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‘Acting East’ through India’s Subregions¹

ABSTRACT

India’s eastern subregions form its first geostrategic chain in the Indo-Pacific region. They have emerged as key strategic spaces for New Delhi to push forward its ‘Act East’ policy. As new opportunities open up, the evolving challenges warrant New Delhi to frame a regional strategy that focuses on the subregions as one single strategic arch.

INTRODUCTION

Recent developments underscore the undeniable changes occurring in the political landscape of India’s neighbourhood. Pakistan’s lack of inclination to be part of the South Asia Satellite initiative and the South Asian Association for Regional Cooperation–Motor Vehicle Agreement (SAARC–MVA) has reinforced the belief that strengthening regional cooperation and economic integration under the SAARC framework is increasingly becoming more difficult. Moreover, China’s growing political and economic influence in the region—demonstrated by the willingness of most South Asian nations to join its ‘Belt and Road Initiative’ (BRI), the recent India–China standoff in the Sikkim sector, and Chinese companies winning port contracts in the subregions—further complicates India’s neighbourhood policy.

Within this challenging strategic environment, New Delhi recognises its need to secure its immediate neighbourhood. As former Foreign Secretary Shyam Saran rightly pointed out, “Strategy implies making choices among competing priorities... The limited human and economic resources we have, therefore, must be redirected to securing the neighbourhood. If we find that we are spread thin over regions of lesser consequence, then a reordering of priorities may be necessary.”² Echoing this view, former Indian Army Northern Commander, D. S. Hooda, said that India “is hemmed in from the north by the Himalayas and the west by a hostile Pakistan. East and south are the only natural gateways and that should push our strategy.”³

More than two decades after the launch of the ‘Look East’ policy, New Delhi upgraded it to ‘Act East’ in 2014. Under this policy, India has been strengthening bilateral and multilateral ties with the nations of the Indo-Pacific region. Recent high-level bilateral visits and New Delhi’s renewed engagements with subregional forums suggest that geographical realism is dictating the operationalisation of the Act East policy. Various observers have highlighted India’s growing engagements with major regional powers such as Japan and Australia, and with regional forums such as the Association of Southeast Asian Nations (ASEAN) and Indian Ocean Rim Association (IORA) and, even broadly, India’s growing defence ties with the United States (US) in the Indo-Pacific region and its approach towards the Indian Ocean and the South China Sea.⁴ However, an important dimension of the Act East policy is India’s engagements with its subregions, both at the bilateral and subregional levels.

Analysts have examined India’s bilateral relations with its neighbours and with subregional groupings such as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and the Bangladesh–Bhutan–India–Nepal (BBIN) initiative. However, less attention has been paid to what the subregions together represent in India’s regional diplomacy in the context of emerging challenges and opportunities. This paper attempts to fill the gap by making an assessment

of the Act East policy in three strategic subregions of India: the Bay of Bengal subregion, the Mekong subregion, and the Himalayan subregion. The paper argues that the evolving regional strategy needs to focus on these strategic subregions of India in the changing geostrategic context. The key research questions that this paper examines are: Why are India's subregions strategically significant in the Act East policy? What are the emerging challenges in pushing the policy through the subregions? How can India's regional strategy be more effective?

DEFINING "SUBREGIONS"

In the current literature on regionalism, a "subregion" is a type of "region" referred to as "micro-region" that "exists within a particular state" or is "cross-border in nature."⁵ Subregionalism emphasises economic cooperation between cross-border nations that are geographically contiguous. A classic example of subregionalism is "growth triangle" initiatives aimed at stimulating economic development among three or more countries. Within this notion, subregions are narrowly defined with emphasis on economic cooperation.⁶ This definition excludes other issues such as security and ecology. Drawing from Barry Buzan's concept of "regional security complex,"⁷ this paper attempts to provide a more holistic definition of subregions.

The "regional security complex" is defined as "a set of units whose major processes of securitization, desecuritization, or both, are so interlinked that their security problems cannot reasonably be analysed or resolved apart from one another."⁸ This definition is more profound at the subregions. In fact, Barry Buzan and Ole Waever's "subcomplex" concept better captures the security dynamics at the subregions as security interdependence "so much overlap" and the "interplay" of "the two cannot be disentangled" at the subregional level.⁹ While it may be true that the India-Pakistan rivalry defines the boundary of the regional security complex in the context of the subcontinent, there also exist—by virtue of

India's geographical size and location—subregional security complexes or “subcomplexes” involving a certain part of India with a group of immediate neighbours. For instance, the security dynamics of some northern Indian states are interlinked with Bhutan and Nepal; as are security concerns of Northeastern states of India, with Bangladesh and Myanmar, owing to cross-border illegal migration, ethnic conflicts, gunrunning, narcotics, smuggling and other cross-border issues. Most of these security concerns may not have direct implications for other parts of India or other immediate neighbours. Similarly, the impact of the ethnic conflict involving Tamils was more profound in Southern India and Sri Lanka. As Barry Buzan's concept notes, security is “clustered in certain geography” and security concerns “do not travel well over distances.” Because security concerns of one nation interact with another nation at the border, it creates security interdependence in a region or a subregion. Therefore, just as regions are regarded as “mini-systems” of the international system, subregions may be regarded as mini-systems of regional systems.

Given India's central geographical position in South Asia, where no two countries are contiguous but are linked to each other only through India, it is true that “geography allows India to engage in bilateralism to pursue its own interests without necessarily engaging in subregionalism.”¹⁰ This formulation, however, misses a critical aspect in conceptualising India's subregions. As noted earlier, an important element of India's subregions is that it involves certain geographical parts of India as well. For instance, in the Mekong and the Bay of Bengal subregions, the entire India's eastern seaboard and Northeast India are critical components; in the Himalayan subregion, Indian states such as Uttar Pradesh, Bihar, Northern Bengal are critical as they share cross-border interdependent security and development space. Thus, promoting India's interests through its frontier states makes subregionalism the most pragmatic option for local, national and regional interests. As Prime Minister Narendra Modi recently said during Nepali Prime Minister Sher Bahadur Deuba's visit to India, “Our defence interests are also dependent on and connected to each other.”¹¹

In recent regionalism discourse, geography as a component of understanding regionalism has been deemphasised.¹² Unlike in regionalism, in subregionalism geography remains an important element in defining subregions because of the deep interconnectedness at the borders. Moreover, while the unit of analysis has been shifting away from state-centric approach to non-state actors, for this paper, the state is the unit of analysis, as it remains the key player in most of the initiatives in the subregions under study. In this paper, subregions are defined as a small group of geographically adjoining nations sharing a common ecosystem with interconnected development and security sphere. With this conceptual framework, this paper attempts to assess India's engagements with its subregions under the Act East policy.

SITUATING INDIA'S SUBREGIONS IN THE 'ACT EAST' POLICY

India's eastern flank comprises three strategic subregions: the Himalayan subregion, the Bay of Bengal subregion and the Mekong subregion. Each subregion has its unique characteristics in term of opportunities and challenges they present to India with many commonalities and overlapping issues and interests. Even though India's subregions form part of the wider Indo-Pacific region, there are specific reasons the subregions need particular attention.

First, closer economic engagement with the Indo-Pacific region has been one of the key elements of India's eastward drive, but India's renewed engagements are also seen from within the framework of "balancing Asia." India's strategic interests in other parts of the Indo-Pacific region are driven by geopolitical competition for leadership in the emerging regional order through its participation in ASEAN-led forums, such as the East Asia Forum or the ASEAN Regional Forum, and access to markets and resources through free trade agreements signed with several nations and regional groupings. In the subregions, too, economic cooperation is emphasised, given the huge complementarity that exists among nations in the subregions, whether in connectivity or energy grid. However, from a

strategic perspective, it is also about protecting India's immediate strategic spaces, particularly in the Himalayan and the Bay of Bengal subregions. Second, India's ties with its subregions are uniquely different from the relations India has with other nations in the Indo-Pacific region. India has had and continues to have a difficult relationship with most of the nations in its subregions owing to the discomforts of proximity and the difficulties of asymmetrical relationships. Subregional initiatives neutralise the asymmetric relationship between India and its smaller neighbours. This allows India to go beyond bilateralism, which is often mired in political difficulties. Moreover, assessing the strategic challenges from the bilateral prism may narrow one's view of the complete picture and lead to a miscalculation of the overall implications. The subregional approach helps strategise a more effective response to the various developments.

An important feature of India's eastern subregions is that they are all connected geographically, except Sri Lanka, which is an island nation. There is, thus, overlapping of nations in these subregions. Moreover, there are no clear boundaries defining a subregion as security, development and ecological issues tend to overlap. Because of its geographical location, Myanmar is as much in the Bay of Bengal subregion as it is in the Mekong subregion. In sharing of river water, more than one subregion is involved, such as the Himalayan and the Bay of Bengal subregions. From a geopolitical perspective, the immediate neighbours form India's key strategic spaces, which are crucial for safeguarding its primacy and expanding strategic reach. The subregions of India have also been one of the priority areas of India's diplomatic focus and activities under the Act East policy. In the operationalisation of the policy, three areas have been prioritised: refocusing on subregional forums, enhancing bilateral and multilateral security cooperation, and building connectivity in frontier regions and beyond.

First, the subregions provide India both land and maritime options to access the East and have emerged as key spaces in India's connectivity efforts. Second, in recent years, a common feature shared by all these

subregions is China's growing influence. A countervailing strategy of India has been to strengthen bilateral and multilateral security engagements with nations in the subregions and beyond. Third, development and opening up of India's Northeast under the Act East policy fits in well within the three subregions, as the Northeast is surrounded by the Mekong subregion to the east, the Bay of Bengal subregion to the south, and the Himalayan subregion to the west.

REACTIVATING SUBREGIONAL GROUPINGS

For far too long, several subregional initiatives in India's eastern neighbourhood have existed without realising the goals set for themselves for want of more political push from the capitals of member states. A few factors explain why the subregional initiatives in India's eastern neighbourhood have suddenly found new purpose. First, recognising the limitations of the SAARC mechanism to address regional governance issues has pushed India and its smaller neighbours to explore alternative arrangements. Second, China's assertive entry into the subregions has spurred India into protecting its strategic interests in its neighbourhood, and for the smaller nations there is a need to hedge against the growing rivalry between India and China. Third, New Delhi's launch of the 'Neighbourhood First' policy and the Act East policy as a response to the emerging strategic scenario has met with positive response from the smaller neighbours.

The centrality of the Bay of Bengal subregion in the Act East policy is evident from the fact that it forms India's gateway to the East. Inviting the leaders of the subregional grouping BIMSTEC to the BRICS Outreach Summit in Goa in 2016 demonstrated New Delhi's changing regional diplomatic calculus.¹³ BIMSTEC, the seven-member subregional grouping, brings together many countries of the three subregions under one umbrella: Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand. Nepal and Bhutan are strategically vital for India as both "buffer" and "bridge" between India and China in the Himalayan subregion. Though

the subregion is geographically more to India's north than to its east, it is part of most eastern subregional initiatives, including BIMSTEC and the South Asia Subregional Economic Cooperation (SASEC) initiatives. Cooperation at the subregional level involving the Bay of Bengal littorals has been high in India's engagements. Prioritising three subregional initiatives reinforce this importance. The conceptualisation of the Bay of Bengal community involving nations from the Bay of Bengal subregion and the Mekong subregion, and later the inclusion of the nations of Himalayan subregion, points to the strategic significance and the interconnectedness of these subregions.

The formation of the Bangladesh-Bhutan-India-Nepal (BBIN) Initiative and the signing of the BBIN-MVA agreement in 2015 gave a boost to the SASEC—a subregional grouping involving four SAARC member states launched in 2000 within the South Asia Growth Quadrangle with assistance from the Asian Development Bank (ADB).¹⁴ Reviving this subregional initiative, which began with the aim of enhancing “regional solidarity and promoting overall development within SAARC” with an emphasis on project-based development, converged the focus on the Himalayan subregion and the Bay of Bengal subregion.¹⁵ Furthermore, Maldives and Sri Lanka were included as new member countries in May 2014, and Myanmar became the seventh member of SASEC in 2017.¹⁶ In August 2016, the Modi Cabinet cleared a proposal to create a US\$75-million project development fund (PDF) to increase India's economic presence in CLMV (Cambodia, Laos, Myanmar and Vietnam) countries. This fund is aimed at driving Indian investment in the Mekong subregion. The Export-Import Bank of India has begun working with the Ministry of Commerce to set up the PDF.¹⁷ This has renewed the focus on the Mekong-Ganga Cooperation involving India and the CLMV countries, which aims to strengthen ties in areas of tourism, culture, education, and transport and communication. From a geopolitical perspective, these subregional initiatives suit the geostrategic interests of India and its smaller neighbours in the subregions. For New Delhi, the absence of its regional rivals—Pakistan and China—in these groupings gives it more

room for strategic manoeuvring. For the smaller nations of the subregions, dealing with India in a multilateral framework—instead of a bilateral one—is easier, as they position themselves to benefit from India's rise and hedge against China's growing influence in the region.

ENHANCING SECURITY ENGAGEMENTS

Since the launch of the Act East policy, the government has demonstrated political will to enhance defence cooperation with its neighbours and beyond. New Delhi has entered into new defence agreements, announced new strategy for defence exports and expanded joint patrols and military exercises with regional players. In 2014, Prime Minister Modi spelled out “his vision of the nation as a net exporter of weapons” and stated that “the goal of indigenization of defence platforms should not stop with just meeting the demands of the [Indian] armed forces” but should also be “used by smaller nations to protect themselves.”¹⁸ Analysts had observed then that “the idea of India's exporting aims to assist developing countries... if [it] happen[s]... would be a significant shift in policy.”¹⁹ In September the same year, the government announced the “Strategy for Defence Exports” to provide “clear cut procedures and an institutional mechanism for export promotion and regulation” and “guidelines for engaging with Indian Missions/Embassies abroad for export promotion, offers options for export financing through line of credit... the export of indigenously developed defence systems.”²⁰ For a long time, several structural and institutional impediments constrained India's military diplomacy.²¹ A major issue that has consistently confronted India is the ability “to put in place adequate domestic capacities for military training and arms production.”²² India's state-owned defence industry has been criticised for inefficiency in production rates and quality issues.²³ In the past couple of years, however, India has begun to overcome some of the challenges confronting its defence industry.

An official report on the defence manufacturing sector suggests that the new defence export policy is “paying off.”²⁴ According to the report, the

government has increased indigenous defence manufacturing under the “Make in India” initiative and opened up the defence sector for private-sector participation. Several products manufactured in India such as “the HAL Tejas Light Combat Aircraft, the composites Sonar dome, a Portable Telemedicine System for Armed Forces, Penetration-cum-Blast and Thermobaric ammunition specifically designed for Arjun tanks, a heavyweight torpedo called Varunastra manufactured with 95 percent locally sourced parts and medium range surface to air missiles” have been unveiled in the past two years, the report added. Moreover, the Defence Acquisition Council under the Ministry of Defence has cleared deals worth more than INR 82,000 crore, which include the procurement of Light Combat Aircraft, T-90 Tanks, Mini-Unmanned Aerial Vehicles, and Light Combat Helicopters. The defence export doubled in just three years from INR 1,153.35 crore in 2013–14 to INR 2,059.18 crore in 2015–16 in more than 28 countries, the report stated.²⁵ Some of the major defence equipment exported are patrol vessels, helicopters and their spares, sonars and radars, avionics, radar warning receivers, small arms, small calibre ammunition, grenades, and telecommunication equipment. There is no doubt that this will give India “additional leverage to expand its influence in the Bay of Bengal and beyond,”²⁶ if New Delhi is able to sustain the trend.

India used a subregional approach in defence cooperation in its neighbourhood for the first time in 2011, when it launched the Trilateral Maritime Security Cooperation with Sri Lanka and Maldives to enhance maritime security in the neighbourhood. Prime Minister Modi expanded the idea by inviting Mauritius and Seychelles to join the initiative. However, since the last National Security Adviser’s meeting of the three countries in 2014, no follow-up meeting has taken place, raising some concern among security analysts.²⁷ That military diplomacy has become an important component in India’s foreign policy is evident from the various military agreements and engagements with the region. Stepping up bilateral defence cooperation with nations in its subregions, India signed a memorandum of understanding (MoU) for defence cooperation

framework with Bangladesh during Bangladeshi Prime Minister Sheikh Hasina's visit to India in April 2017.²⁸ The two countries also signed three separate MoUs pertaining to training. Similar to the offer it made to Vietnam in 2016,²⁹ India offered a US\$500-million line of credit (LoC) to Bangladesh for the purchase of arms and ammunition.³⁰ Earlier, India had provided Vietnam with naval vessels through a US\$100-million LoC.³¹ India also beefed up its military ties with Myanmar with port calls, joint exercises, and coordinated patrols along their shared maritime boundary. Importantly, an MoU was signed between India and Myanmar on maritime security cooperation during the visit of Prime Minister Modi to Myanmar in September 2017.³² The two countries also signed MoUs on sharing white shipping information between their navies as well as a technical agreement to provide coastal surveillance system. Defence cooperation with South East Asian nations has also increased for collaboration in defence procurement through funding and joint production of equipment through technology transfers.³³ With growing defence ties with key littorals of the Bay of Bengal subregion, New Delhi can envision a subregional maritime security cooperation involving the littoral countries in the Bay of Bengal.

BUILDING CONNECTIVITY IN FRONTIER AREAS AND BEYOND

India is giving a renewed push to the ongoing bilateral and multilateral infrastructure connectivity projects and initiating new projects in the subregions. Effective implementation of strategic infrastructure projects—both within and in the neighbourhood—has long been a key challenge. Part of the problem arises from the fact that too many agencies handle the transport sector that have overlapping roles but often work in isolation. Currently, five different ministries—railways, road, civil aviation, ports and shipping, and urban transport—manage the transport sector of the country. In 2010, the government set up a High-Level National Transport Development Policy Committee with the aim to develop a long-term national transport policy and to mitigate issues confronting India's transport sector. One of the key recommendations of the committee was for an “integrated ministry of transport.” However,

India had tested that approach when then Prime Minister Rajiv Gandhi merged the railways, aviation and surface transport ministries in 1985, but it failed miserably.³⁴ Moreover, it has been noted that a unified transport ministry is not without risk as it may become dominated by one sector, such as the railways.³⁵

The setting up of the state-owned company National Highways Infrastructure Development Corporation Limited (NHIDCL) under the Ministry of Road Transport and Highways, Government of India in 2014 shows the government's resolve in finding a remedy to the problem. The company was set up with an initial share capital of INR 100 crore "to fast pace construction of National Highways and other infrastructure in the North Eastern Region and Strategic Areas of the country which share international boundaries"³⁶ and was entrusted with the task of developing and improving 10,000 km of roads in Northeast India. The strategies adopted by the company aim at mitigating the common challenges of lack of transparency, procedural and implementation delays, huge cost overruns, among others.³⁷ Moreover, entrusting a single company to focus on the Northeast region reduces the multiplicity of agencies. With the setting up of the NHIDCL, the government decided to transfer some of the civil infrastructure works from the Indian Army-controlled Border Roads Organisation (BRO).³⁸ This allows BRO to focus on the development of roads relating to defence and security. Within a short span of two years, NHIDCL's mandate was expanded to cover other hill states as well as the Andaman and Nicobar Islands.³⁹ However, even as sharing of technical expertise and resources for other projects is encouraged, there is a need to be vigilant to avoid overstressing the company. Therefore, the priority of the NHIDCL's original mandate needs to drive the company. Only when these projects show results and the company is confident to go beyond the original mandate should it take up new and additional projects.

A few recent developments point to a renewed effort to fill the critical missing links in the India–Myanmar–Thailand Trilateral Highway project. (There are plans to extend it to Laos, Cambodia and Vietnam in the next

phase.)⁴⁰ In July this year, the Indian government approved the upgrade and widening of 65 km of the Imphal–Moreh section in Manipur, which is being developed by NHIDCL with ADB’s loan assistance under SASEC Road Connectivity Investment Programme. Last year, India agreed to construct and upgrade 69 bridges and approach roads in the Tamu–Kyigone–Kalewa section and the Kalewa–Yargyi section in Myanmar, and construction work is likely to begin shortly.⁴¹ In November 2015 at the India–ASEAN Summit, Prime Minister Modi announced a new US\$1-billion fund to boost physical and digital connectivity between India and the ASEAN nations. India has already received digital connectivity proposals from countries including Laos and Cambodia for utilising the LoC.⁴²

India is keen on developing the Payra port in Bangladesh. India Ports Global Private Limited, a joint venture between Jawaharlal Nehru Port Trust and Kandla Port Trust, has shown interest.⁴³ During his visit to Sri Lanka in May this year, Prime Minister Modi finalised several projects, including the Trincomalee port project.⁴⁴ Under a new equity arrangement, the two countries will jointly operate at least 73 of the 99 storage tanks in Trincomalee. India and Myanmar are involved in a sea–river–land Kaladan Multi-Modal Transit Transport Project that aims to develop transport infrastructure in western Myanmar and Northeastern India. As part of the project, port facilities at Sittwe and the Paletwa inland water transport terminal—set up with India’s assistance—have been completed.⁴⁵ Under the project, in June this year, India handed over six cargo vessels worth \$81.29 million to Myanmar in Sittwe. The road segment of the project from Paletwa in Myanmar to Zorinpui in India’s Mizoram state is currently under construction. The joint statement issued during Prime Minister Modi’s recent visit to Myanmar noted that the two countries would enter into an “MoU on appointing a port operator that may include both sides to be responsible for the operation and maintenance of the port in keeping with the practice that has been adopted at other international ports in Myanmar.”⁴⁶ It is important to point out that this is very different from the terms of the contracts that Chinese companies have been signing with

countries in the region (a detailed discussion is provided below). Once this multimodal transport becomes operational, it will significantly boost connectivity between India's frontier areas and the neighbouring countries. In early 2016, the commencement of coastal shipping service between India and Bangladesh marked another milestone in connecting the BIMSTEC subregion. This bilateral coastal shipping agreement is significant because it not only allows India better access to its Northeastern region but also gives Bangladesh access to Nepal and Bhutan through India. This puts in place a subregional multimodal connectivity among these countries. Negotiations have been on to finalise a BIMSTEC–MVA and a BIMSTEC–Coastal Shipping Agreement. India's reservations regarding the Chinese BRI initiative has put the four-nation (Bangladesh–China–India–Myanmar) Economic Corridor in the back burner for now.

THE CHINA FACTOR

The China factor has long been a major challenge in India's engagements with its subregions. As China has emerged as a key player in all the three subregions, the security implications are evident in the Himalayan subregion and the Bay of Bengal subregion. After most of the nations in these subregions expressed willingness to join the Chinese BRI, China pushed a road construction in the Doklam area at the trijunction of China, India, and Bhutan. Bhutan has been the only South Asian nation to stay away from the BRI along with India. There is a growing sense in India that it is China's intention to weaken India's traditional 'special' relationship with the Himalayan nation. The incident has also heightened concerns among the smaller neighbours about how the India–China relationship will affect their interests. This is quite different from the narrative that was beginning to advance in the subregions before the Doklam incident, when many smaller neighbours were positioning themselves to play the role of a bridge between India and China, aiming to benefit from the cooperation.

If the growing Chinese influence in the Himalayan subregion causes strategic concerns in India, China's expanding activities in the Bay of Bengal subregion pose strategic challenges in the maritime domain. In early 2016, Bangladesh's cancellation of the Sonadia port in Cox's Bazar that China was to develop came as a strategic respite as it would have been too close for India's comfort if developed.⁴⁷ However, other port projects in the Bay of Bengal subregion where China is involved continue to present strategic challenges for India. According to media reports, giving majority stakes to China in another port in Bangladesh, Dhaka signed two MoUs worth US\$600 million with two Chinese companies for the construction of two of the 19 components of the Payra Deep-Sea Port at the end of the same year.⁴⁸ According to the MoUs, China Harbour Engineering Company Limited (CHEC) is to construct the core port infrastructure, and China State Construction Engineering Corporation is to execute the riparian liabilities and construct housing, healthcare and education facilities in the Payra seaport. Two other recent developments are significant in this context. In July 2017, China signed an agreement with Sri Lanka to develop the Hambantota port located along a key shipping route. Earlier in April, after a delay of two years, China reached an agreement with Myanmar on an oil pipeline from the Bay of Bengal to Kunming in Chinese Yunnan Province.⁴⁹ The two countries also signed an "exchange of letters of implementation" for the deep-sea port and the industrial park project in Kyaukphyu SEZ of Myanmar's Rakhine state, a project awarded to a consortium led by China's state-owned conglomerate CITIC Group earlier in 2015. The pipeline is part of the nearly US\$10-billion Kyaukphyu SEZ.⁵⁰ It includes the US\$7.3-billion deep-sea port and a US\$2.3-billion industrial park that plans to set up textiles and oil refining industries.⁵¹ CITIC's consortia comprise CHEC, China Merchant Holdings, TEDA Investment Holding, Yunnan Construction Engineering Group, and Thailand's Charoen Pokphand Group (the only non-Chinese company).⁵²

As China's involvements increase in the development of strategic ports in India's subregions, there is a growing anxiety about the strategic implications of the Hambantota and Kyaukphyu ports. It is not yet clear

how much stake China will ultimately hold in the Kyuakphyu port. Citing those familiar with negotiations between Myanmar and Chinese CITIC, *Reuters* reported that Myanmar's only choice is to pick from the options offered by China's CITIC group. Based on the review of documents, *Reuters* reported that China might hold up to 85 percent stake in the Kyuakphyu port project. People are worried that "China would have the power to do anything they want and control the project" as Myanmar would have only 15 percent stake.⁵³ Chinese CITIC has asked Myanmar to finalise contract terms by the end of the year so that it can start the construction next year.⁵⁴ Myanmar and the CITIC-led consortium will split funding in proportion to the stake agreed. The current negotiations over Kyuakphyu deep-sea port contract terms between Myanmar and Chinese CITIC comes at a time when Myanmar has been under pressure from Beijing for concessions on strategic projects in the backdrop of the cancellation of the US\$3.6-billion Chinese-funded Myitsone dam project by Myanmar in 2011. In this context, it is likely that China will be willing to abandon the Myitsone dam project if compensated with high stakes in projects such as the Kyuakphyu deep-sea port, given the strategic value of the port in the BRI initiative. There is no indication yet to suggest that it is a quid pro quo, but this will become clearer when the contract terms of the project are finalised.

The Hambantota port deal between Colombo and China Merchant Ports Holding Company Limited (CMPort) in July 2017 has also raised concerns. Though the deal is a watered-down agreement compared to the 2016 Framework Agreement that triggered domestic and foreign opposition, corporate and security experts in Sri Lanka and India are concerned about the actual governance structure and control of the Hambantota port. Under the new contract, insertion of two clauses that were not there in the earlier agreement ensure that the port will not be used for military purposes. The contract also gives the Sri Lankan government the "sole authority" over security matters.⁵⁵ Moreover, the CMPort's stake has been restricted to 70 percent and the deal is now a public-private partnership, but the lease period of 99 years remains the same. The

agreement has divided the administrative functions between two companies—Hambantota International Port Group (HIPG) and Hambantota International Port Group Services (HIPS)—apparently to limit the role of the CMport in running commercial operations. In the HIPG, CMPort holds 85 percent stake with the rest held by Sri Lanka Ports Authority (SLPA). On the other hand, in the HIPS, SLPA holds 50.7 percent stake, while CMPort has 49.3 percent stake. Corporate analysts in Sri Lanka suggest that the claim that Sri Lanka has majority holding in HIPS may not be correct as out of the 50.7 percent held by the SLPA in HIPS, 8.7 percent will come from HIPG, which is fully controlled by CMPort. A Sri Lankan commentator observes: “Sri Lanka is clearly a minority shareholder in this deal, which translates into a loss of control of a national asset of strategic value, which in turn has implications for sovereignty.”⁵⁶ An Indian security analyst argues: “Hambantota remains well under the control of the Chinese firm, whose majority stakes ensure control over ship movements, including those of Chinese war vessels.”⁵⁷ There is a sense in India that “the port contracts lay the foundation for China’s long-term economic influence in India’s immediate neighbourhood” and as Chinese commercial interests and dependence grow in these ports, “Beijing is bound to devote considerable naval and military energies to securing its expanded commercial interests.”⁵⁸ While India cannot compete with China in terms of the scale of infrastructure projects in the neighbourhood, in those smaller ports where it is involved, including the Sittwe port in Myanmar and the Trincomalee port in Sri Lanka, there is need for effective implementation to ensure that India does not lose out in the game.

BUILDING PARTNERSHIP IN THE SUBREGIONS

New Delhi’s strategy of involving its partners in the development and security of its subregions is another key element of its subregional approach. This is a departure from the past policy of keeping external actors out of its neighbourhood. The growing convergence of strategic interests in the Indo-Pacific region has opened new areas for Tokyo and

New Delhi to coordinate closely in India's subregions, particularly in the development of infrastructure in India's Northeast and cross-border transportation projects to boost connectivity between India and its neighbours. Japan has already been involved in various infrastructure development projects, including the Northeast Road Network Connectivity Improvements Projects in the states of Assam and Mizoram.

The joint statement issued during Prime Minister Shinzo Abe's recent visit to India reaffirmed their commitment to "values-based partnership" and "rules-based order" in achieving "a free, open, and prosperous India-Pacific region."⁵⁹ With these principles guiding their partnership, the two countries have committed to "work together to enhance connectivity in India and with other countries in the Indo-Pacific region including Africa."⁶⁰

From a subregional perspective, three key principles guiding the India–Japan partnership in developing connectivity are critical. The first is "ensuring the development and use of connectivity infrastructure in an open, transparent and non-exclusive manner based on international standards and responsible debt financing practises, while ensuring respect for sovereignty and territorial integrity, the rule of law and the environment."⁶¹ A growing concern among countries in the subregions is the issue of falling into debt crisis or a "debt trap." Sri Lanka has struggled to repay loans after China invested billions of dollars in huge infrastructure projects in the country.⁶² Some countries have raised concerns over "the quality of Chinese infrastructure investments, their compliance with good governance and environmental regulations, and Beijing's tendency to employ not only Chinese technology and engineers, but also Chinese labourers for overseas projects."⁶³ Raising concerns regarding the suspended Chinese-funded Myitsone dam in Myanmar, a Burmese scholar has argued: "Good governance should be comprised of transparency, meaningful public participation, accountability, effective rule of law, personal security and adequate financing for the involvement and protection of the public good. If good governance and good management

are not put in place, then the over-exploitation of natural resources and marginalisation of local communities are unavoidable.”⁶⁴

Second, a key element of India's subregions is the interconnectedness of the neighbouring countries at the border regions. In this context, setting up the India–Japan Act East Forum, which aims to aid developing road connectivity in the Northeast and cross-border connectivity with neighbouring countries, supports India's subregional approach.

Finally, the joint statement stressed the importance of the development of “smart islands.” The significance of this in India's subregions is evident in the context of the untapped potential of India's Andaman and Nicobar Islands in the Bay of Bengal. India and Japan already have mechanisms to promote cooperation and collaboration in Africa through the India–Japan Dialogue on Africa, and in March this year, the two countries launched the India–Japan Dialogue on ASEAN to deepen bilateral policy coordination. Delhi and Tokyo may explore setting up similar dialogues for India's subregions. Both the countries have their own mechanisms with the Mekong subregion: the Mekong–Japan Cooperation and the Mekong–Ganga Cooperation. It may be worth considering a joint summit involving India, Japan and the Mekong, and similarly for BIMSTEC and BBIN, or under a forum that brings together all the nations of the three subregions.

In another major development of partnership in the subregions, New Delhi recently announced it will collaborate with Moscow to build Bangladesh's nuclear power plant.⁶⁵ This will be the first initiative under the 2014 India-Russia agreement to undertake atomic energy projects in third countries. According to the agreement, India and Russia “will explore opportunities for sourcing materials, equipment and services from Indian industry for the construction of the Russian-designed nuclear power plant in third countries.”⁶⁶ However, according to media reports, the nature of the ‘collaboration’ remains unclear, as India is not a member of the Nuclear Suppliers Group. India's partnership with Russia in strengthening security

of nations of the subregions is another area that could emerge as a critical field for collaboration. New Delhi and Moscow have been exploring the export of the jointly developed short-range supersonic cruise missile—The BrahMos. In May 2016, India and Russia agreed “in principle” to export the BrahMos and talks were on with several countries in Southeast Asia, South Africa, West Asia and Latin America.⁶⁷ According to a recent media report, New Delhi denied selling the BrahMos cruise missile to Vietnam after news came out in Vietnam of the missiles being delivered to Hanoi.⁶⁸

MANAGING ASSERTIVENESS

Another challenge in dealing with the neighbourhood comes from the growing assertiveness of the smaller neighbours. Part of this assertion is a result of the growing awareness of national interests and the desire to maximise benefits. It is legitimate for a sovereign nation state to protect and promote its interests. India’s challenge, however, is that this has come at a time when China, armed with its “cheque book diplomacy,” has become a willing partner for the smaller neighbours. Traditionally, the strategy of the smaller neighbours has been to use the China card against India’s position in the subcontinent. Until recently, owing to its geographical proximity and centrality in the subcontinent, such strategy remained largely ineffective in changing India’s regional primacy. However, China emerging as a major economic partner for most of the smaller neighbours, and its political influence growing, has further complicated India’s neighbourhood policy. After India and China agreed to “disengage” in the Doklam standoff, a Bhutanese analyst wrote in an Indian national daily that Bhutan “once again comes to the rescue of Indian security and strategic interests, with risks and costs to itself” and that “New Delhi must appreciate the kinds of pressures that Thimphu must have come under from Beijing for taking such a stand,”⁶⁹ clearly driving home the point that if Bhutan is dependent on India economically, New Delhi is also dependent on Thimphu to protect its strategic interests.

Moreover, the willingness of many South Asian countries to join the Chinese BRI or even the withdrawal of Bhutan from the BBIN–MVA are demonstrations of assertion to protect one’s national interests.⁷⁰ The traditional approach of seeing the smaller neighbours as “protectorates” cannot withstand the changing dynamics in the region. India cannot fault the smaller neighbours for trying to maximise benefits. As rightly argued in Nepal’s case during the Doklam standoff, “...Nepal cannot be faulted for pressing home the advantage it has at this delicate time in India–China relations to see who can offer it the best deal.”⁷¹ What the smaller neighbours want is the best from both India and China, but failing that, they do not want the worst of either country. This is a reality that must be considered, as it shapes the smaller neighbours’ policies towards the two giant neighbours. How New Delhi manages these assertions will greatly depend on how it responds to the concerns and sensitivities of its smaller neighbours. Past treaties and agreements considered “unequal” must be reviewed to rebuild mutual trust. In this context, the setting up of the Eminent Persons Group of Nepal–India Relations—a joint mechanism of the two countries to give necessary suggestions to update all existing bilateral treaties and agreements—in February last year is a step in the right direction. In 2007, India and Bhutan updated the 1949 friendship treaty and restored mutual respect and trust.⁷²

Due to the nature of security interdependence in the subregional security complexes, India cannot insulate itself from crises and conflicts in its subregions. Most of the countries in India’s subregions have been witnessing prolonged civil wars and major political transitions that often are externalised into bilateral and regional issues. Moreover, because of ethnic and cultural linkages along the porous borders that India shares with its subregions, such domestic political conflicts in the neighbourhood often spill over into India. In the past, India’s involvements in some of the conflicts in the neighbourhood had left deep scars in bilateral relationships with some of its neighbours. Two recent developments exemplify India’s dilemma in the externalisation of internal political conflicts of the

neighbourhood. When violence erupted in the streets of Nepal after the adoption of the country's new constitution in September 2015, New Delhi maintained that the new constitution should be inclusive and accommodate the concerns of the Madhesis, the plains people of Terai who share a common border with India.⁷³ In less than two years, even as New Delhi insisted that there had been no change in its approach, the Madhesi parties alleged that India adopted a "U-turn" approach.⁷⁴ Addressing what has been described as "flip-flop policy,"⁷⁵ the *Indian Express* in an editorial pointed out, "...India has shelved its support to (the Madhesi) cause for a higher stakes game unfolding with China" as it engaged in a standoff with Beijing in the Doklam area.⁷⁶

In the Rohingya Muslims crisis, early on when communal violence erupted in Myanmar in 2012, New Delhi expressed concern and extended relief and rehabilitation assistance for the displaced persons.⁷⁷ The renewed conflicts in Myanmar pushed several hundreds of thousands of Rohingya refugees into neighbouring countries.⁷⁸ On 9 August 2017, India's junior home minister informed the Parliament that the government planned to deport the 40,000-odd Rohingyas in India because they are "illegal immigrants" and pose a threat to national security.⁷⁹ During his visit to Myanmar in early September, Prime Minister Modi "condemned" the "terrorist attacks" in Rakhine State and offered development assistance, but was mute on the plight of the Rohingya refugees. After Bangladesh requested India to put pressure on the Myanmar government to restore peace and stop the outflow of refugees into its country, New Delhi adopted a more nuanced position and stated that it was "deeply concerned" over the "outflow of refugees" from Rakhine state of Myanmar and "urged" for "restraint."⁸⁰ At the UN Human Rights Council session earlier this year, India--along with China---disassociated itself with a resolution to dispatch an independent international fact-finding mission to investigate the alleged human rights abuses against Rohingyas in Myanmar.⁸¹ As the Rohingya crisis unfolds, New Delhi's options in balancing its interests is likely to remain tenuous. This shifting policy suggests the difficulty New

Delhi faces in balancing its interests and values in foreign policy with regard to the externalisation of domestic issues of neighbouring countries. Failure to deal with conflicts in the subregions will further compromise India's primacy and open room for other external actors to play a role in the subregions. In managing conflict in the subregions, there is a need to focus on preventing it from occurring rather than reacting after it occurs; for this, Delhi needs its ears closer to the ground.

One of the key challenges of India's neighbourhood policy is getting the right balance between its interests and values. A consequence of this challenge is that it creates perceptions/misperceptions among smaller neighbours that India's approach is "regime-centric" and not "people-centric." To counter such (mis)perception, building trust is a prerequisite. This cannot be achieved without showing sensitivity to the concerns of smaller neighbours. In the subregions, geography and multilayered linkages provide enormous scope for cooperation including border management, cross-border trade, and cultural and social linkages, which are yet to be fully tapped for mutual benefits. Further exploiting the complementarities and linkages will create shared and interlinked interests between India and its neighbours.

INDIA'S NORTHEAST AND ANDAMAN AND NICOBAR ISLANDS

India's frontier policy must take into account its wider subregions, and therefore, the development of the frontier regions is key to pushing forward the Act East policy. Active participation and development of the frontier states are critical. Here, two frontier zones stand out: India's Northeastern states and the Andaman and Nicobar Islands. For a long time, a host of reasons such as political, security, and infrastructure issues have greatly impeded New Delhi's ability to leverage the potential of the Northeast region in regional diplomacy. Of late, India has started recognising the region's geoeconomic and geopolitical significance.⁸² However, in the backdrop of the prolonged suspicion harboured by the local population towards policies emanating from New Delhi,⁸³ the practice of

working together with a shared vision has only recently begun and needs strengthening. Moreover, only recently has there been a renewed push to develop infrastructure in the region, and completion of certain projects such as the Trilateral Highway or the Kaladan project will provide confidence among local populations. Another issue that remains a challenge is ethnic insurgency that affects most of the states in the region. Instability resulting from militant violence hampers both development within and attempts to reach out to the neighbours. There are also issues of preparedness and capacities of the states and the local populations in terms of providing the requisite set of skills to support increased external engagements.⁸⁴

For far too long, the debate around the Andaman and Nicobar Islands has been mired in controversy surrounding environment conservation versus development imperatives. There is a growing view in India that the country can no longer maintain the business-as-usual approach towards its “forgotten islands” in the current evolving economic and strategic dynamics in the region. Recognising the military potential of the Andaman and Nicobar Island chain, the first joint command was created in 2003. However, because of the “single service mentality that dominates the Indian military” and “their fear of jointness,” the joint command has been undermined by “starving it of assets and support.”⁸⁵ Such a mindset will not allow India to fully exploit the strategic value of the island chain needed to effectively meet the emerging strategic challenges that India confronts in its subregions. A former army officer rightly asserts that the three services “need to put aside their differences and provide sufficient resources to the Andaman and Nicobar Command, which will be in the frontline of future Indian strategy.”⁸⁶

MARRYING COOPERATIVE FEDERALISM AND SUBREGIONALISM

Cooperative federalism fits in well with New Delhi’s subregional approach. The principle of cooperative federalism stresses the role and significance of provincial governments and taking along states in regional diplomacy.

Because subregionalism emphasises geography, the role of provinces in regional diplomacy is critical. This also helps create relations between the peripheries of neighbouring countries to enter into joint initiatives that are of mutual benefit. In the recent past, there have been concerns in some quarters about the effective functioning of cooperative subregionalism. Citing the Teesta water-sharing agreement between Delhi and Dhaka, it has been asserted that the principle of cooperative federalism is hindering cooperative subregionalism.⁸⁷ However, if one considers the role of cooperative federalism in the wider horizon, it is an effective instrument in pushing for cooperative subregionalism.

In this context, India's new policy for allocation of cadre to officers of three all-India services—Indian Administrative Service, Indian Police Service and Indian Forest Service—is in line with the idea of conceptualising India through its subregions.⁸⁸ Under the new policy, the government has decided to divide all 26 existing cadres into five geographical zones. This includes Zone I: AGMUT (also known as Arunachal Pradesh–Goa–Mizoram and Union Territories), Jammu and Kashmir, Himachal Pradesh, Uttarakhand, Punjab, Rajasthan and Haryana; Zone II: Uttar Pradesh, Bihar, Jharkhand and Odisha; Zone III: Gujarat, Maharashtra, Madhya Pradesh and Chhattisgarh; Zone IV: West Bengal, Sikkim, Assam–Meghalaya, Manipur, Tripura and Nagaland; and Zone V: Telangana, Andhra Pradesh, Karnataka, Tamil Nadu and Kerala. Apart from the stated goal of the policy to “ensure national integration of the bureaucracy as officers will get a chance to work in their non-home state,”⁸⁹ the emphasis on different geographical zones will give an opportunity to the officers to build specialisation in a particular geographical zone. Furthermore, as India's cross-border cooperation and engagements with its neighbours in the subregions increase, it is only natural that more workforce will be required to deal with foreign-related issues.


Earlier, the Ministry of External Affairs created a new division within its office called “State Division” to liaise with states on matters related to trade and investment, headed by a senior officer of the rank of Joint Secretary. As

part of its cooperative federalism, the Modi government also initiated posting of diplomats in states so that they can gain experience and understand the needs of states; the diplomats can then help showcase these states abroad. Indeed, External Affairs Minister Sushma Swaraj said at the Growth Net Seminar 2015 on March 26, “Incorporating local bodies and state governments in our outreach to the world is part of a broader effort in accordance with Prime Minister Modi’s vision of cooperative federalism.”⁹⁰

In operationalising the new cadre policy, new courses can be introduced for officers, based on the allocation of cadre, particularly regarding India’s foreign relations with countries with which each zone shares international boundary to understand issues such as border management, cross-border trade, and connectivity. Visiting the countries must form part of the training. Last year, Sri Lankan Prime Minister Ranil Wickremesinghe suggested creating closer economic ties between Sri Lanka and the five southern Indian states.⁹¹ This fits in well with the Zone V of the new cadre policy. A trilateral economic cooperation involving the Indian southern states, Sri Lanka and Maldives can be explored for mutual benefits.

CONCLUSION

New Delhi has put in place an evolving subregional approach towards its neighbourhood in economic and defence engagements. As India pushes its subregional approach further, it is imperative that the development of the frontier regions—particularly India’s Northeast and the Andaman and Nicobar Islands—is given priority, as they form part of New Delhi’s subregional strategy and play a critical role in the effective implementation of cross-border initiatives. Building partnership should be a key element of India’s policy towards its subregions. There are strategic convergences between India, Japan and ASEAN in the subregions, and New Delhi needs to explore new opportunities for collaboration with partners in the subregions. In doing so, India can also explore opportunities for partnership with other like-minded countries.

New Delhi needs to tap the enormous complementarities and linkages that it shares with its subregions to create common and interlinked interests. Moreover, for cooperative federalism to support cooperative subregionalism, the country needs effective coordination and a cadre of all-India services to specialise on a particular subregion. As C. Raja Mohan writes, “India now finds [that] halting China’s penetration of the subcontinent will need a lot more political will and strategic purpose.”⁹² India’s subregions should form the first strategic arch to promote and protect India’s interests in the region and beyond. As India pushes its Act East policy in and through its eastern subregions, there are opportunities to merge the various subregional initiatives with the aim to create a community comprising nations of the three subregions. The Act East policy has come at a time when these subregions are opening up new opportunities for India. At the same time, the emerging strategic challenges require an effective response. Forming India’s first geostrategic chain in the Indo-Pacific region, how New Delhi handles its ties with countries in these subregions—bilaterally and in multilateral forums—will determine the pace and texture of the Act East policy. 

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