and fuel-wood. This is because of the slow progress of attempts to increase processed fuel distribution to rural areas. It is speculated that India's population will stabilise by 2050 at 1.59 billion, but rapid urbanisation is exerting great pressure on supply-demand linkages. India's gross energy consumption is expected to exceed that of the USA's by 2048, although currently the country's per capita energy consumption level is less than that of Sub-Saharan Africa.

Glaring inequities raise worrying questions about India's energy security. The problem is exacerbated by the negligible per capita carbon space, i.e., the ecological space available for a system to emit carbon/greenhouse gases, available to Indians for their developmental aspirations. India therefore cannot continue to increase its per capita emission levels. Civil nuclear energy and renewable energy cannot be the solution either, as their share in the net fuel mix will peak at five to six percent and seven percent respectively by 2032. Hydel power, CNG-based generation and demand management systems would only be able to contribute about 40 percent to the emissions reduction targets. Thus, over 45 percent would still

have to be generated through hydrocarbons and coal. India has worries of growing consumption and acute financial deficits, making equity in access through subsidies difficult and unsustainable. This situation is made worse by an approaching import level of 90 percent of fuel requirements. The energy policy should consequently concentrate on trying to achieve clean fuel resources and technologies.

Israel, on the other hand, is trying to increase its self-reliance because of a hostile neighbourhood and a turbulent global situation. It is also attempting to decarbonise its energy mix, for which innovation has been a major factor. It also possesses the world's third largest reserves of shale, reducing its dependence on imported energy. While Israel has made significant progress in its offshore extraction from the Mediterranean shelf, India, which holds two of the ten highest estimated discovered reserve blocks, faces the crucial challenge of extraction efficacy.

India is clearly poised to benefit from Israeli technology. Cooperation in the areas of renewable energy and clean fuel technologies could help India manage its developmental problems of power shortages, which in turn would increase industrial efficacy. Joint innovation and development with Israel, especially in the area of solar facilities, will help India increase its base of alternative energy sources while simultaneously increasing the share of renewables in its energy basket. Israeli companies are investing in India in the fields of energy and renewable energy. Some of them are already providing technological training for the use of solar panels, biomass power plants and for the generation of hydro-electricity to fill the gap between demand and supply in India: New Delhi can definitely pursue technology transfer and development in the energy sector. It can also learn suitable best practices to increase its own efficacy in energy extraction.

In terms of energy trade, an estimated \$750 billion-1 trillion worth of natural gas is present in the Eastern Mediterranean Sea, leading to the belief that natural gas will be a major source of energy in the future. Israel is progressing well with extraction of its gas reserves in its Exclusive Economic Zone (EEZ) in contrast to the inaction of Egypt and Lebanon on this front. The Israeli government has decided to supply 60 percent of the extracted gas to its domestic market; most of the rest will be consumed by the regional market, i.e., Palestinian territories, Jordan, Egypt, etc. Depending on a possible peace, this could also perhaps include Lebanon and Syria in the future. Apart from the regional market, Israel, Lebanon and Cyprus will eventually have to decide where they want to export this gas. The Russians, because of their desire to continue to control the European market, were the first to express their interest. The Chinese were second. India is certainly a potential customer.

India has been trying to diversify its source markets over the past decade. Africa and Latin America are being tapped as suppliers. Despite this, the market governance structure in India is skewed because of the deterrents produced by the prices private fuel producers supplying to the domestic markets set. The private sector, which buys most of the non-Gulf supply, exports most of its produce to external markets. India should make efforts to hedge against risks in the Gulf sources. Israel can play a big role in these efforts. Increased Indian investment in Israel's energy sector will benefit the former's energy situation in the long run. There has also been interest on both sides for joint extraction of Israel's gas reserves.

There could be divergences between India and Israel because of the significant role that Iran would play in India's energy situation. Some Israeli analysts believe that India should be prudent and keep an eye on the P5+1 talks with Iran on the latter's nuclear programme. If these talks succeed, then Iran might liberalise its relations with the world, but if the talks fail, investments made by India in Iran could prove fruitless.



## Research in Science and Technology

Israel has a robust R&D system in place in areas like life sciences, pharmaceuticals, biotechnology, software, telecommunications and semiconductor development. Combining this with India's large pool of R&D talent and skills can help the two countries collaborate substantially and learn from each other's experiences and expertise.

Mutual benefits of such an arrangement were recognised as far back as 1993 with the signing of Science and Technology Cooperation Agreement to promote joint research. A Memorandum of Understanding (MoU) on Industrial Research and Development Initiative was signed in 2005 to promote bilateral industrial R&D and specific projects. I4RD, a joint industrial R&D fund, was also set up under the same MoU to encourage investment and joint ventures.

## Academic Cooperation

Israel is already cooperating with a number of countries in the field of higher education. It has a broad agreement with the European Union according to which Israel is a full member in their R&D projects, investing around \$50-60 million a year. Apart from this, Israel also has bilateral agreements with certain European states. A joint R&D funding programme on similar lines could be developed between India and Israel.

Apart from a meeting of minds regarding R&D, increased academic exchange could help deepen the relationship. There are currently very few Indian scholars studying in Israeli institutions and vice versa. Some major steps have been taken recently. Israel has announced 150 annual scholarships for Indian postgraduate students to study in Israel. These scholarships will particularly target Israel's leading technology institutions. In May 2013, both countries launched a new funding programme for joint academic research. Each government will contribute \$5 million annually for the next five years.

## Convergence in Foreign Policy

### *On Middle East*

India's stakes in the Middle East have increased dramatically. Today, the United Arab Emirates is India's third largest trading partner if countries are counted individually. India's oil is going to come from the Middle East for a long time to come. What happened in the Middle East used to be a distant ideological debate; developments in Afghanistan in the 1990s, when the Taliban came to power, indicated the proximity of the region to India as some of the ideologies prevalent in the region began to make inroads into the subcontinent.

Israel's interests in the region differ from India's largely due to geographical concerns. Israel has kept its distance, at least overtly, from the Syrian conflict except when it intervened with surgical strikes to thwart arms supplies to Hezbollah.<sup>4</sup> It is equally ambivalent about the role Saudi Arabia is playing in the current conflict.

On the crucial issue of Iran, there is a clearer difference in perception. Israel seems to be isolated in its concerns on Iran, especially as the P5+1 countries are attempting to strike a deal with Tehran. For India,

Iran is an important partner. India has, in the past, depended on Iran for as much as 16.5 percent of its energy requirements. That has been brought down to 12 percent and the Indian government is making further efforts to reduce this dependence. Even so, there are limits to how far it can be eased. There is insufficient spare capacity in the world to meet the requirements of both China and India. Moreover, Indian refineries, at least those in the Indian governmental sector, exclusively refine Iranian oil. To try to retrofit these refineries to deal with other kinds of crude involves heavy investment, which the Indian government may or may not be willing to advance at this point in time.

India's investments in Iran's Chabahar Port are another pointer to the nature of the relationship. Chabahar is an important, and at present the most viable, access point to Afghanistan and Central Asia. India has helped Iran increase the cargo handling capacity of the port. The road connecting the Chabahar Port to the Iran-Afghanistan border has already been constructed by Iran, and India has constructed the Zaranj-Delaram highway which links Iran to the main Kandahar-Herat highway in Afghanistan. India has reportedly announced its intention to further extend this highway to connect with Northern Afghanistan and Central Asia as well as to construct a rail link from Hajigak, the mineral-rich area where an Indian consortium has won concessions to mine extremely rich copper and iron ores, to Chabahar. This is naturally important from a strategic-military perspective. The kind of benefits and advantages that accrue to India from having a friendly Iran cannot be brushed aside easily.

Iran is also important from a trade perspective. According to Associate Chambers of Commerce and Industry of India, the current trade volume of \$13 billion between the two is likely to rise to \$30 billion by 2015.

Despite these differences, there are three major concerns which both India and Israel share. The possible use of nuclear weapons in the region tops the list of worries. Even in a situation where Iran's nuclear weapons programme is contained, the use of nuclear weapons in the future cannot be altogether dismissed. Another is the possibility of inadvertent escalation, as was experienced during the Cold War. There were too many 'almosts' between the US and Soviet Union. The third is the undeniable consequence of a nuclear Iran on the stability of the region itself. A nuclear Iran in all probability will spark a nuclear arms race in the region, stoking a standoff between bitter rivals.

Although Iran is likely to remain a point of friction between India and Israel, the two countries must, through dialogue and diplomacy, find points on which they can agree, and on others to agree to disagree.

### *On Pakistan*

The developments in South Asia that concern India and Israel relate to the issues of terrorism and the rise of Islamic extremism and radicalism in the region. All these problems intersect in one country—Pakistan. Both Israel and India have serious concerns about the possibility of Pakistan steering the region towards greater vulnerability in the near future.

Proliferation in South Asia is another issue that concerns India and Israel because it is not certain that the A. Q. Khan network that existed in Pakistan has been effectively dismantled. Sensitive nuclear and missile technologies continue to flow to Pakistan. Pakistan's role in proliferation that would ensue in the event of Iran's crossing the Rubicon cannot be ignored. Neither can be the possibility of Pakistan covertly helping Saudi Arabia possess nuclear weapons.

A nuclear Pakistan is a threat for Israel as well as for India, particularly since it poses a threat of nuclear commerce with increasingly aggressive Islamic states in the Middle East. India has consistently voiced concerns over the control of Pakistan, a nuclear state, being lost to rogue elements.

Regarding the broader region, the relationship between Israel and India can serve as a platform for joint activities in third countries. Both India and Israel enjoy highly developed international cooperation schemes which they can undertake as joint ventures in other countries where they have shared interest—Maldives, Sri Lanka, Myanmar, Afghanistan, etc. They can concentrate on economic and business opportunities in these third countries.

### *On China*

China's economic progress, its military might and its alliances with countries in the neighbourhood remain a matter of serious concern for India. There are deep concerns in the country regarding how to manage the emergence of the new Chinese presence and role in the subcontinent. The connectivity from Xinjiang across the northern parts of Jammu & Kashmir, right up to the mouth of the gulf in Gwadar, has some very important strategic implications with regard to South Asia, China and the Gulf states. There is also the matter of energy connectivity in the power, oil and gas sectors, in this region.

It is not simply the lands of South Asia that have become important; the South Asian waters, too, have gained significance. From Lhasa, the closest port is Kolkata. From Kashgar or Urumchi, the closest port is Karachi. Looking at the distances between western China and eastern China, South Asia is much closer; it is therefore not surprising that the Chinese are looking at linking western China with the Indian Ocean. The Chinese are already building pipelines and road networks between South Asia and western China. The Chinese naval presence in the Indian Ocean is also on the rise. This has opened up a new facet in terms of China's new maritime rivalry with India and its contestation with the United States.

Recurring border tensions and competition, however, have not deterred the trade between the two economic powerhouses. The bilateral trade today stands at \$65.88 billion (2013), a rapid increase from \$2.92 billion in 2000. In 2008, China became India's largest trading partner, replacing the USA.<sup>5</sup> India has also been building military cooperation with China in vital areas such as counter-terrorism and maritime security in spite of the lack of absolute trust between the two.

For Israel, both India and China are major focus points of interest. Israel has received permission for a Bangalore consulate and is going to open one in China in Chengdu, the fourth in the country apart from the embassy in Beijing. Specifically with regards to China, the Sino-Israeli relationship has only expanded since the establishment of diplomatic relations between the two countries in 1992. However, military cooperation between the two began earlier in the 1980s. In 2009, China was Israel's 11th largest foreign market but by 2012, it was second only to the US.<sup>6</sup> While there is growing technological and economic collaboration with China, military cooperation in recent times has been restricted because of the United States. Israel was forced to back out of a deal to sell advanced airborne early warning systems to China due to American pressure, because of which it had to pay a large amount in damages.<sup>7</sup> Israel has also made an attempt to create a stronger link with ASEAN but has not been very successful because of opposition from some of the countries.

On China's part, there is also growing interest in forging a better relationship with Israel. Indeed, its growing presence in South Asia and the Middle East is altering the dynamics of both regions. China has

mainly economic interests in the Middle East and it is vulnerable to economic upheavals because it does not have the military or political reach to influence politics in the Middle East.

China is increasingly being seen as an alternative to the US in the Middle East, particularly by Iran and Saudi Arabia. The possibility of China replacing the US in the region is minimal, but with the US moving east, there are feelings of insecurity—and with China looking west to meet its energy requirements, there is a growing interest on the part of the Gulf Cooperation Council (GCC) in China. The Chinese model of economic development with political restrictions appeals to the Gulf countries, especially the GCC regimes. Therefore, China and the GCC have a growing economic relationship which the latter could use to make the US work harder for alliances. The Saudi support for radicalism and its influence over the Sunni Muslims can hurt Chinese interests but China tends to overestimate Saudi Arabia's control over Muslims in the region. If China continues to be seen as a suitable substitute to the US, Israel could benefit from a close relationship with the country in terms of support from an external power in a hostile region. From the Chinese perspective, Israeli expertise and knowledge to make sense of the Middle East could help reduce dependency on US policy in the region.

India and Israel are both powerful nations in their respective neighbourhoods and have considerable stake in ensuring their continued influence. Both the countries can therefore benefit from their bilateral engagements with China in view of its growing global economic influence. And while India, Israel and China each enjoy individual bilateral equations with the other two, given that both India and China are big markets for Israel and the India-China bilateral relationship seems to be growing steadily, possibilities of trilateral cooperation in the areas of defence, agriculture, water and energy can be explored.

#### ABOUT THE AUTHOR

**Taruni Kumar** is Research Assistant at Observer Research Foundation, New Delhi.

#### Endnotes:

1. "Official Spokesperson's response to a media question on escalation of violence in Gaza and Israel," *Ministry of External Affairs, Government of India*, July 10, 2014, <http://www.mea.gov.in/media-briefings.htm?dtl/23602/Official+Spokespersons+response+to+a+media+question+on+escalation+of+violence+in+Gaza+and+Israel>.
2. "India-Israel Economic Relations," *Federation of Indian Chambers of Commerce and Industry*, [http://www.ficci.com/international/75149/Project\\_docs/India-Israel-Economic--Relations.pdf](http://www.ficci.com/international/75149/Project_docs/India-Israel-Economic--Relations.pdf).
3. Ibid.
4. Dominic Evans and Oliver Holmes, "Israel strikes Syria, says targeting Hezbollah arms," *Reuters*, May 5, 2013, <http://www.reuters.com/article/2013/05/05/us-syria-crisis-blasts-idUSBRE94400020130505>.
5. "India-China Relations," *Ministry of External Affairs, Government of India*, [http://www.mea.gov.in/Portal/ForeignRelation/China\\_September\\_2014.pdf](http://www.mea.gov.in/Portal/ForeignRelation/China_September_2014.pdf).
6. K.M. Seethi, "China, Israel and India: Flexible Coalitions," *The Diplomat*, November 24, 2013, <http://thediplomat.com/2013/11/china-israel-and-india-flexible-coalitions/>.
7. Aharon Lapidot, "A noteworthy deal," *Israel Hayom*, October 27, 2014, [http://www.israelhayom.com/site/newsletter\\_opinion.php?id=10357](http://www.israelhayom.com/site/newsletter_opinion.php?id=10357).



**Observer Research Foundation**  
 20, Rouse Avenue, New Delhi-110 002  
 Phone: +91-11-43520020 Fax: +91-11-43520003  
[www.orfonline.org](http://www.orfonline.org) email: [orf@orfonline.org](mailto:orf@orfonline.org)