



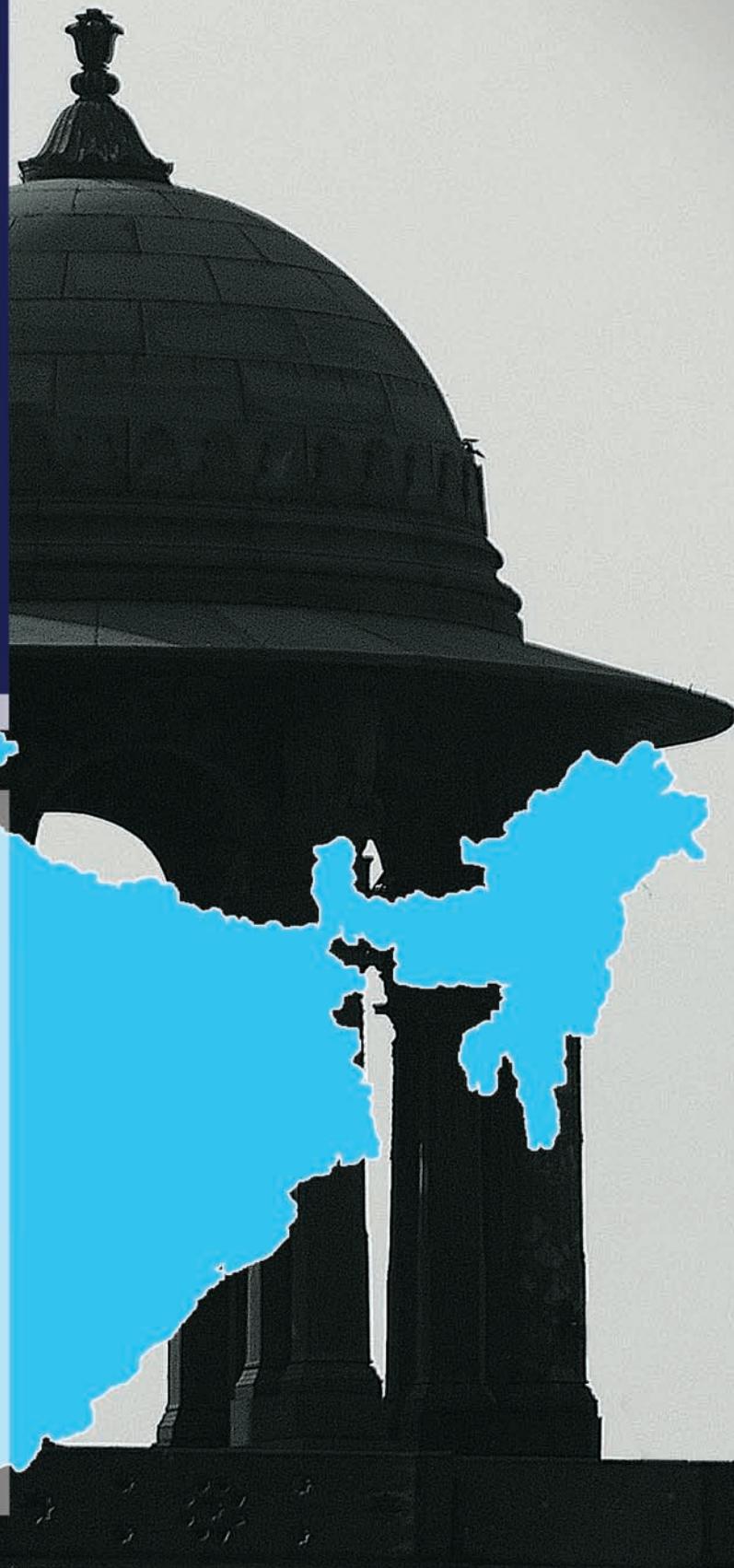
# global POLICY

GP-ORF Series

**NEIGHBOURHOOD  
FIRST**

Navigating Ties  
Under Modi

Editors  
Aryaman Bhatnagar  
Ritika Passi





# **NEIGHBOURHOOD FIRST**

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Under Modi**

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Newly elected Indian Prime Minister Narendra Modi's diplomatic masterstroke:  
Leaders of all SAARC countries present at his swearing-in ceremony (May 2014)

INDIA LEGAL

# India, India's Neighbourhood and Modi: Setting the Stage

RITIKA PASSI and ARYAMAN BHATNAGAR

# P

Prime Minister Narendra Modi continues to stress greater cooperation and better ties with India's neighbourhood almost two years into his tenure. While he made an impressive start in this direction from his very swearing-in ceremony in May 2014, his 'neighbourhood-first' policy as yet has witnessed mixed results.

This publication brings to focus India's policy towards its immediate and extended neighbourhood—South Asian Association for Regional Cooperation (SAARC) members, Iran, China and Myanmar—under Modi thus far. Each country-specific chapter describes bilateral ties, debates elements of continuity or change since the new government has come to power, and explores future prospects for ties under Modi given existing challenges and opportunities. Thematic chapters also intersperse this publication, which contextualise India's neighbourhood policy and its bilateral ties in the region.

In this introductory chapter, we capture three catalysts that seem to more than ever before characterise India's engagement in its neighbourhood, and which simultaneously underscore the importance of having a robust neighbourhood policy—the three-pronged impulses of geography, regional integration and geoconomics; development imperatives; and security concerns. We end with a fourth catalyst—Modi's prime-ministership, which, more than any specific change in strategic thought towards any one proximate nation-state, has shown a renewed vigour in engaging with India's neighbourhood.

## Geography, Regional Cooperation and Geoeconomics

The term ‘South Asia’ was a cloak proffered forth by foreign elements—emerging American area study specialists<sup>1</sup>—to garb the Indian subcontinent and surrounding area, built on the frontiers demarcated largely by the British Empire. The Himalayan mountains in the north and the waters of the Indian Ocean in the south, related nomenclature of West Asia, Central Asia, East Asia and Southeast Asia has served to broadly ‘hem in’ the region under discussion, as also separate it from these other identified regions. The expanse of South Asia thus covers the original seven SAARC nations, and at times, Afghanistan to the west and Myanmar to the east.

The ties that bind the region, effectively underscoring the inevitability of a geographic South Asia, range from the historic colonial legacy to the cultural, linguistic and religious commonalities, to developmental and economic co-dependency.<sup>2</sup> The fulcrum of the region is very much India, due to its sheer size, population, economic weight and political voice. Indeed, India’s neighbours are more closely bonded with it, historically and culturally, than with each other and/or their other neighbours.<sup>3</sup> The fact that no inner SAARC nation can interact with another member of the grouping without crossing the behemoth of the region is another telling factor. Likewise, economic ties are also stronger between India and its neighbours than they are between its neighbours. India has inevitably engaged with its neighbours, even if to varying degrees over the years: Ashok Malik covers the basics of India’s neighbourhood policy since independence in Chapter 2, while Varun Sahni explores the building blocks of any neighbourhood policy, starting from what constitutes a ‘region’ in Chapter 6 on why nations engage with their neighbours. India’s neighbourhood has even been called the first ‘concentric circle’ of Indian foreign policy,<sup>4</sup> particularly as the political establishment has faced the need to update its strategic thinking about its engagement and place in the world.

On the other end, for neighbouring nations these same asymmetries have meant a continued fear of Indian expansionism in the region, domination in trade and other matters, and interference in national affairs. For instance, New Delhi has been accused of supporting non-state actors or “pro-Indian” elements opposed to the government of the day with the intention of shaping the domestic politics of its neighbour in a manner more conducive to its strategic and political interests—Rajeswari Pillai Rajagopalan, for instance, describes at length to what extent the ‘Tamil factor’ on India’s end has resulted in what has been perceived as interference by Sri Lanka in Chapter 14 on the India-Sri Lanka bilateral. Nationalism has played a key role as all South Asian nation-states are currently in the process of state-building; facing a ‘big brother’ has made it all the more important to sustain an independent identity. As Jayant Prasad describes in Chapter 10 on India-Nepal ties, sections of the Nepali elite believe their political fortune is tied to defining their nationhood and interests in opposition to India. Conversely, India has also been accused of neglecting the region and of pursuing narrowly defined self-interest through primarily bilateral ties.

This persisting trust deficit, the India-Pakistan equation, and a lack of political will particularly on India’s end<sup>5</sup> have continued to best the existence of linkages and interdependencies, physical and otherwise, and mark bilateral ties, as noted in several neighbour-specific chapters. And yet, acknowledgment of the region continues to drive forward engagement. Thus the first formal concretisation of the region, through SAARC in 1985.<sup>6</sup> The motivation to check India’s influence and engage with it on an equal footing only brings to the fore the curse of geography. Several factors have prevented the organisation,

thus far, from functioning; recent developments, however, point to a re-energised enthusiasm and interest towards regional cooperation, if not through SAARC—although the South Asian University inaugurated last summer was “one of the most visible sign[s] of transformation of SAARC from declaration to implementation” as per the Indian Minister of Foreign Affairs<sup>7</sup>—then, as Sheel Kant Sharma devotes in Chapter 16 on what can perhaps be considered the ‘lame duck’ organisation, positively through sub-regional mechanisms.

The Modi government is keen to not only cooperate but also integrate, given not only the reality of globalisation and common spaces and mutual destines, but also of renewed focus on geo-economics in the region. Geo-economics, here, is being taken in its broadest sense possible: the “concert between domestic economic goals, the global strategic environment and, above all, the opportunities that arise from geography.”<sup>8</sup> Thus, these impulses, along with India’s regional and global ambitions, have led New Delhi to look beyond its immediate SAARC neighbourhood to an extended sphere of regional connectivity, one which includes Iran to the west, Central Asia northward, and Myanmar and Southeast Asia eastward. Connectivity has become the byword, both in bilateral and regional contexts: This has been amply highlighted by Modi during his visits to neighbouring countries and his speech at the 18th SAARC summit in Kathmandu last year, and suitably pointed out by various chapters in this compilation.

Thus, the Bangladesh, Bhutan, India, Nepal Initiative; the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation; bus services between India and Bangladesh; and a trial run of a Bangladesh-India-Bhutan bus service; India’s involvement with Iran’s Chabahar port; and the Turkmenistan-Afghanistan-Pakistan-India gas pipeline project are all examples of its forward movement (albeit slow, in some instances) to reap the rewards of continued growth in the fastest growing region of the world and fulfil its own economic and strategic objectives. India is the third fastest economy, and yet half of India’s road network—the second largest in the world—is not paved or useable year-round.<sup>9</sup> Infrastructure has been termed as “sine qua non” for achieving robust growth in the latest Economic Survey. The country’s demand for both markets and resources is also no doubt spurring forward the agenda of regional integration, which segues seamlessly with the decidedly economically inclined foreign policy of the Modi government. Regional trade and financial groupings like the proposed Regional Comprehensive Economic Partnership and recently set up Asian Infrastructure Investment Bank (AIIB)—where India is looking to play a pivotal role—will undoubtedly influence, for instance, the currently prohibitively high trading costs across South Asian borders. A case in point: It is more expensive to call Nepal from India than it is to call the United States or Europe at present.<sup>10</sup>

It is connectivity today, and first and foremost the physical routes and pathways that are paving the way forward for a more tangible—and functional—South Asian region, rendering hollow Immanuel Wallerstein’s claim that “South Asia is an invented abstraction,” and India, under Modi, is leading the cause; K. Yhome, for example, writing on India-Myanmar ties (Chapter 8) in particular focuses on this element in the sub-regional context.

### **“Vistaarvaad nahi, Vikaasvaad” (Not Expansionism, but Development for All)<sup>11</sup>**

Much as India is attempting to turn the challenge of a region that is the least connected in the world (only five percent of trade of South Asia is intra-regional<sup>12</sup>) into an opportunity for mutual benefit for

the 1.7 million people that live across SAARC and the many more in its extended neighbourhood, there is ample scope for and increasing indication by New Delhi to do the same under the broader banner of development, which also responds to the necessity of growth in India and the region. T.C.A. Rangachari enumerates the common development challenges facing South Asia in Chapter 9, and how India and China can work together to address them.

**Under Modi’s administration, there is a heightened sense of a targeted Indian development cooperation agenda, one that is of mutual interest and benefit to both India and its development partner, considering India, too, remains a developing country. Development partnerships, and not simply financial aid, are thus a feature of Modi’s economic diplomacy.**

As it is, Indian development cooperation—a mix of development and commercial instruments, including grants, loans, lines of credit (LOCs), bilateral trade, technology transfers, technical skilling, at times called the “development compact”—has gradually become a major pillar of India’s more confident foreign policy toward the global South, including its own neighbourhood. While it has actively engaged in development partnerships since its independence, with liberalisation and its newfound economic prowess, the volume of its foreign assistance saw a seven-fold increase between the turn of the century and 2015.<sup>13</sup> Over 80 of its grants and loans commitments have been to its South Asian neighbours Afghanistan, Bangladesh, Bhutan, the Maldives, Nepal and Sri Lanka.<sup>14</sup>

While no white paper has yet been published on India’s development cooperation—currently entirely bilateral—its motivations with regard to developing such partnerships with its neighbours seem predicated on political, strategic and economic factors, from balancing Chinese growing footprint in the region and garnering (strategic) goodwill to improving access to new markets and enhancing energy security.<sup>15</sup> For instance, the India-Afghanistan development partnership, valued at around \$2 billion since 2001 and which runs the gamut from infrastructure development and institutional capacity building to small development projects and food security assistance, has been driven by such considerations.<sup>16</sup>

Under Modi’s administration, there is a heightened sense of a targeted Indian development cooperation agenda, one that is of mutual interest and benefit to both India and its development partner, considering India, too, remains a developing country. No longer are these development partnerships simply a feature of India’s foreign policy, they also respond to India’s own development needs, and thus are a feature of Modi’s economic diplomacy. For example, Modi’s first official diplomatic visit was to Bhutan—India’s largest socio-economic development partner, with continued assistance of INR 5,000 crore to the Himalayan nation’s 11th Five Year Plan—where he laid the foundation stone of the 600 MW Koholongchu hydroelectric plant. The company handling the construction is a joint venture between an Indian and a Bhutanese public sector enterprise; furthermore, India will be able to buy excess electricity generated at low costs.<sup>17</sup> Medha Bisht in Chapter 11 builds on this pivotal development-centric nature of India-Bhutan ties.

Likewise, during his first visit to Nepal, Modi announced an additional concessional line of credit worth \$1 billion earmarked for infrastructure and hydropower projects as per the smaller nation’s

priority, but addressed Modi's 'HIT' formula—highways, i-ways, transways. "Nepal should not be left behind among the nations of the world," he stated, and then continued with how India benefits from the equation: "I want to double the amount of electricity India is providing Nepal today...for now we will remove darkness here and a decade later Nepal will come to our help."<sup>18</sup>

With a stated "overarching goal of shaping a narrative of co-prosperity,"<sup>19</sup> there is clearly a concerted move by the Modi government to project "development as growth" and not simply financial assistance. Not only is this playing a role in the global aid and South-South cooperation narratives as well as constructing an image of India's (re-)emergence as an important dialogue partner in the context of international development, such a concept also answers India's immediate needs in the neighbourhood. It has been noted that while social infrastructure and community-based projects do indeed exist (such as project-based grants in the fields of education, information technology and other cross-sector projects), the thrust is very much on infrastructure-oriented projects<sup>20</sup>—which support India's connectivity agenda, and represent a key area where the Indian private sector can play a role.

This understanding may explain why the 2016-17 budget shows a cut in aid to the six members of SAARC who traditionally receive significant financial assistance from India.<sup>21</sup> The cut is in line with the overall budget cut for the Ministry of External Affairs (MEA) in the coming financial year, as noted by the MEA spokesperson; beyond explanations of these being first estimates, with revised figures to be available later in the year and that several projects being funded by India in the neighbourhood were nearing completion or had been completed, it is important to note that India has increased LOCs to Bangladesh and Nepal. It is clear that India's development cooperation with its neighbours will increasingly involve the entire gamut of the "development compact," which will emphasise win-win cooperation instead of bland financial grants. LOCs, for instance, are export credits forwarded to partner states that must utilise them to source goods and services from Indian suppliers.<sup>22</sup>

India's, indeed Modi's, conceptualisation of development cooperation is thus the second catalyst that is spurring forward India's bilateral engagement with its neighbours in South Asia. With the BRICS New Development Bank, the AIIB and the SAARC Development Bank expected to come to the fore in the coming years, we may also be seeing India engage on a regional/multilateral basis on this front.

## **Securing the Region**

The third catalyst for India's engagement within its neighbourhood is the fact that South Asia is perhaps among the more volatile regions of the world. Nuclear-armed states, cross-border terrorism, violent insurgencies and political and economic volatility have shaped the security environment of India's neighbourhood, especially the subcontinent, for decades. For India, developments in its immediate and extended neighbourhood have always been closely linked with its own security.

Some countries like Sri Lanka and Nepal may have now transitioned towards a fragile post-conflict peace in recent years, but stability in other parts of the neighbourhood, such as Afghanistan and Pakistan, continues to remain elusive. The Taliban insurgencies in the 'AfPak' region, along with the decades-long insurgency in Pakistan's Balochistan province, have the potential of destabilising, to various extents, Central Asia, Iran and China's Xinjiang province. India is also concerned about the impact the

evolving situation in Afghanistan, following the substantial reduction in the foreign troop presence, will have on its security and interests, both in India and within Afghanistan itself. Shanthie Mariet D'Souza crystallises the security context that frames India-Afghanistan ties in Chapter 4.

The issue of religious radicalism is not restricted to India's northwest frontier alone. Bangladesh and Maldives are two countries in India's neighbourhood that are also emerging as fertile operating grounds for extremist and militant Islamic groups. The apparent entry of the Islamic State of Iraq and Syria (ISIS) in South Asia, including in Bangladesh and the Maldives, is a new security complication that policymakers in the region have to grapple with. The ISIS threat for now may not be in the form of an influx of foreign fighters into South Asia, as was the case with al Qaeda in the 1990s. However, increasing reports of groups and individuals swearing allegiance to Abu Bakr al-Baghdadi and fighting on his behalf in Iraq and Syria is a worrying sign, as it highlights the monetary and ideological allure that ISIS holds over South Asian nationals. Kanchi Gupta frames the mobilisation among Shia Muslims in India against ISIS in the context of Saudi-Iran rivalry in Chapter 5 on India-Iran ties, even without which India's growing proximity to the crisis in West Asia cannot go unheeded.

A significant development in the region since the attacks of 11 September 2001 has been the blurring of lines between different terrorist groups. Trans-border linkages among the various groups have strengthened over the years as has the ability of such groups to confront the state. Besides terrorism, trans-border criminal networks engaging in smuggling, illicit trade, and narcotics, human and cattle trafficking, also pose grave security and socio-political challenges. Joyeeta Bhattacharjee, for instance, mentions the challenges of sharing the longest border in the neighbourhood in Chapter 12 on India-Bangladesh ties, which also include illegal migration.

It is no surprise that enhancing security cooperation has emerged as a strong prong in India's bilateral engagement with its neighbours; that this increasing security threat is common to the entire region provides an opportune moment for regional collaboration as well. For example, India has been providing training services to the security forces of Afghanistan and the Maldives in an effort to build their capacities to deal with security challenges. India and China have an annual dialogue on counterterrorism, which in 2013 expanded to include the issue of Afghanistan for the first time. There has been progress in India's security cooperation, in recent years, with Bangladesh and Myanmar, especially in maritime security and border management. Modi has sought to build on the efforts of the previous Indian governments and explore new avenues for collaboration.

Pakistan, and the issue of cross-border terrorism originating there, continues to be a challenge for Modi, just as it was for his predecessors. But to his credit, he has made it a point to not break contact with Pakistan even as frequent incidents of cross-border terror attacks against India, the most recent being the ones in Gurdaspur (July 2015) and Pathankot (January 2016), and regular skirmishes along the Line of Control have had an adverse impact on bilateral relations in general and heightened tensions on and off. Radha Kumar in Chapter 3 on India-Pakistan ties picks up on this change in the current Indian administration, while comprehensively contextualising recent moves and responses of both Pakistan and India.

As old security challenges continue to ensure continued tête-à-tête on this front by New Delhi, emerging linkages and changing facets, as well as newer security complications—such as in the digital sphere—will propel Modi's government to seek more comprehensive and robust security measures.

## The Modi Factor

We finally turn to the figure currently at the helm of India. From his arrival to power in May 2014, there has been an almost blind expectation that Modi would bring forth the changes Indians have been waiting for from its government, and the world has been wanting from India. Whether or not he has succeeded is a continuing question that will only be fully answered nearer the end of his prime-ministerial term; in the context of India's bilateral ties with its fellow SAARC nations and expanded neighbourhood, the following chapters bring to light whether the coming of Modi has, thus far, brought about changes in individual contexts.

One would imagine that since the strategic interests of a country do not undergo significant change with a change of government, the general thrust of foreign policy engagements remains largely unchanged. Therefore, just as previous governments have realised the link between India's own development to that of its region and thus stressed the importance of improving relationships with neighbouring countries, so has Modi. Secondly, it has also been argued that larger forces of history puppeteer the fate of a nation.<sup>23</sup> Thus, it can be argued that global trends at large—a South Asia that is fast growing versus a global slowdown/stagnation, a global economic, financial and strategic locus that is shifting eastward, newer and intensified forms of security threats, China's rise—have but inevitably influenced Modi's pursuit of, for instance, economic diplomacy and connectivity projects, which have led to, *inter alia*, an agreement on developing civil nuclear infrastructure in Sri Lanka and progress in Bangladesh-Bhutan-India-Nepal sub-regional cooperation with the signing of the Motor Vehicles Act.

A change of leadership, however, can bring about a new emphasis or prioritisation in a country's international agenda, and a leader can influence the timing and manner in which perhaps inevitable conclusions are played out. For instance, with his 'neighbourhood first' policy, Modi has placed fresh—and as many argue, much-needed—stress on the importance India accords to its neighbourhood. Not only in terms of policy formulation, but the manner in which he began to undertake implementation of said policy from the very day of his swearing-in ceremony has increased the immediacy with which India is pursuing this constant objective. His level of energy is unsurpassed: By March 2016, a little under two years after assuming power, Modi has already visited all of India's immediate neighbours save Maldives, as well as a number of countries in India's extended neighbourhood in Central and Southeast Asia. He became the first Indian leader to visit Sri Lanka for a bilateral visit in 39 years, Nepal in 17 and Pakistan in 11. This has been coupled by a certain imagination he has brought to the table, perhaps most visible through the acronyms and pithy phrases Modi enjoys introducing to formal diplomatic lingua, such as, in the context of India's neighbourhood, B2B (Bharat to Bhutan), the promotion of HIT in Nepal, INCH to MILES to describe India-China ties.<sup>24</sup> Part of this imagination has been the touch of personal investment, again perhaps most visible in the hugs he has meted out to leaders of the world, including to Nawaz Sharif and Ashraf Ghani. Modi is also the first foreign leader to have addressed Nepal's parliament, and his surprise stopover in Lahore last Christmas certainly brought home his sense of personal diplomacy.

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**MODI'S 'VIGOUR' AND ENERGY  
IS COUPLED BY A CERTAIN  
IMAGINATION AND TOUCH OF  
PERSONAL DIPLOMACY.**

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The fact of Modi has also made its mark in terms of a bolder approach. The delivery of weapons to Afghanistan despite Pakistan's apprehensions—the first time India has supplied lethal weaponry to Afghan forces; cultivation of ties with countries in East and Southeast Asia in an attempt to balance China, while at the same time making China a critical element of his strategy to accelerate India's economic progress all bear testimony to this style of engagement.<sup>25</sup> Alka Acharya comments on how trade and economic ties represent the most dynamic, as also the most rapidly transforming and transformative aspect of the India-China relationship in Chapter 7. Further examples include Modi's efforts to mend relations with both Bangladesh (and the successful conclusion of the historic Land Boundary Agreement) and Sri Lanka despite strong domestic opposition from regional parties. Shashi Tharoor tackles the issue of the extent to which Indian states have been stakeholders in India's conversations with its neighbours in Chapter 13.

That he has introduced vigour in India's ties in the neighbourhood is an agreed fact across all quarters. Increased visibility and deliverance on a number of longstanding promises has been necessary and all well and good, but in a bid to create an image of a new and improved India abroad, as well as projection of his own persona, India's outreach to its neighbours has certainly not been spared pitfalls and gaps. For instance, Modi's attempts to unilaterally alter the terms of engagement with Pakistan initially, perhaps an iteration of his bolder approach, marked by imposition of red lines, confrontational statements and an increase in the intensity and volume of India's military action along the Line of Control, far from having the desired result created the perception in Pakistan that Modi was not sincere in constructively engaging with it. Similarly, India's decision to conduct a cross-border raid into Myanmar against Indian insurgents using it as a base, again a 'muscular' decision, was celebrated publicly by New Delhi but created problems and embarrassment for the Burmese government. Modi's decision to call off his planned visit to the Maldives in March 2015 in protest of the subversion of democracy in the island nation—perhaps partly to pursue the active promotion of India's image as a democratic nation—proved to be ineffective and in turn pushed Male further towards Beijing.<sup>26</sup> India, realising the importance of engaging with the government in power and not just its allies, finally relented and sent External Affairs Minister Sushma Swaraj to the Maldives in October 2015. N. Manoharan tackles this fine line India has been treading between ensuring stability in the neighbourhood and not interfering in the internal affairs of its neighbours in the context of Maldives in Chapter 15. Recent developments in Nepal and the ability of Kathmandu to construct a narrative placing the blame for the protests among the marginalised Indian-origin Madhesis and the blocking of the main opening from India into Nepal squarely on the Indian government is yet another reminder of the importance of managing perceptions, especially in the context of India's smaller neighbours.

All eyes will be looking to see how Modi manages his image, and India's image, among the country's neighbours during the rest of his term. Of course, the blame for what has not gone right or does not go right in the future does not lie solely with him. That onus is on the 'collective' of thought and imagination, institutional factors, projections and perceptions, history and reality, environment and leadership, and this 'collective' runs across the spheres of politics, defence, security and economy. Thus, Modi's approach may appear half-hearted or half-baked at times, or constrained by the mistakes of his predecessors. None of this absolves Modi from the responsibility of elevating India's relations and position within its own neighbourhood, but a leader will only be working on a platform built on previous efforts. While the "Modi factor" is certainly proving to be a catalyst at present for India's engagement with its neighbours, it alone may not be enough to bring about significant change or improvement.



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Each Indian prime minister has stamped his/her legacy on India's neighbourhood policy over the years. (Top to bottom) Nehru with Chinese Premier Zhou Enlai in 1954; Indira Gandhi signing the Simla Agreement with Pakistan's Zulfikar Ali Bhutto in 1972; Atal Bihari Vajpayee with his Pakistani counterpart Nawaz Sharif during his iconic visit to Pakistan on the 'peace bus' in 1998

# India's Neighbourhood Policy through the Decades

ASHOK MALIK

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hey say geography is destiny. It would follow that if geography changes, so does destiny, or at least perceptions of destiny. In 1947, India's geography was transformed as the subcontinent was cut up into separate parts. It was not just that political lines were drawn in the sand, or in the plains, swamps and mountains for that matter. It was that politics had trumped economics, and that a composite economic and trading system, one the Indian subcontinent had known, experienced and gained from for centuries under a series of political dispensations, was now rendered obsolete. India's very conception of its neighbourhood had been transformed.

The consequences cannot even be imagined today, when hard national boundaries are seen as a given. Until 70 years ago, the entire expanse from Myanmar (then Burma) to Afghanistan was one trading system. Myanmar was the rice bowl of South Asia. India's Northeast, such as the modern states of Assam and Meghalaya, were key waystations in this framework of commerce and comparatively rich provinces, not forgotten frontiers of 'mainstream' India. Chettiar bankers from Tamil Nadu formed a prosperous community in Myanmar.

There were other evocative examples as well. The Frontier Mail, which ran from Mumbai (then Bombay) to Peshawar, gave the Northwest Frontier an outlet to the sea, carrying a trainload of passengers and a cargo of commodities, finished goods and cultural products. It is worth noting that the actor Dilip

Kumar's family owned fruit orchards in his native Peshawar as well as in Deolali (Nashik district, modern Maharashtra). Indeed, Yusuf Khan (to give Kumar his real name) first came to Mumbai on the Frontier Mail as part of his family's fruit business. Later, having become a successful movie star, he was to see his films become part of Mumbai's cultural exports to Peshawar.

The whole notion of South Asia is in many ways a post-1947 construct. It follows the politically correct and some would say overdone belief, especially in certain Western academic communities, that the older expression—"Indian subcontinent"—would not go down well with other nation states, particularly Pakistan, that had emerged with Partition and the British departure from the region.

Yet, India's notion of neighbourhood was not limited to what is today South Asia. The mountain fastness of Jammu and Kashmir, then under a maharaja allied to the Raj and to the government in Delhi, as well as the upper reaches of undivided Punjab, in effect made India a Central Asian power. After the first Kashmir war (1947-48), with the former kingdom divided into Indian and Pakistani-held territories, access to the Northern Areas was blocked and India ceased to feel the need to develop a sophisticated and busy Central Asia policy.

A similar rupture happened in the case of Iran. Suddenly the situation in Herat—the western Afghan city on the border with Iran, and historically the locale of meetings and contestation of Indian and Persian soft power, interests and zones of influence—became a distant "world news" story, rather than an issue that concerned the security of the Indian mainland. With the annexation of Tibet by the People's Republic of China, another frontier was changed and a buffer against a larger neighbour that was a likely strategic challenge was lost.

The lament can go on, including, for instance, the gradual diminution of interest in other parts of West Asia—in Oman and the Trucial States (the modern United Arab Emirates)—but that would involve an expanded neighbourhood that is beyond the scope of this chapter.

It would, however, be appropriate to suggest that early post-Independence thinking of neighbourhood policy was insufficiently alive to the implications of this new geography, and, if one could put it thus, the truncation of India's strategic space. It either sought to craft a world view that pretended India was simply the successor state to British India, unmindful of what the removal of imperial cartography meant, or, while acknowledging the creation of new boundaries, was unclear, naive and idealistic about their sustainability and permanence, and the responses this reordering would require.

The differences of opinion between Girija Shankar Bajpai, the eminent civil servant and diplomat, and Jawaharlal Nehru, the first Prime Minister of India, on how communist China's conquest of Tibet needed to be interpreted was an example of this predicament. It was an argument Nehru won, and in a sense went on to lose, in 1962. The treatment of Pakistan, and the failure to read internal developments and evolution of social forces in that country, was another instance. Paradoxically, that subliminal trade and travel between the countries still took place until the war of 1965 may have served to delay a more pragmatic and studied approach.

From the mid-1960s, India's neighbourhood policy was disproportionately guided by security concerns vis-à-vis Pakistan. Domestic turbulence in other countries of the region, as the grip of first-generation

post-war and post-independence elites gradually gave way to a more nativist and competitive polity, ended up reducing New Delhi's ability to play the regional exemplar. A closed-door economic policy that de-prioritised trade did not help either.

In some cases, Myanmar for instance, India could do little as a bamboo curtain began to come down and an adjoining country moved into a prolonged phase of isolation. In other cases, such as Sri Lanka or even Nepal, India's interventions were episodic and tactical rather than strategic, and aimed at propping up client groups more than formulating an enlightened policy for the entire region.

This period roughly coincided with the Indira Gandhi years but its legacy outlived her. The Pakistan-backed insurgency in Punjab in the 1980s and the Kashmir valley in the early 1990s only intensified this contemplation of neighbourhood policy through an almost solely security prism. It also took its toll on initiatives such as the South Asian Association for Regional Cooperation (SAARC), inaugurated with much hope in December 1985, but falling victim in the succeeding 30 years to the negative India-Pakistan dynamic.

While assessing this phase, it is tempting to look at the year 1989 as a snapshot. Exactly a quarter-century before Narendra Modi became prime minister, it was a landmark year in Indian and world history, marking as it did the beginning of the Soviet retreat from Afghanistan, the end of the Cold War (with the demolition of the Berlin Wall), the collapse of the Eastern Bloc and the electoral defeat of the last Congress majority government in India.

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war was grinding to a halt, with India's friends on the losing side. Indian troops in Sri Lanka were trapped between a hostile local government and a vengeful Tamil insurgency, with the peacekeeping mission having devolved into a fiasco. Even with Nepal, an economic blockade had made relations far more fraught than in several decades.

In a sense, as the 1980s drew to a close, four decades of neighbourhood policy had ended in failure. It could only get better.

During this year, 1989, India was locked in a proxy conflict with Pakistan in Punjab, with the Kashmir valley about to erupt. The arrival of democracy in Pakistan following the death of Zia-ul-Haq—Benazir Bhutto was elected prime minister in November 1988—had done nothing to alter fundamental assumptions on either side. In Afghanistan, a 10-year

Economic reform and liberalisation in 1991 had an immediate impact on India's external outlook. However, its effect on the neighbourhood policy was not instant. Rather, the initial outreach was to stronger economies and investment sources in Southeast Asia ("Look East") and in the West,

**II**

encompassing early efforts at a post-Cold War rapprochement with the United States. However, the insurgency in the Kashmir valley, the dispersal of pan-Islamist jihadists from Afghanistan and the final chapter in Punjab's decade of terror meant no meaningful engagement with Pakistan, and by extension no meaningful South Asian compact, was possible.

It was only by the late 1990s that the impetus to improve India's relations with the neighbourhood was felt. As the economy gradually became more integrated with the global system, there was the realisation that India could not bypass South Asia, and that its ability to reach its potential as an economic actor, a safe and credible business destination, and a regional and Asian power was to a substantial extent dependent on establishing a certain equanimity in its near neighbourhood. Of course, this had to be done without compromising the ability to anticipate and deter terrorism resulting from growing religious radicalism in Pakistan and Afghanistan, and to a degree in Bangladesh as well.

Most important, both India and Pakistan had crossed a critical nuclear threshold, and even before the Pokhran and Chagai tests of 1998 it was clear that the autonomy of action (or inaction) that India had enjoyed in its bilateral relationship with Pakistan would be circumscribed by global concerns about the arrival of two putative nuclear powers in the subcontinent. India needed to take the initiative, because that was expected of it as the region's obvious leader.

How exactly would such an initiative be packaged? The first response came in 1996-98, in the two years of the United Front government, with I.K. Gujral as foreign minister and then prime minister. His "Gujral doctrine," as it came to be known, saw India make a series of unilateral concessions to its neighbours without any expectation of reciprocity. Generous as this was, it was not quite viable, as it did not have an adequate domestic political constituency.

Having said that, elements of the "Gujral doctrine" and of an India that is less standoffish and more forthcoming towards its smaller neighbours have survived the short and accidental prime ministry of the man the policy is named for. In different ways, successive Prime Ministers Atal Bihari Vajpayee, Manmohan Singh and Narendra Modi have picked and chosen grains from the Gujral doctrine, without either publicly accepting its essential argument or buying into it in entirety.

In the Vajpayee and Singh years, particularly after Pokhran and subsequently with the arrival of the US in the region following 9/11—and as a consequence of India's rising prosperity, giving the prime minister of the day political room for foreign policy innovation—the relationship with Pakistan steadily improved. Even so, despite promise, it stopped short of a breakthrough agreement on Jammu and Kashmir.

The primary debilitating factor was the trust gap caused by the presence of Islamist terror camps and facilities in Pakistan, run with support and approbation of segments of the Pakistani military and state, and leading to frequent attacks on Indian civilians. In particular, the legacy of the November 2008 terror attacks on two leading hotels and an important train station in downtown Mumbai has continued to haunt the relationship between New Delhi and Islamabad.

In this post-Pokhran period, and most saliently in the 10 years of the Singh government (2004-14), disproportionate political capital was invested on Pakistan in the belief that a composite and meaningful

South Asian community could only emerge as a by-product of an India-Pakistan détente. This caused India to neglect some of the other relationships or at least fail to optimise them.

In turn, it allowed China the opportunity to make inroads into South Asia and challenge India's monopoly in the region. Chinese infrastructure projects or proposals in Sri Lanka, Bangladesh, Nepal, Myanmar, the Maldives and most recently Pakistan (including Pakistan-occupied Kashmir) made it more of a South Asian power than India cared to recognise in the first decade of the century.

Further, the determined manner in which the One Belt, One Road project has sought outlets for China to the Indian Ocean—attempting to reach the Arabian Sea through Pakistan and the Bay of Bengal through Myanmar—points to a Chinese maritime flanking of India to both its east and west. In a sense, what is emerging is the most serious challenge to India's oceanic geography since the arrival of the European sea powers in the 16th century.

### III

Given this backdrop, Narendra Modi assumed the prime ministry in May 2014 with three defining questions looming large:

- How could he secure India from the ever-rising tide of religious radicalism and terror in the Afghanistan-Pakistan theatre, more so as American forces prepared to withdraw?
- Was it possible to roll back or check Chinese incursions, intrusions and influence in the South Asian region and restore India's hitherto unstated pre-eminence as the only actor of reckoning?
- Related to question two, how could SAARC or sub-SAACR platforms be made operative and economically consequential without being held hostage to the India-Pakistan bilateral?

While the symbolism of the new Indian prime minister inviting the heads of governments of neighbouring countries to his oath-taking ceremony was commented on and widely appreciated, the contours of Modi's South Asia policy began to emerge only at the 18th SAARC summit in Kathmandu in November 2014. He spoke expansively of economic cooperation, explicitly linking the wellbeing of the neighbourhood to the growth of the Indian economy and throwing up the promise of the Indian market and Indian investment as an allurement for other countries.

In the days before the summit, there was enthusiastic talk of connectivity agreements within SAARC. India's Power Minister Piyush Goyal spoke of the possibility of a pan-SAARC power grid as a feasible aspiration. Of course, the absence of interest in Islamabad remained an issue. As such, rather than continue

**As such, rather than continue to have SAARC be held ransom by the absence of an India-Pakistan accord, the Modi government has sought to reverse the mirror. Its approach seems to be to build sub-SAACR networks that may not immediately incorporate Pakistan, but which then demonstrate benefit to persuade those who had stayed outside the tent.**

to have SAARC be held ransom by the absence of an India-Pakistan accord, the Modi government has sought to reverse the mirror. As evident in Kathmandu, the Modi government's approach seems to be to build sub-SAARC networks that may not immediately incorporate Pakistan, but which then demonstrate benefits to persuade those who had stayed outside the tent.

Most tellingly, a sub-regional Bangladesh, Bhutan, India and Nepal (BBIN) energy network was promoted. It had the Modi government urging Bangladesh to take a stake in power projects in Bhutan, and incubating a BBIN power grid and energy trading system. To be fair, this was not just a snub delivered at Pakistan. In prioritising economic engagement with the neighbourhood India was only doing itself a favour, most so in the eastern part of the country, where Modi's deepest developmental challenges lay.

Take four examples, covering flagship themes of the Modi government. First, the Ministry of Shipping has talked of the potential of inland waterways, citing National Waterway 1 (NW 1: the stretch of the Ganga from Haldia to Allahabad) as a major project. What of NW 2, which goes down the Brahmaputra, a principal river and economic resource of Assam and the Northeast? Can NW 1 and 2 be linked and can goods and passengers be carried from the Northeast right into northern India, alleviating the connectivity problems of the Northeast? A link between NW 1 and NW 2 is possible only through Bangladesh.

Second, the development of the Ganga basin, which is the focus of the Namami Gange project, will eventually require cooperation from Bangladesh and Nepal, countries that share the Ganga river with India. River-water management in Bihar and eastern Uttar Pradesh, whether for flood mitigation or more efficient agricultural practices, cannot be truly achieved without such a transnational partnership.

Third, exploiting the hydropower potential of Arunachal Pradesh, in northeastern India, is essential if India is to develop cleaner alternatives to thermal power. Evacuating power from Arunachal Pradesh to the rest of the country is a logistical nightmare—unless the evacuation corridor runs through Bangladesh. Early conversation on this has begun, with Bangladesh seeing itself as not merely the route between two parts of India, but also a potential buyer of Indian hydroelectricity.

Fourth, a hypothetical India-Bangladesh power grid can readily incorporate Bhutan and Nepal. The 3,200 km circuit transmission system from the Tala hydropower project in Bhutan runs all the way to New Delhi and lights up homes in the Indian capital. Entering into a comprehensive hydropower development and transmission agreement with Nepal is the next frontier. India needs this for its near-neighbourhood policy, to fill its energy deficit and to answer emission and climate-change questions as it industrialises.

Further, joint manufacturing projects involving Meghalaya and Bangladesh, and Meghalaya and Myanmar are being discussed. Sri Lanka and the Maldives are key to Modi's Indian Ocean aspirations. Bangladesh, Myanmar and Bhutan are access routes to the economies of China, especially Yunnan province, and those of the Association of Southeast Asian Nations. In turn, some of these countries are part of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) bloc, where progress is dependent on India's ability to deepen engagement with its eastern neighbours.

In the broader scheme, while Modi has sought to use economics as a tool to counter Chinese influence in his near neighbourhood, it is not as if he has abjured conventional political instruments. In Sri Lanka, the proximity of the former president Mahinda Rajapakse to China as well as the strong business links between the Rajapakse family and Chinese entities had led to disquiet in India. The broad alliance of mainstream Sinhala parties and ethnic and religious minorities that defeated Rajapakse in the January 2015 presidential election was generally seen as blessed by India.

Other political interventions were more obvious. In August 2014 Modi made a fresh overture with his bilateral visit to Nepal. He impressed his hosts, speaking a generous idiom, and offering to renegotiate the 1950 Treaty of Peace and Friendship between the two countries with allowance for any terms Kathmandu may put forward. A few months later, a longstanding land border settlement with Bangladesh—which Modi's Bharatiya Janata Party (BJP) had opposed while in opposition—was pushed through.

While seeking to re-establish an Indian strategic presence, and pointing to the limits of Chinese influence, Modi was careful to offer Beijing a fair bargain. In essence, what he promised was to use his political capital to give Chinese companies market access in India, including in sensitive infrastructure sectors such as telecom and power, hoping that the offer would be tempting enough for the Chinese to give him political space and allow for an eventual building of mutual leverage. It was a calculated and eminently sensible bet, and at the end of his first year, as a visit to China concluded, Modi seemed to have unveiled an impressive neighbourhood charter.

## IV

The second year of the Modi government has seen the euphoria of his early neighbourhood policy giving way to sobriety. Three examples of the sort of challenges he is likely to face through the rest of his term are becoming clear.

One, on Pakistan his government's response has been tactical and episodic and is still seeking a strategic clarity. Perhaps Modi feels—and some would agree with him—that this is not the time to attempt a defining move on outstanding issues such as Kashmir, that the regional situation (read: Afghanistan) is perilous, conditions inside Pakistan are too confused and the Indian economy is still in recovery stage. As such, he does not have room for the wide-spectrum initiatives that his immediate predecessors embarked on.

For the Modi government, the Pakistan relationship is primarily driven by concerns of security and terrorism. It has been indicated that border incursions, and perhaps larger attacks as well, will be met with equal and even disproportionate retaliation. Again, it will find support for such an approach domestically. There is also the belief in the upper echelons of this government that the status of Pakistan-occupied Kashmir needs to be made into a larger issue. This is considered all the more vital, since Islamabad is now permitting international economic projects in what India considers disputed territory.

Yet, the government recognises that a minimum engagement with Pakistan is necessary. That is why drawing red lines that cannot be defended or soon need to be compromised is an exercise that carries inherent risks, especially if the other side—which has less incentive to talk or appear to be a model

diplomatic actor—realises it can easily sabotage India's efforts to renew engagement. Added to that is pressure from domestic political opponents who throw back the BJP's and the government's previous pronouncements and push the ruling administration to the back foot. The Modi government will need to learn to cold-bloodedly sequester daring or even mildly risky foreign policy measures from the media and political noise at home.

Two, while Modi has confronted Chinese influence in India's backyard, the fact is that Beijing is here to stay. Its economic and composite-power capacities are not going to be overwhelmed by India for decades to come, if at any point in the 21st century. As the Maldives and more recently Nepal show, the ability of countries and clever political leaderships to play off one power against the other gives them tactical advantage that they (the political leaderships of the smaller countries) will find too tempting to resist.

Three, and related to the second point somewhat, is the fact that South Asian countries are much more nationalistic today than in the 1960s or 70s. Many of them define their sense of nationalism, particularly when it comes to populist positioning at home, in terms of the ability to stand up to India, the big neighbour. Pakistan is of course an extreme and egregious example of this phenomenon, but elements of it can be found in Sri Lanka, Bangladesh and, as events surrounding the new constitution have made so apparent, Nepal.

How India responds to occasional provocations and bouts of rhetorical ill-temper in the polities of these other countries will in turn determine how third countries in the region perceive it. A mature and understated paradigm that achieves India's goals without making it appear it has used the sledgehammer will need to be devised. As Nepal tells us, for the Modi government designing such a paradigm is still a work in progress.

Right-wing political traditions are coalitions of multiple imperatives. This is apparent, too, in the Modi government's neighbourhood policy toolkit, where the prime minister's instinct for trade, transparency and openness is intersecting as well as competing with the new establishment's impulse for securitisation. It is crucial to get the balance right; in the next few months we will know if Modi has.



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Modi's 'Lahore Leap': A surprise visit to Pakistan, a touch of personal diplomacy (December 25, 2015)

MEAPHOTOGALLERY/FLICKR



# Dealing with Pakistan: India's Policy Options

RADHA KUMAR

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he past eighteen months have seen a cyclical repeat in India-Pakistan relations. Peace initiatives are followed by a terrorist attack, then by escalation in tensions, in turn followed by peace initiatives, which are subsequently followed by another attack, most recently on an Indian army base in Pathankot in January 2016.

This is an all too familiar pattern, one which we have seen over and over again since 1999, that is to say for the past seventeen years (and if we add Kashmir and the Khalistanis, since the 1980s, i.e., for thirty-five years). However, this time around, the aftermath of the Pathankot attack saw no escalation in bilateral tensions; instead, steps were taken to prevent the usual occurrence. Pakistan responded by cracking down on the Jaish-e-Mohammad (JeM), alleged to have carried out the attack, and India welcomed Pakistan's preliminary action.

Both responses were unexpected and puzzled analysts. Few thought that Pakistani Prime Minister Nawaz Sharif would act within days of the attack instead of wriggling until the pressure to act became too costly; or that the Pakistan military would seemingly be on board his actions, given that similar attempts by the then President Asif Ali Zardari, following the 26 November 2008 attacks, were immediately thwarted. Fewer still expected the Indian government to welcome these responses as sufficient first steps. Having so far trumpeted that any Indian response to cross-border attacks would be 'muscular,' the

expectation from Indian Prime Minister Narendra Modi was that he would break off talks pending an appropriate response to Pathankot, and irrespective of whether the Indian response was covert or overt, that it would aim to raise the costs for Pakistan.

Has something changed in the India-Pakistan relationship? Is Pakistan ready to abandon the non-state actors that government agencies have long supported to wage war against India? Has India, in its turn, decided that talks are preferable to muscle?

## **Recent Developments and India's Pakistan Policy**

Sceptics argue that Pakistan's actions are primarily cosmetic. The Pakistani government under General Pervez Musharraf conducted similar raids and arrests after the Parliament attack of December 2001, as did the Pakistan Peoples Party-led government after the 2008 Mumbai attacks; in both instances the attackers were later released. Indeed, Pakistan's preliminary investigation report into Pathankot stated that the telephone numbers used by the terrorists, which India provided, were 'unregistered'; journalists, however, traced them quite easily to three Pakistani nationals.<sup>1</sup> While it is too early to conclude that the current arrests will go the 26/11 way—sound and fury, signifying nothing—the preliminary investigation report reinforces sceptics.

Why then did the Indian government respond so positively this time? One interpretation is that the government has reason to believe that Pakistan will follow through. In other words, they have some indication that the military will support Nawaz Sharif's promise and will help implement it. Another interpretation is that the Indian government believes it is a tactical move worth making: If India walks the talk with Pakistan and Pakistan fails to follow through, then India may receive more international support, especially from Pakistan's allies, who have turned a blind eye to Pakistani militant sanctuaries thus far. The third interpretation relates to timing. This year there is more pressure than ever before on Pakistan to end cross-border militancy given the 2017 deadline for a turning point in Afghanistan's fortunes. There is therefore an opportunity to ensure that anti-India militancy is not forgotten.

Whichever interpretation or combination of factors is more plausible, none of the three represent a shift in policy. Each in its own way, however, represents a shift in strategy and/or tactics that would influence policy in specific ways, depending on success or failure.

## **India's Overall Goals vis-à-vis Pakistan**

The Pathankot attack reignited a debate on whether India's policy towards Pakistan should be primarily driven by containment, or whether a more comprehensive approach towards peace should be adopted. The interpretation of containment is far narrower here than in George Kennan's original concept, which advocated a comprehensive approach, and to this extent did not posit a conflict between targeted and all-encompassing approaches.

Overall, the impact of these debates is minimal. India's objectives vis-à-vis Pakistan have been longstanding and range from idealist to minimalist, sometimes combining elements of the two. In order

of priority, they aim to:

- a) End cross-border terrorism;
- b) Develop sustainable ties through trade and people-to-people engagement;
- c) Peacefully resolve conflicting claims over Jammu and Kashmir, Siachen, Sir Creek and any other outstanding issue; and
- d) Cooperate for regional growth.

These objectives have not changed. However, the strategies to achieve them have altered according to circumstances and conjunctures, with the year 2014 being a turning point. Following the termination of the International Security Assistance Force (ISAF) mission, Pakistan acquired new importance in and for Afghanistan. India elected a new government that promised strong leadership and ‘a more muscular policy’ towards Pakistan. Given that Pakistan’s Afghan policy has long been an outgrowth of its India policy, most analysts expected that the endgame in Afghanistan would embolden elements within Pakistan to up the ante against India; what was unclear was how India’s ‘more muscular policy’ would address this conjuncture.

Despite the muscular rhetoric, this chapter argues, any change in India’s Pakistan policy is a matter of inflection and response, not of objectives. It also argues that there have been, on the other hand, significant changes in Pakistan’s policy towards India, which can be read either as a return to the hardline position of Pakistan’s military-civil complex or as a turning point in Pakistan’s two decades’ long seesaw between hawks and doves. India’s Pakistan policy has to take both interpretations into account.

### **Pakistan’s Place in Modi’s Calculus**

Realistically, India has long accepted that few, if any, of the stated objectives of its Pakistan policy are achievable; indeed, those that seem achievable can only be partially achieved. Thus, while seeking talks successive Indian governments have taken steps to prevent or limit Pakistani efforts to cause instability within India or tension between India and its other neighbours. Some of these steps have proved to be ineffectual and others have been only partially followed through. For example, though India has been able to plug security gaps along sections of the Line of Control (LOC), Indian security forces have not been able to secure the coastline or prevent sporadic infiltration through the International Border (IB). Trade has remained limited due to periodic brakes by the Pakistan military. Talks on Jammu and Kashmir, Siachen and Sir Creek have also continued on the one step forward, two steps backward model, largely because Pakistani policymakers have sought to roll back progress made during the 2004-7 peace process and Indian policymakers have been too risk averse to push the informal agreement to a formal signing.

As a result, considerable frustration has built up amongst Indian policymakers as well as on the ground amongst security forces, affected communities and the general public, which is reflected, and often overplayed, in the media.

Against this background, the Modi government’s initial approach to Pakistan was to focus on cooperation to revitalise both the South Asian Association for Regional Cooperation (SAARC) and regional trade,

as well as put in abeyance the resumption of talks on contentious issues. However, rising conflict on the border and a Pakistani green light to the Lashkar-e-Tayyeba (LeT) created pressure for talks. At a carefully orchestrated meeting on the sidelines of the Shanghai Cooperation Organisation (SCO) and BRICS<sup>2</sup> summits in Ufa, Russia, on 10 July 2015, Modi and Sharif focused on the issue of terrorism and the stalled prosecution of Zakiur Rehman Lakhvi, the chief organiser of the 26/11 attacks.

It appears that the two leaders and/or their teams also decided on a sequence of talks divided into a two-stage process. The first stage, detailed in the joint statement issued at Ufa,<sup>3</sup> would be to create conducive conditions for dialogue through cooperation against terrorism and de-escalation on the LOC and IB. The second stage would comprise talks to resolve conflicts over Kashmir, Sir Creek and Siachen. Hence, the first set of talks would be between the Indian and Pakistani National Security Advisors (NSA), Directors-General Indian Border Security Force and Pakistan Rangers, and Directors-General of Military Operations (DGMOs) of the Indian and Pakistani armies. The next set of talks would be between the foreign secretaries.<sup>4</sup>

## **The Kashmir Factor**

Faced with an outcry in Pakistan against the joint statement at Ufa, which made no mention of Kashmir, the Pakistan government sought to telescope the two stages into one, so that the then Pakistani NSA Sartaj Aziz would engage in parallel talks when he visited New Delhi in August 2015: on terrorism with the Indian NSA Ajit Doval, and on Jammu and Kashmir with India's Foreign Secretary S. Jaishankar. At the same time, he also invited the Kashmiri separatist Hurriyat Conference factions and allied dissidents to meet with him. The Indian government objected and Pakistan called off the talks, but only after a petty game of brinkmanship was played out in the media by both sides.

Did the Modi government's stance on 'no talks with the Hurriyat before talks with the Indian government' signify a departure from previous policy? That depends. The United Progressive Alliance (UPA) 2 government ignored frequent meetings between Pakistani representatives and various dissident leaders from the Kashmir valley even whilst there were few meetings between the latter and the Indian government. But that itself was a departure from UPA 1 and the Atal Bihari Vajpayee government before that, when the policy was for the Hurriyat to play a bridging role focused on ending cross-border violence in Jammu and Kashmir. Engagement between the Hurriyat and Pakistani representatives was part of that role, matched by engagement between the Hurriyat and the Indian government, and in Track II between dissidents from all parts of the divided state and Indian and Pakistani civil society.

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**THE MODI GOVERNMENT  
OFFICIALLY NOT SUPPORTING A  
ROLE FOR THE HURRIYAT MAY  
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INDIA'S PAKISTAN POLICY.**

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Whether the Modi government would support the Hurriyat playing a mediating role is moot. Many amongst the Bharatiya Janata Party and its affiliates believe that the Hurriyat has no role to play. If the Modi government adopts this as an official approach, it would indeed be a change in policy. It would not, however, be a change in India's Pakistan policy, but a change in the structure of the peace process

of 2002-8, and most of all a change in the Indian policy towards Jammu and Kashmir.

As to the oft-stated claim that the Modi government's Pakistan policy is more 'muscular' than that of the previous UPA government, were the claim borne out it would represent a change in tactics rather than strategy or objectives. It could be argued that the escalation of hostilities on the IB and LOC constituted a muscular response to infiltration and cross-border firing but if so, it did not achieve the desired end, based as it was on a misreading of Pakistan's behaviour.

Moreover, the response to the Pathankot attack signifies a turn away from muscular postures and a return to the 'investigate, arrest and prosecute' approach with Pakistan that was adopted in 2008 following the Mumbai attack.

## Pakistan's India Policy

In a thoughtful analysis of the relative thresholds of India and Pakistan, a group of scholars at the Takshashila Institution pointed out that Pakistan responds to escalation with further escalation since it has a much higher threshold than India, thus calibration is both difficult and risky.<sup>5</sup> As the Modi government's attempts to "give a befitting response" to Pakistan's cross-border firing showed, the human cost was too high to persist to the point that the damage inflicted on Pakistani forces would deter them from offering cover fire for infiltrators again. The end result was that the directors-general of both countries' border forces met in September 2015 and resolved to better implement confidence-building measures (CBMs) agreed a decade ago, which were intended to limit or defuse incidents of cross-border firing. The agreement was violated immediately, but cross-border firing has reduced subsequently though it has not ended.

Looking back over the past decade or more, it can be seen that the Pakistani army's hostility towards India has steadily increased rather than decreased since 9/11. Musharraf cooperated with the United States against the Taliban on the grounds that if he did not, it would advantage India. The first few years following 9/11 saw an intensification of cross-border violence in Jammu and Kashmir. During the peace process that followed, with considerable international facilitation, violence decreased sharply in Jammu and Kashmir but terrorist attacks against India rose, both in other parts of India and in Afghanistan. Eventually the peace process with India was put on hold by a beleaguered Musharraf.

The civilian government that subsequently took over rolled back the achievements of the 2004-7 peace process, which were mostly focused on a settlement of the Kashmir conflict, but took cautious steps on improving trade, and developed customs and transit infrastructure at the Wagah border. Though the 26/11 attacks were the most horrific terrorist attack in years, Pakistan-sponsored terrorism against India declined overall. When the Pakistan Peoples Party-led civilian government was succeeded by the Sharif-led civilian government in 2013, the initial months were promising. Talks on power supply from India to Pakistan, or more accurately from Punjab to Punjab, made rapid progress but were seen as a step too far by the Pakistan military, who instead focused on building up their arsenal, arming themselves with tactical nuclear weapons and upgrading their air force. In 2015 Pakistan declared a doctrine of 'full-spectrum deterrence.' The chief, though undeclared, target is India.<sup>6</sup>

As the ISAF withdrawal from Afghanistan proceeded through 2014-5 and the pressure for a deal between the Afghan government and the Taliban intensified, Pakistan's India policy appeared to undergo a further shift back to the 'strategic depth in Afghanistan-unrest in Kashmir' dyad, which has long been on hardline Pakistanis' wish list. With the announcement of Mullah Omar's death and the fragmentation of the Taliban, Pakistan's role in an Afghan settlement and its influence in that country grew further, but so did the pressure on Pakistan.

That Pakistan would attempt to use this increased importance as leverage against India was inevitable. Indian analysts forecast that conflict over Jammu and Kashmir would rise in parallel to Pakistan's importance in and for Afghanistan. It was less accurately noted, however, that Pakistan's efforts to up the ante on Kashmir would meet with pressure to negotiate with India, thus offering some leverage to the Indian government. It is likely that Russia and China played an important role in facilitating the Ufa summit between Modi and Sharif, implying that both these countries believe, as do the US, France and Germany, that ending border hostility and curbing anti-India jihad are important steps for Pakistan to take.

### **Challenges...**

Over the past year, both countries have overplayed their hands. Having seen the outcry in Pakistan against the Ufa statement of July 2015, the Indian government could have planned to jointly announce in Delhi that talks would follow on Jammu and Kashmir. Blaming the Hurriyat for calling off talks had a negative impact in the valley and upped Pakistan's profile in Kashmir, hurting India domestically. Pakistan, on the other hand, hurt itself internationally by calling off the talks because of the Hurriyat tangle: What do they have to do with Lakhvi's prosecution or CBMs between the border security forces?

More importantly, each country has yet to come to terms with the other's red lines. Pakistan's red line is that they will not discuss terrorism unless Kashmir is also discussed. For India, terrorism must end. The hard facts are that Pakistan is unlikely to give up support for anti-India groups like the LeT until conflicts over Kashmir, Sir Creek and Siachen are resolved, although they may restrain them; and India will not settle with Pakistan until convinced that its government is ending support for anti-India militants, including by non-state actors. First Vajpayee and then Musharraf learned these hard facts the hard way, through trial and error, but the learning curve in each country appears to be individual rather than institutional or collective.

Most Indians believe that the Pakistani position would change were the military to accept civilian precedence. Many would further argue that a sustained military-to-military dialogue will also soften the hardline attitude of the Pakistan army. Thus far, however, this has proved elusive. The fact that the Pakistani NSA appointed in October 2015 was a retired general gave hope of a direct line to the military; four months and Pathankot later, the jury is still out on whether this access has helped. The two countries' army chiefs do not meet and their DGMOs have met only occasionally during the peace process to talk CBMs. Yet, the two armies' personnel have cooperated in United Nations peacekeeping missions in third countries, and a sustained military-to-military dialogue would offer the space for goodwill to develop, the results of which will only manifest over the long term.

A large and growing new challenge for both countries is how to deal with the media. The role of the independent media has been understandably but unforgivably negative, to turn the French phrase ‘tout comprendre, c'est tout pardonner’ (to understand all is to forgive all) on its head. With little substantive information to go on, media talking heads resorted to such virulent slanging matches in the run-up to the NSA talks in August 2015 that they had to be cancelled. Some anchors questioned whether Pakistan had fallen into a trap by reacting so strongly to the Indian media, but this begs the question of whether the media themselves fell into a spoilers’ trap.

Perhaps the biggest challenge of all in the coming eighteen months or so is going to be Pakistan’s Kashmir campaign, which will be waged within Jammu and Kashmir, from across the border and in all international forums. Pakistan has already signalled its intention to wage such a campaign, with the last but one salvo being fired by the currently Turkish-dominated Organisation of Islamic Cooperation (OIC), which invited the pro-al Qaeda activist Asiya Andrabi and the separatist Syed Ali Shah Geelani to speak at a discussion on Kashmir during its summit meeting on the sidelines of the UN General Assembly in New York in September 2015. Notably, the OIC do not invite elected representatives from Indian Jammu and Kashmir, but only radical dissidents; conversely they invite only government-approved representatives from Pakistani-held Kashmir and no dissidents.

A fresh attempt to boost radicalism in Jammu and Kashmir was recently made by the government of Pakistan-held Kashmir, which invited separatist leaders along with a few elected leaders to a roundtable in late January 2016 in Muzaffarabad on “The Kashmir Conflict: its Ramifications for Pak-India Relations & Peace & Security of South Asia.” Topics included “The Kashmir Dispute, Hindutva and Emergence of Hindu Extremism in India.” The invitations were declined by most of the invitees.

### **... and Opportunities**

Given that India tends to be a defensive actor while Pakistan tends to be an offensive one, India’s policy towards Pakistan is centred on response rather than leadership. Since 9/11, this has entailed having to factor in both Pakistan’s and the international coalition’s respective Afghanistan policies. Both of these, in turn, have influenced Pakistan’s India policy. India’s presence in Afghanistan has long been resisted by Pakistan; for the first few years after 9/11 the US supported the Pakistani view because ISAF depended on Pakistani supply routes. As the ISAF drawdown deadline of 2015 loomed, however, the US-led international community came to the view that India’s close relationship with both the Afghan government and people made India a natural leader in regional efforts for peace and stabilisation in the country, and for a brief interregnum from 2010-14, it seemed Pakistan was prepared to mute its opposition.

Post-drawdown the focus again shifted to Pakistan’s make-or-break role in bringing the Taliban to the table and preventing cross-border insurgency across the Durand Line. Afghan President Ashraf Ghani offered Pakistan a slew of incentives to deliver; and Pakistan-based militants again began to attack Indian consulates.

The Modi government’s response to Ghani’s peace initiative with Pakistan was initially cool. While this gave Ghani the space to pursue his priorities, it also caused disquiet amongst Afghan civil and

political society, and appeared to downgrade India's role in the fast-changing dynamic of Central and South Asian regional integration. In less than six months, however, the Indian government reverted to its previous and carefully developed policy of support for the Afghan government and promotion of civil society. Modi inaugurated the new Afghan Parliament building constructed by India and delivered a long-promised consignment of helicopters in December 2015.

While India's strong relations with Afghanistan have been a sore point for the Pakistani military and significant sections of its political establishment, they also offer an opportunity for the two countries to cooperate, if not directly then indirectly, for example through the SCO. India and Pakistan were accepted for membership of the SCO at Ufa, and are now due to ratify the SCO conventions and protocols before becoming members. The bulk of these agreements are on counter-terrorism. Few, if any, of the SCO member-states sympathise with strategic depth as a doctrine, having experienced it to their own cost. Like the members of the Heart of Asia Istanbul Process, they uphold the principles of sovereignty and non-interference, with the difference that SCO member-states assert the two principles more vociferously. Moreover, SCO structures demand concrete action, such as border and counter-terrorism cooperation.

**There are opportunities to either surround Pakistan with initiatives that are difficult to opt out of, or to bypass the Pakistani blockade altogether through fast-tracking India's investment in Chabahar in Iran and the development of the International North-South Transport Corridor.**

However, there are also opportunities to either surround Pakistan with initiatives that are difficult to opt out of, or to bypass the Pakistani blockade altogether through fast-tracking India's investment in Chabahar in Iran and the development of the International North-South Transport Corridor. They are win-win insofar as they will add infrastructure for regional integration and depend on less contentious external relations; moreover, they could eventually lead to a change in India-Pakistan relations, but only over the long term.

What about the more direct opportunities offered by the current Indian and Pakistani efforts at rapprochement? As described above, the trends are not encouraging. Pakistani groups will continue to target India's soft underbelly and the Pakistan government will continue to exacerbate tensions within Jammu and Kashmir. However, there are small signs of improvement, such as the renewal of talks on security, which if persisted with might yield results.

Similarly, it was a small step forward that Sharif held three meetings with his security and foreign policy chiefs following the Pathankot attack, and that his office issued an unusually strong statement after the third meeting: "The meeting reiterated that in line with our decision to counter and completely eliminate terrorism, Pakistan would remain engaged with India on this issue." JeM founder Maulana Masood Azhar, his brother and several other JeM members were taken into "protective custody," and Pakistani NSA Naseer Khan Janjua is in touch with his Indian counterpart (his predecessor Shuja Pasha had refused to meet with the Indian NSA following the 26/11 Mumbai attacks). Pakistan has set up a Special Investigation Team to follow up on leads, headed by the Additional Inspector General of the Counter-Terrorism Department (CTD), comprising representatives from the CTD Khyber Pakhtunkhwa, the

Intelligence Bureau Lahore, the Federal Investigative Agency Lahore, the Inter-Services Intelligence and Military Intelligence. While these steps are unlikely to lead to firm action by the Pakistan government, they indicate a very gradual improvement in the government's response, if taken in the context of the past seventeen years.

Finally, there is the issue of Indian engagement with pro-peace and/or normalisation constituencies in Pakistan. These include traders, the intelligentsia, the English language media, sections of industry and vast swathes of the poor, especially in Sindh, Balochistan and parts of Khyber-Pakhtunkhwa, Baltistan and Pakistani-held Kashmir, as well as border areas of Pakistani Punjab. They are in fact larger than the constituencies who support strategic depth and asymmetric warfare with India, but infinitely weaker and fragmented. Yet, sustained engagement with them is the only way to aid the long slow process of change within Pakistan and its military-civil complex that will lead to a conclusive change in Pakistan's India policy. This point was well taken by the Indian government in the aftermath of the 26/11 attacks, when there was widespread Pakistani outcry against the attacks, which subsequently died down.

## **The Way Forward**

Given the events of the past year, it would be foolish not to conclude that India-Pakistan tensions will remain high during the next year or two. Knowing that Pakistan will continue to build its military and nuclear arsenal against India, and will up the ante on Jammu and Kashmir, what can or should India do?

First and foremost, India needs to build on the opportunities created at Ufa. The next round of foreign secretary and NSA talks should be scheduled as soon as possible, with an adequate briefing for the media on the talking points and an understanding on both sides that they will not resort to blame games. Border security CBMs resulting from the 9-12 September 2015 talks need to be implemented as well as put on paper. The DGMO talks should also follow soon, within the coming two months. India could simultaneously propose a schedule for talks on Jammu and Kashmir, with an agreement on both sides that neither will seek to derail bilateral talks by roping in international actors.

Regarding Jammu and Kashmir, the back channel between India and Pakistan needs to be restored. Of all the many peace initiatives over the past twenty years, this channel, which worked between 2002 and 2007, proved to be the most productive, arriving at a draft framework for resolving the conflict over the issue. Pakistan has already appointed an envoy for the back channel, but the Modi government has not yet done so.

Both governments also need to rebuild the constituencies for peace that were created during Vajpayee's tenure and continued by his successor Manmohan Singh in his first term. These constituencies are much weaker than before, having been subjected to the negative media barrage that dominated the past year, and will require the two governments' support, as well as talking up, if they are to play the role that they earlier played in creating conducive conditions for talks.

Trade and transit have always been the most doable agreements between India and Pakistan; indeed, they may constitute the only low-hanging fruit for an India-Pakistan peace process. Today there is a

regional framework as well as strong support from both Central and South Asian neighbours for both countries to offer trade and transit. Pakistan has recently tried giving India transit access for goods to Afghanistan and India has attempted to give Pakistan similar transit to Bangladesh. India should not hesitate to expedite this process.



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From October 2010 to October 2014, Dr. Kumar served as one of the three-member Group of Interlocutors appointed by the Government of India for Jammu and Kashmir.

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رولا شفیعی  
پرنسپل نیشنل سکولر



Modi enters the new Afghan parliament building in Kabul: One of India's most visible symbols of assistance to Afghanistan since 2001 (December 25, 2015)

MEAPHOTOGALLERY/Flickr



# India's Afghanistan Policy: Going beyond the 'Goodwill' Factor?

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SHANTHIE MARIET D'SOUZA

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**O**n 23 May 2014, a few days after the Bharatiya Janata Party (BJP)-led National Democratic Alliance (NDA) won a landslide victory in the parliamentary elections, India's consulate in Herat in western Afghanistan came under attack. In the morning hours, four gunmen opened fire on the consulate from a nearby building. There were no casualties on the side of the Indian and Afghan security personnel. However, it took over 10 hours for security forces to neutralise the attackers. None claimed responsibility for the attack, although the Lashkar-e-Tayyeba, with the backing of its sponsors, was believed to be behind the attack<sup>1</sup> that had aimed to take hostages and lay siege to the consulate building.

While this attack could be interpreted as a message to the new government in New Delhi, India's Afghanistan policy has been subjected to a range of challenges ever since India reopened its mission in 2001 in the country. Taliban-led insurgent<sup>2</sup> attacks on Indian nationals and facilities constitute a major challenge; India's own limitations to deliver on the growing expectations in Afghanistan; the change in policy priorities for the new Afghan dispensation under President Mohammad Ashraf Ghani; and the Pakistan-led peace process with the Taliban, which aims to bestow some degree of legitimacy on the insurgents, are challenges that Indian policy makers will have to grapple with in the light of the difficult transition Afghanistan is going through. To succeed New Delhi must revisit its instruments of engagement with Afghanistan, building on its carefully nurtured image of a trustworthy neighbour and friend.

## India's Core Interests

India's engagement with Afghanistan is seen as a natural corollary of its rising global power ambitions, which aim to first extend influence in its neighbourhood.<sup>3</sup> The age-old notion of gaining a solid foothold of influence in neighbouring countries was largely confined to theoretical prescriptions for decades. However, with India embracing an open-market economy through economic liberalisation, the ambition of fulfilling its old dream of becoming an important global power has acquired some realistic shape. Within this broad objective, Afghanistan remains a unique test case.

India has pursued a range of security, strategic and economic objectives in post-9/11 Afghanistan. These wide array of objectives include averting an extremist takeover of the country, which invariably will not only pose a grave security challenge to Indian presence in Afghanistan but will also result in a conflict spill over to Indian states like Jammu and Kashmir. A stable and democratic Afghanistan, thus, is the best possible mechanism that can thwart the rise of extremism. Also included among the objectives is the economic goal of reinforcing Afghanistan as a land bridge between South Asia and Central Asia.<sup>4</sup> This connection would tap energy resources in Iran as well as in Central Asia, and augment India's trade. Afghanistan's role is critical for establishing a direct link with the hydrocarbon-rich Central Asian region to meet India's burgeoning energy needs. Since the neo-liberal thinking in India positively views the economic dividends of connecting to Central Asia via oil pipelines running through Afghanistan and Pakistan, a stable Afghanistan is indeed in India's long-term interest. Similarly, Afghanistan's natural resources also throws open investment opportunities for the Indian private sector and increase the possibility of economic engagement between the two countries, with potential benefits to the countries in the region through a regional economic cooperative framework. All these objectives are based upon the crucial necessity of bringing back peace and stability to the war-torn country.

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## Evolution of India's Policy

A soft power approach,<sup>5</sup> which continued India's policies in the country in question in the past decades, was chosen as the principal instrument to fulfil these broad objectives in Afghanistan as New Delhi returned to the country following the unseating of the Taliban regime in 2001. New Delhi remained broadly supportive of the United States military action against the Taliban, and institution of a strong and capable democratic regime in Kabul. Such a policy came for some amount of criticism. India was accused of pursuing a course of action sans any strategic vision and merely piggybacking on military efforts by the international community to nurture a goodwill mission in Afghanistan. However, over the years India has been successful in projecting its policies as critical to the long-term stabilisation of Afghanistan.

New Delhi has invested in various infrastructure, capacity building, health, education and economic reconstruction projects in Afghanistan. The infrastructure projects included the 215-kilometre long Zaranj Delaram highway at the cost of \$110 million, which connects the city of Delaram on the Afghan-Iran border to the southwestern Afghan city of Zaranj. The completion of the project was significant, as the insurgents and criminal networks operating in the area opposed this project and launched frequent attacks on the construction workers in an attempt to put a stop to it. A total of six Indians, including a Border Roads Organisation (BRO) driver and four soldiers of the Indo-Tibetan Border Police (ITBP), and 129 Afghans were killed in these attacks.<sup>6</sup> India has completed the construction of Salma Dam (also known as Afghan-India Friendship dam), which will provide much-needed energy to the Herat province from 2016 onwards. In 2013, Afghan security forces claimed that the Taliban's Quetta Shura attempted to blow up the dam with 1,300 kilogram of explosives.<sup>7</sup> In August 2015, Afghans in Herat carried a 100-metre Indian flag on the streets demonstrating their gratitude for the project.<sup>8</sup> India also built the Phul-e-Khumri power transmission line to bring 24-hour electricity to Kabul in 2009. Other Indian projects in Afghanistan include those related to medical care, food aid and scholarships for Afghan students and policymakers.

Having pledged \$2 billion, India is the largest regional donor and Afghanistan is the second largest recipient of Indian aid. India's aid and development assistance has accrued significant goodwill among the Afghans. India's approach has even been endorsed by the US which in August 2015 asked China to follow the Indian model of engagement and developmental efforts in the war-torn country. The US State Department Spokesperson John Kirby told reporters, "India has played a constructive role over the last several years inside Afghanistan, and we would look to other nations like China to do the same."<sup>9</sup>

While trying to contribute to Afghanistan's internal strength, India's policies have also involved attempts to project an alternative approach to peacebuilding by shifting focus from a narrow security-centric approach to regional confidence building, development, governance, and trade and investment. India played a significant part in Afghanistan's inclusion in the South Asian Association for Regional Cooperation (SAARC) in 2007,<sup>10</sup> signed an Agreement on Strategic Partnership (ASP) in 2011, and hosted an investment summit in New Delhi in 2012 to showcase Afghanistan's economic potential. The ASP unveiled a range of cooperative mechanisms, including the decision to expand the training of the Afghan National Security Forces (ANSF) and building local capacities, particularly of the police. Bereft of reciprocity, the trade and economic components of the ASP were a reiteration of India's commitment to Afghanistan's economic progress and its development as a land bridge between South Asia and Central Asia. The Delhi investment summit, third in the series and the first in South Asia, on the other hand, was aimed at attracting investments for Afghanistan and to ensure that the country's economic and transit potential become its inherent strengths to accrue the much-needed economic dividends for itself and the region.<sup>11</sup>

India's policy towards peace negotiations with the Taliban has also evolved from a position of dismissal of any association with the insurgents to one that supports Kabul's overtures to reintegrate the tribal

**India's policies have also involved attempts to project an alternative approach to peacebuilding by shifting focus from a narrow security-centric approach to regional confidence building, development, governance, and trade and investment.**

fighters. The then Foreign Secretary Nirupama Rao in October 2009 declared that India would support the process of reintegrating individuals into the national mainstream, code for dialogue with the moderate Taliban who agree to renounce violence. "We support the Afghan Government's determination to integrate those willing to abjure violence and live and work within the parameters of the Afghan constitution,"<sup>12</sup> she said. Prime Minister Manmohan Singh later asserted that India supports an Afghan-led and Afghan-owned peace process.<sup>13</sup> With the broad objective of preventing a Taliban comeback to Kabul, New Delhi's policy shift has been pragmatic in supporting the Afghan wisdom of reintegrating the reconcilable elements within the insurgency.

## **Systemic and Structural Challenges**

Insurgent attacks on Indians and Indian facilities have constituted the single most significant threat to India's policy in Afghanistan. The abduction and killing of Maniappan Kutty, a driver working with BRO project of building the Zaranj-Delaram highway in 2005 and the killing of Kasula Suryanarayana, an Indian telecommunications engineer in the Zabul Province in April 2006 represent enduring insurgent threats to Indian nationals based in Afghanistan. Similarly, the recurrent attacks on the Indian embassy and missions pose a direct threat to the prospects of India's long-term engagement in that country; the Indian embassy in Kabul came under attacks in July 2008 and again in October 2009, for instance. While the Taliban-affiliated Haqqani network, aided by Pakistan's Inter-Services Intelligence (ISI), was blamed for the July 2008 attack, the Taliban claimed responsibility for the October 2009 attack. The January 2016 attack on the Indian consulate in Mazar-e-Sharif is the most recent instance of aggression against the Indian establishment in Afghanistan.

India's soft power policy has also faced a challenge of expectation from the ruling regime in Afghanistan, which has sought for an expansion of New Delhi's operations, largely confined to the development sector, to the military sphere. In April 2008, Afghanistan's then Defence Minister Abdul Rahim Wardak visited New Delhi and met with his Indian counterpart A.K. Antony to discuss possible avenues for military cooperation and to seek India's assistance in maintaining the Soviet-era helicopter gunships still used by the ANSF. Several such requests were made in the subsequent years as well, including one by then President Hamid Karzai who carried a checklist pertaining to military aid from India in 2013.

However, New Delhi, until very recently,<sup>14</sup> continued to demonstrate a risk aversion to providing military aid to Afghanistan for a range of reasons, even though it indirectly meant not adding to the military capacities of the government in Kabul vis-a-vis the insurgents. There appeared to be an overwhelming thinking that a direct military involvement, even in the sphere of only supplying military hardware, would prove to be a setback to India's carefully cultivated image as an aid provider to the country, and that it would provoke the Taliban to increase its hostilities against India. The step could also raise the ante for Pakistan, with which India pursued a peace process. Such a policy not only went against the bilateral ASP signed between the two countries, which promised a range of cooperative mechanism with Afghanistan including in the realm of security, but was also pursued against a sizeable section of Indian strategists who argued that soft power alone is not an adequate instrument to protect India's interests in Afghanistan.

India's Afghan policy, especially at the level of implementing schemes and completing projects, has also faced the usual glitches of bureaucratic inertia and delays. In addition to the threats posed by the

Taliban-led insurgency, almost all the infrastructural projects were delayed due to logistical challenges and lack of support from India's own Ministry of Finance, which delayed grant of funds. In a conflict-ridden country where the regime of the day needed to showcase its achievements for state credibility and sovereignty, these delays contributed to the shrinking credibility of Kabul. India's refusal to supply military hardware, arguably the most needed assistance from Kabul's point of view, portrayed India's policy as myopic and reticent among the Afghan military elite.

## **Challenges before the NDA Government**

The NDA government in New Delhi, at the time of its inauguration, in May 2014 faced multiple challenges in Kabul. At one level, India's policies in post-2001 Afghanistan demonstrated some significant achievements. At the other end of the spectrum, limitations of New Delhi's essentially soft-power policy were becoming visibly evident with the gradual withdrawal of the International Security Assistance Force. The widespread prediction that the ANSF will not be able to hold the territory against a raging insurgency was gaining credence. In addition, the new President Ashraf Ghani indicated a shift in Afghanistan's policy towards India and Pakistan. Ghani not only halted his country's pending requests of military hardware from India, but initiated a series of steps to mend the Afghanistan-Pakistan relations. Advisor to the Afghan President Daoud Sultanzoy attempted to justify the decision by claiming that Afghanistan was disappointed over the delay in bolstering its military capabilities. "Naturally when we look for cooperation with our friends like India and any delay that hampers progress and hampers productivity and economic progress in the country is seen in our eyes as a delay that creates a void. That void gives way to violence and deprivation," he said.<sup>15</sup>

Not only did this shift result in a number of bilateral visits, including direct talks with the influential Pakistan military, Ghani even ordered the Afghan intelligence organisation the National Directorate of Security (NDS) to expand cooperation with the intelligence agencies of Pakistan. In May 2015, the ISI and the NDS signed an agreement on intelligence sharing and coordinated operations.<sup>16</sup>

Apart from these developments, three factors pose significant challenges to New Delhi's policies in Afghanistan. First, the Taliban-led insurgency is undergoing a transition of sorts. After years of denial regarding the fate of its supreme leader Mullah Omar, the Taliban chose a new set of leaders after confirming in July 2015 reports of his death a couple of years ago in a hospital in Karachi. Mullah Mansoor was selected as the new chief and Sirajuddin Haqqani, his deputy. Incidentally both share a history of hostility towards India. This altered certain key assumptions regarding the Taliban approach to a peace process with the Afghan government. In addition, the development further underlined New Delhi's concern regarding the dangers posed to its national security from the extremists should they succeed in returning to Kabul in some form.

Second, on 7 July, the Afghan government and the Taliban initiated direct talks in Pakistan to mark a major step forward. The talks were hailed by the Afghan National Unity Government as "the start of the first ever official peace talks," while Pakistan's Prime Minister Nawaz Sharif declared the meeting a "breakthrough." International reactions were also universally positive. However, the continuing Taliban attacks in Afghanistan negate the prospects of success. Only a few days before the Taliban confirmed his death, the annual Eid message attributed to Mullah Omar had declared the peace talks as "legitimate."<sup>17</sup>

It is not certain if the message in the name of the dead leader was only a ploy to garner support and provide legitimacy to the peace talks.

Third, the entry of China into Afghanistan and its growing profile in the country's economic activities as well as in the peace process introduces new complexities. Since 2014, Beijing has played host to Ghani once, a Taliban team twice, and has participated in trilateral (US, China and Afghanistan), quadrilateral (US, China, Pakistan and Afghanistan) and international meetings on Afghanistan. It has also pledged \$327 million in economic aid to Kabul through 2017, and now appears to be exploring ways to enhance Afghanistan's security as the US and its allies make their exit.<sup>18</sup> While Beijing's contribution to peacebuilding in Afghanistan is welcome, the probability that it will support a Pakistan-backed plan to carve out a role for the Taliban is high.<sup>19</sup>

Given these challenges, the Modi government approached the matter of India's Afghan policy cautiously, providing Ghani the time and opportunity to explore his options with Pakistan. There was an underlying assumption that given the range of unresolved issues between Kabul and Islamabad, especially in view of Pakistan's continuing policy of finding strategic depth in Afghanistan, sooner or later Ghani would discover the need to re-engage India.

Frustrated by Pakistan's inability to bring the Taliban to the negotiating table, Ghani indeed reversed his engagement with Islamabad. In November 2015, Mohammad Hanif Atmar, the Afghan National Security Adviser, visited New Delhi to secure the delivery of four Mi-25 attack helicopters and also provided his Indian counterpart with a military equipment "wish list,"<sup>20</sup> thereby representing a throwback to the days of President Karzai who had asked for similar assistance. During the same month, Afghan Deputy Foreign Minister Hekmat Karzai visited New Delhi with a proposal to revive the Indo-Afghan ASP, and discuss an agenda for a visit by Modi to Afghanistan.<sup>21</sup> Even though none of these altered New Delhi's range of limitations to aid Kabul in its quest of military self-reliance and nor did they mark a significant shift from New Delhi's cautious Afghan policy, the ties between the two countries seem to have indeed been reset to Kabul's satisfaction.

## Conclusion

In recent times, two separate prescriptions regarding India's involvement in Afghanistan have been made. According to the first,<sup>22</sup> India should join hands with Pakistan, which is actively facilitating a peace process between the Afghan government and the Taliban. Such a stand is useful given the looming terrorist threat to regional security, including India's, posed by the increased risk of metastasis taking place within the Taliban and radical elements linking up with the Islamic State. This will further the larger interests of regional security and stability. However, given Pakistan's continued role as a spoiler in Indo-Afghan economic ties and repeatedly turning down the Afghan proposal for a throughway to India via the Wagah border,<sup>23</sup> it is not clear how such a cooperative mechanism between India and Pakistan would aid Afghanistan.

The other view, in complete opposition to the first, argues that the breakdown in Afghan-Pakistan relations is inevitable, since Islamabad is pursuing an insincere approach to peace and stability in Afghanistan. Since its commitment to the peace process smacks of "a diabolical policy of doublespeak,"<sup>24</sup> India

should take advantage of the great opportunity to play itself back into the Afghan chessboard. “A quick visit to Kabul to register Indian solidarity”<sup>25</sup> was suggested as the probable beginning of this invigorated engagement approach. Given the change in Ghani’s stance vis-à-vis Pakistan, as mentioned above, this prescription does have some inherent relevance.

In this regard, the following recommendations may constitute the core of India’s Afghan policy in the coming months:

- a) India does have certain inherent strengths in Afghanistan. Through its decade-and-a-half-long engagement and its investments, India has earned significant amount of good will for itself, both among the common people and the ruling elite. It is on this strength and acceptability among the wide range of actors that India’s future policy in Afghanistan must be based. In this direction, New

Delhi may revive the Strategic Partnership Council and hold regular meetings as a channel of communication.

- b) Given the challenges posed by the Taliban-led insurgency, New Delhi must not shy away from providing military assistance to Kabul. While Indian ‘boots on the Afghan ground’ is still a far-fetched idea, everything must be done

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### GIVEN THE CHALLENGES POSED BY THE TALIBAN-LED INSURGENCY, NEW DELHI MUST NOT SHY AWAY FROM PROVIDING MILITARY ASSISTANCE TO KABUL.

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to make the Afghan security forces self-reliant and capable of thwarting the insurgent onslaught. Building air power capabilities will be crucial.

- c) India’s leveraging of soft power has been immensely beneficial. To build upon this advantage, more emphasis needs to be laid on small development projects rather than large flagship projects in Afghanistan. While India’s aid and assistance programmes involving high-visibility infrastructure projects have created national assets for Afghanistan, shaping India’s image and generating a measure of gratitude, an enduring Indian influence would remain linked to New Delhi designing and helping implement development programmes to address poverty, illiteracy and systemic administrative dysfunction.
- d) As an alternative to a security-dominated approach, regional economic cooperation, trade, transit and connectivity remain the best bet to protect its national interests. Towards that direction, New Delhi must strive to find likeminded partners with a common stake in peace and stability in Afghanistan. While India’s bilateral relations with Pakistan will continue to have a bearing on the direction of its Afghan policy, working through the SAARC framework could be a useful forum to convince Pakistan of the benefits of trade and transit. This could bind the countries in the region in a mutually beneficial and dependent framework reducing the potential for conflict.



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The Chabahar Port: A Gateway to Afghanistan and Central Asia; an avenue for India-Iran cooperation

AMIRHOSSEINNIKROO/WIKIMEDIA COMMONS



# India's Iran Policy in a Changed Dynamic

KANCHI GUPTA

# I

ndia's efforts to upgrade bilateral ties with Iran, immediately after the signing of the Iran nuclear deal, underscore the importance of the West Asian state in India's economic and strategic calculus. India's economic relations with Iran have thrived since the end of the Cold War but have been unable to reach their full potential due to both bilateral impediments and international pressure. Despite a number of strategic convergences, there has been limited cooperation between the two countries. But the thaw in the international nuclear standoff with Iran has opened up avenues for greater collaboration between the two states.

The beginning of the United States-Iran rapprochement in 2014 coincided with the election of the Narendra Modi-led government in New Delhi. Modi has demonstrated greater political will to engage with the West Asian region than his predecessors. His bilateral engagement with Iranian President Hassan Rouhani at the sidelines of the Shanghai Cooperation Organisation (SCO) Summit in Ufa in 2015 was officially hailed as "advancing a significant partnership." By renewing commitment to cooperate in the fields of infrastructure, hydrocarbons, trade and investment, and counter-terrorism, the two leaders injected fresh momentum into the diplomatic ties. While New Delhi may now be free from external pressure from the West to pursue mutual interests with Iran, deepening polarisations in West Asia could instead place constraints on India-Iran relations. Even though India's bilateral relations with Iran, Saudi Arabia and Israel have expanded, the escalation of rivalries between key regional powers

could test New Delhi's ability to balance these ties.

With the objective of locating Iran in India's geostrategic gambit, this chapter begins with a brief overview of India-Iran relations and highlights the factors that have shaped the trajectory of economic and political engagement. The second section examines the wider geopolitical constraints that have prevented India and Iran from realising their common objectives. The third section looks at the Modi government's policies towards Iran and examines the scope for a deeper partnership given the end of Iran's international isolation. The last section outlines policy recommendations for furthering New Delhi's relations with Tehran.

## **Overview of India-Iran Relations**

The former Indian Prime Minister Narasimha Rao can be credited with the revival of India-Iran relations in the early 1990s. His visit to Iran in September 1993 reset the momentum of political engagement that had been missing since Indira Gandhi, the prime minister at the time, visited Tehran in 1974. Even though the Shah of Iran travelled to India in 1974 and again in 1978, the Iranian Revolution and the Soviet invasion of Afghanistan brought about a period of tension in the relationship. India's neutral stance during the Iran-Iraq war in the 1980s and Iran's attempts to give an Islamic colour to its foreign policy became irritants in the bilateral ties. The end of the Cold War and India's economic reforms in 1991 compelled India to discard the ideological compulsions of its West Asia policy and give precedence to economic and strategic priorities. Iran, too, recognised these complementarities and reciprocated the Indian high-level visit with the visits of then Iranian foreign minister and president in January and April 1995 respectively.

Atal Bihari Vajpayee's tenure (1999-2004) heralded a period of energy diplomacy. The then External Affairs Minister Jaswant Singh's visit to Tehran in May 2000 fortified a nascent energy partnership with the establishment of the Indo-Iran Joint Working Group. Relations between the two countries reached their peak with the visits of Vajpayee in 2001 and Iranian President Mohammed Khatami in 2003. These visits led to the signing of the Tehran Declaration and the Delhi Declaration respectively, both of which largely laid the foundation of India-Iran bilateral ties and outlined the framework for political, economic and strategic cooperation.

The Congress-led United Progressive Alliance (UPA) government that was in power from 2004 to 2014 did not give much traction to India's relations with the West Asian region as a whole and consequently political interaction with Iran during this period was limited. The unfolding nuclear standoff between Iran and the international community, during the UPA government's tenure, also proved to be a major constraint for New Delhi. It faced significant pressure from the United States to downscale relations with Iran.

India initially tried to evade the impact of the West's standoff with Iran. New Delhi acknowledged the right of states to research, develop and use nuclear technology for peaceful purposes, as was in fact recognised in the 2001 Tehran Declaration. However, as New Delhi and Washington began negotiating a civil nuclear agreement in 2004, India's evolving partnership with Iran became the subject of much interest to the US. India's votes against Iran at the International Atomic Energy Agency (IAEA) in

2005, 2006, 2009 and 2011 were linked to the progress in US-India relations. The Bush administration had conveyed to India that Congressional approval for the India-US Civil Nuclear Agreement would be contingent on how India voted at the IAEA. Moreover, the US-India Peaceful Atomic Energy Cooperation Act signed in December 2006 mandated India's support for US policies on the Iranian nuclear issue.<sup>1</sup>

India has consistently maintained that while it recognises Iran's right to develop civilian nuclear technology, Tehran must work with the IAEA to resolve issues of transparency and non-compliance. India views nuclear proliferation in South and West Asia as inimical to its security interests. Moreover, New Delhi's position on the Iran nuclear issue also stems from its desire to project itself as a responsible nuclear power.

Nonetheless, India was unwilling to accept sanctions against Iran, except those imposed by the UN, given that Iran had emerged as an important energy partner. India also tried to work around the sanctions by developing a rupee-based payment system with Iran in June 2012. As per this arrangement, payments due to Iran were deposited in rupees in an Indian bank, which were then used by Iran for the purchase of rice and other agricultural products from India. In order to remain competitive while under sanctions, and especially following a European Union ban on providing insurance to tankers carrying Iranian oil, Iran itself provided tanker services and insurance for oil shipments.

However, US pressure and the tightening international sanctions against Iran eventually narrowed down the space for commercial engagement between the two countries. Disagreements over oil prices, delays and obstructions in pipeline projects, as well as India's growing energy partnerships with other regional powers, also impeded the development of substantive India-Iran bilateral ties.

## **Energy and Geostrategic Drivers**

India's interests vis-à-vis Iran are shaped by its need for energy security and Iran's strategic location, which offers a gateway to Afghanistan and the energy-rich Central Asian region. Pakistan's refusal to allow India overland access to Afghanistan has elevated Iran's strategic importance as a "natural gateway between Eurasia and the Indian Ocean Littoral."<sup>2</sup> Strategic cooperation took shape with some substantial negotiations, including on the International North-South Transport Corridor (INSTC) in September 2000 between India, Iran and Russia, which would connect the Indian Ocean and Persian Gulf to the Caspian Sea. The Tehran and Delhi Declarations further call for building transport corridors and deepening energy cooperation, developing the Chabahar port, exploring pipeline options, and giving traction to the INSTC and various transport and transit trade agreements between India, Iran and Turkmenistan.<sup>3</sup> India and Iran have also explored various overland and offshore routes to increase trade options related to Iran's huge natural gas reserves, including the Iran-Pakistan-India (IPI) pipeline project and the Iran-Oman-India deep-sea gas pipeline.

Despite continuous engagement on these initiatives, many joint projects have been in limbo due to obstructions in bilateral negotiations and the impact of international sanctions. The India leg of the Iran-Pakistan (IP) pipeline, for instance, that would deliver 31 million cubic meters per day of Iranian gas to India, was first mooted in 1989.<sup>4</sup> However, this project did not see much traction and India

eventually withdrew from it in 2009. While India cited security concerns about the pipeline passing through Pakistan and pricing issues with Iran<sup>5</sup> as reasons for pulling out, it was speculated that India faced significant pressure from the US<sup>6</sup> over pursuing the project.

**Many joint India-Iran projects have been in limbo due to obstructions in bilateral negotiations and the impact of international sanctions. The India leg of the Iran-Pakistan pipeline, for instance, was first mooted in 1989, but did not see much traction. India eventually withdrew from it in 2009.**

Similarly, the India-Iran agreement for the export of liquefied natural Gas (LNG) has also been stalled for a decade now. The agreement, initially signed in 2005, required India to build an LNG plant in Iran, and purchasing components for the plant would have violated the US Iran-Libya Sanctions Act.<sup>7</sup> The deal was further obstructed after the election of Mahmoud Ahmadinejad as Iran's president, as he called for the revision of gas prices<sup>8</sup> against Indian opposition. The development of the Chabahar port also did not see much progress because in addition to delays from the Iranian side, Tehran claimed that New Delhi's investment and role in the development of the project has not been sufficient.

The Chabahar port, in particular, assumes great significance in India's approach to Iran. Located in southeast Iran, Chabahar is 800 kilometres from the Afghan border city of Zarand, serving as a viable trade route to the landlocked country. The port circumvents Pakistan, which has denied India overland access to Afghanistan; in doing so, the Iranian port also offers a strategic alternative to Pakistan's Gwadar port, the operationalisation of which was handed over by Islamabad to Beijing in February 2013.

## Security Ties

Chabahar also represents an important calculus in India's efforts to upscale its security ties with Iran. It has been speculated that Chabahar could be developed as a naval base and India's involvement at the port could offer it a vantage point to observe activities at Gwadar.<sup>9</sup> While Chabahar has commercial imperatives for India, it can also be used by India to monitor Chinese and Pakistani activities in the Indian Ocean region and the Gulf.

Thus far, India-Iran security relations have entailed reciprocal military visits, naval technology cooperation and maritime infrastructure development. These ties date back to the 1990s when the Indian navy helped its Iranian counterpart in adapting Russian submarines to the Persian Gulf warm water conditions.<sup>10</sup> The first joint naval exercises between the two countries took place in the Arabian Sea in March 2003 and were all the more relevant because they coincided with an increased US military presence in the Gulf region. The second such edition reportedly took place in March 2006, which also coincided with then-US President George Bush's visit to New Delhi. This was also the time that the US Congress was deliberating over the US-India civil nuclear negotiations. However, Indian officials sought to clarify that the nature of the naval engagement was limited to a port call.<sup>11</sup>

Assertions of deeper India-Iran security ties have been mostly speculative. Some reports suggest that Iran had committed to allow India access to its military bases in the event of a conflict with Pakistan,

a pronouncement denied by both sides. Furthermore, the presence of Indian consulates in Zahedan as well as in Bandar Abbas have evoked sharp responses from Pakistan, which has cited India's ability to monitor the movement of ships in the Persian Gulf and the Strait of Hormuz as a security threat.<sup>12</sup>

## A New Era

The negotiations between Iran and the US started six months before Modi assumed power in India. Iran's rapprochement with the West has allowed Modi space to move forward with Iran on many dimensions. Moreover, Modi, unlike his predecessors, has demonstrated greater recognition of West Asia's economic and strategic importance for India. However, Iran did not initially feature in Modi's schema of high-level political engagements, as his energies were focused on boosting ties with Israel and the Gulf Cooperation Council (GCC).

Despite the lack of sustained political interaction, the Modi administration has realised the urgency of reviving stalled projects with Iran. Iran's rejection of India's bid to develop the Farzad B gas field in May 2015, a project that had been under negotiations since the mid-2000s, was an indication that Tehran may withdraw some of the benefits it had extended to New Delhi while under sanctions. Thereafter, India sent Transport and Shipping Minister Nitin Gadkari to Tehran in May 2015 to accelerate the development of the Chabahar port and committed \$85 million towards the project.<sup>13</sup>

The urgency to revive the project also came from Beijing's offer of \$67.9 million to Tehran for upgrading the port in July 2013. News reports<sup>14</sup> suggest that the China Harbour Engineering Company Ltd expressed interest in undertaking the project, which would tilt the region's maritime strategic advantage hugely in favour of Beijing. Given that Gwadar lies only seventy kilometres away from Chabahar, China's presence along the critical waterways of the Persian Gulf and the Strait of Hormuz would far surpass India's. Moreover, in its own right Chabahar has the potential to be a prime hub for energy and commercial trade with Afghanistan, Central Asia and the Caspian Sea.

While in Oman in February 2015, India's External Affairs Minister Sushma Swaraj also talked about reviving the deep-sea gas pipeline between Iran, Oman and India. While both India and Oman acknowledged that technological feasibility was a critical factor in restarting talks, they added that "prospects...brightened up owing to various international developments."<sup>15</sup> It is likely that the ministers were referring to developments pertaining to the Iranian nuclear deal, which could allow the project to come to fruition.

Modi's diplomatic engagement with Iran came much after Rouhani had met with the leaders from UK, France and Germany. Rouhani also increased diplomatic contact with China through a state visit in May 2015 as well as other high-level political interactions. Chinese President Xi Jinping was also the first international leader to call on Iran after the nuclear deal was finalised and the two countries inked seventeen agreements for cooperation in areas of energy, trade and industry in January 2016. Thus, there is an increased imperative for India to build on the momentum of this international re-engagement with Iran.

During the first year of Modi's tenure, high-level political engagement with Iran was limited to Swaraj's

meeting with Rouhani at the sidelines of the SCO Summit in Turkmenistan in September 2014. It was, however, Modi's meeting with Rouhani at the sidelines of the SCO summit in July 2015 and Iranian Foreign Minister Javad Zarif's visit to India in August last year that signalled a warming of ties between the two countries. Zarif extended a number of opportunities to India, including developing the second phase of the Chabahar port as well as operating it. He also invited India to participate in Iranian infrastructure projects worth \$8 billion. Through its Ambassador in India, Ghomalreza Ansari, Iran pressed on India to expedite these projects by stating that while New Delhi may get priority, delays on its part could create room for other investors: "If [India drags its] feet, the market will not wait."<sup>16</sup>

## **Current Realities and Challenges: Can Modi Boost India-Iran Ties?**

While India's engagement with Iran has not complemented its rising stakes in the Gulf state, some of the blame can be placed on the shifting nature of traditional alliances and partnerships in the region. The increasing rivalry between Saudi Arabia and Iran as well as the crystallisation of Shia-Sunni polarisations have altered the security environment in the region and reinforced the importance of balancing ties with both states.

Over the last decade, New Delhi's ties with the GCC states have strengthened in comparison to its relations with Iran. Given India's seven million-strong diaspora in the GCC countries that remits a significant contribution back to the Indian economy, as well as growing defence partnerships with Saudi Arabia, Qatar, Bahrain and Oman, New Delhi laid great emphasis on elevating relations with these countries. This was evident from Modi's decision to make the UAE his first official visit to the region. Swaraj has also already visited the UAE, Oman, Bahrain and Egypt. Modi is also expected to visit Saudi Arabia in 2016.

Similarly, Modi has also been credited with elevating the strategic dimension of Indo-Israeli ties. The two countries have deepened their ties in the realm of defence, security and agriculture, and given greater thrust to this momentum with high-level political engagement. Modi has already met Israeli Prime Minister Benjamin Netanyahu at the United Nations General Assembly in 2014 and President Pranab Mukherjee travelled to Israel in October 2015. Following Swaraj's visit to Israel, Palestine and Jordan, Modi is also likely to visit Israel in 2016.

While a number of opportunities have opened up in Iran, and India is now demonstrating the will to capitalise on them, an escalation of the Saudi-Iran rivalry could test New Delhi's balancing act. India must therefore base its policy towards these regional powers taking into consideration its own strategic interests.

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**WHILE A NUMBER OF OPPORTUNITIES HAVE OPENED UP IN IRAN, AN ESCALATION OF SAUDI-IRAN RIVALRY COULD TEST INDIA'S BALANCING ACT.**

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With India having the world's second largest Shia population, the Indian government must ensure that the Saudi-Iran conflict, that has taken the form of sectarian antagonism, does not spill over into India. In July 2014, it was reported that Shia organisations in India like the Anjuman-e-Haideri were

spearheading anti-Islamic State (IS) missions to Iraq and thousands of Indian Shia had volunteered to travel to Iraq to “protect Shia shrines” and civilians from the Sunni extremist organisation.<sup>17</sup> While the government prevented the volunteers from travelling to Iraq, mobilisation among the Shia Muslims of India indicates the country’s growing proximity to the crisis in West Asia.

India could therefore emerge as a theatre for Saudi-Iran rivalry as was evident by the WikiLeaks cables released in June 2015 that report Saudi concerns over Iran’s influence among the Shia community of India. The report, believed to have been drafted in 2012, highlights Saudi intentions to establish a Salafi centre in India<sup>18</sup> to counter Iran’s alleged outreach to Shias through cultural centres, seminars and events.

Improving Iran-Pakistan relations could also present a challenge to India. The US drawdown in Afghanistan has the potential to elevate Iran’s geopolitical clout in Afghanistan; thus, Pakistan sees little merit in antagonising Iran, and indeed, seems ready to balance its relations with Saudi Arabia and Iran.<sup>19</sup>

Third, Iran’s strong economic ties with China have eventually culminated into a strategic partnership. Signalling the development of security ties, China and Iran participated in joint naval exercises for the first time ever in September 2014. China was also instrumental in reviving the IP natural gas pipeline project, and has recently signed an agreement with Islamabad to construct an LNG import terminal from Gwadar to the main natural gas distribution hub at Nawabshah, which could later be connected to the pipeline in question.<sup>20</sup> The IP is part of the \$45-billion China-Pakistan Economic Corridor project. This project includes building infrastructure that connects Pakistan’s Gwadar to China’s Kashgar city, which is also an important peg in China’s ambitious Silk Road Economic Belt and Maritime Silk Road initiatives.<sup>21</sup>

In order to prevent deeper Pakistan-China-Iran integration, India must strengthen economic interdependencies with Iran and pursue stronger diplomatic ties. Greater Indian participation in Afghanistan will also elevate New Delhi’s importance in Tehran’s strategic calculus.

The Modi administration is giving greater economic and strategic purpose to India’s relations with Iran through different platforms. During his visit to Central Asia in July 2015, Modi spoke about connectivity options now available due to Iran’s rapprochement with the West. In Ashgabat, Modi stated that a “land-sea route through Iran” could also be explored for the much-delayed Turkmenistan-Afghanistan-Pakistan-India pipeline project.<sup>22</sup> Apart from government-level engagement, a number of Indian delegations are also flocking to Iran to scout for investment opportunities in the oil and gas sector. Thus, the time is ripe for India to capitalise on these opportunities and raise its profile in the region. While regional polarisations do present a challenge for India’s West Asia policy as a whole, rising economic and strategic complementarities with Iran, Saudi Arabia and Israel will place New Delhi in a better negotiating position.



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South Block: The Indian foreign policy “boot room”

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# Why Engage in a Neighbourhood Policy? The Theory behind the Act

VARUN SAHNI

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he inaugural moment of the Narendra Modi government was truly breathtaking. Engineering the presence of the leadership of India's neighbouring countries during the oath-taking ceremony was an initiative at once audacious and bracing. It marked a symbolic break with the country's foreign policy traditions. Jawaharlal Nehru had visualised the world in expansive frames: Cairo had greater salience in his worldview than Colombo or Kathmandu; African decolonisation was more important than overcoming subcontinental ruptures; the road from Bandung led inexorably to Belgrade. Every prime minister since has conformed to the Nehruvian mould on foreign policy: systemic and global concerns (nonalignment, disarmament, New International Economic Order) garnered far greater diplomatic energies and resources than the primary task of building a regional neighbourhood that was internally peaceful and externally coherent. In that fundamental sense, Modi is the first Indian prime minister—other than I. K. Gujral, whose tenure was too short to make a real impact—to truly understand and act on the truism that foreign policy begins where the country's borders end.

In order to answer the question in its title, this chapter is organised into four sections. The chapter will first review some basic concepts. Next, it will analyse what International Relations (IR) theories tell us about states coming together. Later still, it will examine how India's region is configured and ask whether other regional frames exist for India to consider and utilise. Finally, the chapter will conclude with a reflection on the relative weight of structural constraints and policy initiatives, and end on a philosophical note.

## Concepts

### *Region*

William R. Thompson, in his pioneering 1973 article on the concept of the regional subsystem, lamented the “immaturity of the study of regional subsystems and, in causal consequence, the great lack of theory capable of explaining and relating the existing generalizations.”<sup>1</sup> He went on to propose four “necessary and sufficient conditions for the regional subsystem,” the first of which was that the “pattern of relations and interactions” of the regional actors “exhibit a particular degree of regularity and intensity to the extent that a change in one point of the subsystem affects other points.” Thompson’s second necessary and sufficient condition, that the actors are “generally proximate,” is one that most analysts and observers would concur with. Thirdly, according to Thompson, it is important that “internal and external observers and actors recognize the subsystem as a distinctive area.” The fourth condition is straightforward: that “the subsystem logically consists of at least two and quite probably more actors.”<sup>2</sup>

Despite Thompson’s foray into conceptual clarification three and a half decades ago, ‘region’ remains one of the most nebulous concepts in the study of world politics. Even though regionalism as an idea and regional integration as a process have galloped along since the mid-1970s, there are only a few satisfactory definitions of ‘region’ in the literature on world politics. In his effort to link regionalism with global order, Andrew Hurrell suggests that regions could be viewed as “containers for diversity and difference,” “poles or powers,” “levels in a system of multilevel global governance,” or as “harbingers of change in the character of international society.”<sup>3</sup> Another interesting characterisation is by David A. Lake, who defines a regional system as a “set of states affected by at least one transborder but local externality that emanates from a particular geographic area. If the local externality poses an actual or potential threat to the physical safety of individuals or governments in other states, it produces a regional security system or complex.”<sup>4</sup> Barry Buzan et al. define the regional security complex as “a set of states whose major security perceptions and concerns are so interlinked that their national security problems cannot reasonably be analysed or resolved apart from one another.”<sup>5</sup> The essential notion at the heart of Buzan’s concept is that ‘regionally based clusters’ are the “normal pattern of security interdependence in a geographically diverse, anarchic international system.”<sup>6</sup> The essential structure of a security complex is determined by the patterns of amity and enmity, and the distribution of capabilities among the principal states within it.<sup>7</sup>

### *Regional security*

Regional security involves more than just creating an intermediate level between international security and national security, for the simple reason that ‘security’ has very distinct *meanings* at the three levels. International security conventionally means the *prevention of war*, particularly systemic war, in the international system. National security, on the other hand, usually alludes to *protection from existential threats*, actual or potential. Regional security is a hybrid concept containing *both* meanings of security: it simultaneously implies the absence of war within the region *and* the protection of the region from extra-regional threats. In that sense, the formation of a cohesive region requires not only the resolution of internal conflicts but also the binding influence of a common external threat. It follows, therefore, that regional security has both an internal and an external dimension.

Thus, when studying a region, the following questions need to be asked: What is the geostrategic configuration of each region? What is the distribution of power resources in each region? What are the historic patterns of amity and enmity (alliance structure) in each region? What is the history of extra-regional intervention in each region? In what ways has the regional configuration of power evolved? What is the respective level of regional cohesion? Does each region have an ongoing process of regional cooperation and integration? And how successful is this process? These regional characteristics are closely related to a state's power attributes as well as its neighbourhood policy.

### ***Regional power***

Depending on the distribution of capabilities among the regional states, a regional power could be expected to enjoy a position of primacy, dominance or supremacy within its region. Primacy suggests a situation of *primus inter pares*; dominance, the lack of a convincing regional rival; and supremacy, the untrammelled ability to set the regional agenda. However, a calculus of relative power in a region must take account of both military capability and socioeconomic levels, for the following reason. Military capability is zero-sum or negative-sum in nature, and therefore tends to be divisive at the regional level. Faced with the concentration of military power in a region, the weaker states seek to balance their powerful neighbour. Thus, analysing the regional distribution of capabilities solely on the basis of military prowess creates a distorted picture of regional rupture. A high socioeconomic level, on the other hand, is attractive. Regional states tend to build links with a wealthy neighbour, which increases regional cohesion.

### ***Regional leadership***

In conceptual terms, it is important to differentiate regional power from regional leadership: while the former is necessarily a control operation, the latter presupposes the generation of consent. While regional power, based on the distribution of military capabilities, is inherently divisive, regional leadership depends upon attracting the neighbours toward a cohesive regional project.

It is quite remarkable how often the most powerful state in a region is not the *leading* state in the sense of providing leadership; indeed, it would appear that the type of regional superiority—primacy, dominance or supremacy—enjoyed by the regional power is only one half of the regional equation. In order to get the complete picture of regional dynamics, we must take account of the attitude of neighbouring states. Three possibilities exist: a regional power's primacy/dominance/supremacy could be acknowledged by the neighbouring states, contested by them, or else be an extraneous or irrelevant factor in regional dynamics. The other important point about the reactions of the respective neighbouring states is their context-specificity. Friendships can get converted into rivalries, and vice versa.

## **Theories**

In international politics, states get together to aggregate power, solve common problems, build a community, or some combination of the three motivations. Each of these motivations is suggested by—and suggestive of—a different theoretical orientation in IR. Realists, for whom the dominant metaphor of international life is war, necessarily focus on questions of power and security. All states

are constantly looking over their shoulders at the states around themselves. States fear their neighbours most of all because military threats are most credible and effective over short distances. Thus, from a realist perspective, one of the fundamental impediments to a breakthrough in India-Pakistan relations, which is essential for regional integration, is the power asymmetry that exists between the two states. Any comprehensive solution would have to address Pakistan's fundamental security concerns, since it is the weaker of the two states. Overt nuclearisation could therefore be a solution rather than a problem: Nuclear weapons give Pakistan strategic parity with India and thereby nullify the power asymmetry between Pakistan and India.

Liberal institutionalists argue that realists overplay the security dilemma in world politics. For them, international life is not so much about life-and-death circumstances as bread-and-butter issues. Trade, not war, is their dominant metaphor. The basic issue in world politics is: Given our interdependence, how do we cooperate? Whether they like it or not, states that share a regional

neighbourhood are interdependent, since any action of one state would have an inevitable impact on the other. The challenge is to discover complementarities, to build virtuous cycles of cooperation, to bind the two states ever closer in interdependence. Thus, from a liberal perspective, a gas pipeline connecting Iranian supplies to the Indian market via Pakistani territory would be a good way to initiate a virtuous cycle of mutual cooperation between India and Pakistan.

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## THE CHALLENGE IS TO DISCOVER COMPLEMENTARITIES, TO BUILD VIRTUOUS CYCLES OF COOPERATION, TO BIND TWO NEIGHBOUR STATES EVER CLOSER IN INTERDEPENDENCE.

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Constructivists argue that both realists and liberal institutionalists miss the main point. The basic issues of world politics are those of identity and interests. States discover their interests in the process of constructing their identity in relation to other states. Thus, from the constructivist perspective, Pakistan fears India because it views India as the enemy. Constructivists suggest that if India and Pakistan were friends, the asymmetry of power in favour of India would not be an issue for Pakistan; clearly, it is not an important factor for Bhutan. For a breakthrough between two enduring rivals, they must engage in the slow and perhaps painful process of refashioning their mutual identities. India's abstention from the brutal civil war in Sri Lanka after the assassination of a former Indian prime minister was a critical factor in the positive transformation of India-Sri Lanka relations. Bold new leadership and generational change would be key factors in any such process. Peace processes, in particular, strengthen the refashioning of identities. A concrete example of this in the India-Pakistan context is the Two Punjabs phenomenon and the rediscovery of *Punjabiyat* (Punjabi-ness).

Clearly, each of these theoretical orientations provides useful insights into why states need a regional policy. None, it would seem, can provide the complete answer. In terms of the concepts explored in the previous section, realism emphasises a form of hard control (coercive regional power that relies on military capability), liberal institutionalism focuses on soft control (attractive regional power based on economic growth) and constructivism privileges the generation of consent through identity transformation. A wise regional policy, then, would be one that brings some measure of equipoise between the often contradictory pulls of security, prosperity and identity.

## Regions

What is India's regional setting in terms of geographical boundaries, historical evolution, cultural characteristics and power dynamics? India's neighbourhood is made up of three interlocking components: (1) While India dominates its region, its dominance is severely contested, particularly by Pakistan; (2) as a consequence, India's region is neither internally peaceful nor externally cohesive; and (3) China, although an extra-regional player, now rivals India for influence in India's neighbourhood and may well end up exercising significant regional leadership in South Asia. An additional, and complicating, current component is the presence of American forces in the Af-Pak area, which places some extra pressures upon Indian neighbourhood policy. Other than the United States and China, there are no other plausible extra-regional actors in the South Asian region.

In military terms, India clearly dominates its region. India's population is 2.8 times larger than that of its neighbouring countries, and its GDP and military expenditure are four times as large as those of its regional neighbours. India's military and paramilitary forces vastly outnumber (1.6 times) those of its neighbours, as do the weapon systems and platforms in its arsenal. However, India's depressingly low socioeconomic level remains its enduring weakness. Despite its enormously larger land area, population and GDP, India's consistent socioeconomic underperformance, both in absolute and relative terms, explains why it does *not* enjoy regional supremacy: While none of its neighbours—not even Pakistan—can convincingly challenge India's domination of South Asia, they are nevertheless unwilling to concede regional leadership to India.

Since the India-Pakistan war of 1971, which led to the creation of Bangladesh, South Asia as a region has remained prey to structural insecurity. The Indo-centric nature of South Asia is a fact of history and geography, a structural element that India cannot avoid and its neighbours cannot afford to ignore. Geographically, India forms the core of South Asia, and its neighbours, the periphery. The formal entry of Afghanistan into the South Asian Association for Regional Cooperation (SAARC) in April 2007 is significant, among other reasons, because it brings into the region a country that does *not* share a border with India. Earlier, while India had shared borders with each of the other countries in the region, none of its neighbours had shared a land border with any South Asian country other than India.

Since Indian hard power far outweighs the collective power of *all* its regional neighbours, the other countries of South Asia have often resorted to external balancing—seeking extra-regional intervention—which India has always resolutely opposed. Until Pakistan's nuclear tests in June 1998, there seemed to be no way out of this security dilemma. However, by gaining strategic parity with India, Pakistan has shattered the structural insecurity that has plagued South Asia and opened the possibility of durable peace in the region. Pakistan has so far opted to use its strategic parity with India—and its supposed perpetual security from the Indian threat—to wage asymmetrical war by pursuing a low-cost and moderately effective strategy of supporting insurgent and terrorist groups against India. Thus, India-Pakistan antagonism is distinct from the structural insecurity problem outlined above. India's conflict with Pakistan has its roots in ideology and identity rather than in an asymmetry of power. While 1947 is the problem year in Indian historiography, 1971 is the year of shame for Pakistan.

There are a number of other factors standing in the way of regional peace. Throughout South Asia, radical ideas are permeating religious groups. While most pronounced in Islamic communities, this

phenomenon is present in all religions. Most of the countries of South Asia also face centrifugal and fissiparous tendencies, often as a result of years of misgovernment and maladministration. Finally, many South Asian countries suffer from the violence of groups wishing to overthrow the state for ideological reasons. What is notable regarding these factors is the extent to which they, although supposedly *internal*, invariably involve neighbouring countries. While India has a multitude of internal security concerns of its own, its central location in the region ensures that it cannot isolate itself from the spillover effects and explicit linkages that arise from the internal security challenges of its neighbours. Furthermore, there is little or no security cooperation between the countries of South Asia to deal with these security threats, challenges and concerns.

India's neighbourhood, hopelessly divided internally, does not cohere externally either: The countries in the region do not have either a shared sense of vulnerability or a coalesced sense of regional identity. The Partition of India introduced a zero-sum political logic in the way India and Pakistan, the two successor states to British India, viewed the external world. Indeed, no external presence in the region has ever been perceived by either state similarly.

Over the last three decades, China has built strong political and economic links with nearly all of India's neighbours. While India has failed to present a feasible regional vision and invest in it, China has worked in a systematic and piecemeal manner to create an alternate incentive structure for India's neighbouring countries. The net result, by Chinese design and Indian default, has been to tie India within a regional framework that is inimical to India's interests and ambitions. It is only since 2005 that India has begun to focus on the importance of taking the lead in establishing regional infrastructure projects, a change that has coincided with India's emergence as a major player in international politics and the world economy. Important initiatives, like the setting up of the South Asian University in New Delhi, have been too little too late, but India must still seek to leverage its soft, attractive power to invest in regional infrastructure projects wherever feasible.

India perceives its neighbourhood not as a launch pad but as a drag anchor. This explains why India is now seeking to 'break out' of its region and find new regional frameworks involving both sub-regional as well as super-regional (i.e., pan-Asian) cooperation. India has started moving in several directions simultaneously. Firstly, it is emphasising the bilateral cooperation route, the most significant example being the India-Sri Lanka Free Trade Agreement which underscores Sri Lanka's high comfort level vis-à-vis its much larger neighbour. Secondly, India is now putting considerable diplomatic energy into sub-regional initiatives like the Bangladesh, China, India and Myanmar Forum for Regional Cooperation. Thirdly, an 'extended neighbourhood' that includes Central Asia and Southeast Asia is another novel notion in Indian policy. In naval terms, this implies a strategic perimeter extending from the Strait of Hormuz to the Strait of Malacca. Finally, the most exciting game for India is at the pan-Asian scale. India is beginning to emerge as a factor and player in continental contexts. As its gaze shifts to rising China, the key bilaterals for New Delhi could become those with Tokyo, Canberra, Jakarta and Hanoi. Thus, India could finally transcend South Asia in the coming decade. The importance of having a sound neighbourhood policy will remain.

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### **INDIA PERCEIVES ITS NEIGHBOURHOOD NOT AS A LAUNCH PAD BUT AS A DRAG ANCHOR.**

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## Conclusions

This chapter raises a number of important questions: What is a ‘better’ pathway to regional security—promoting regional peace and stability, or finding the most effective route to regional dominance? Does the regional context determine the neighbourhood policy pathway? Or is a state’s neighbourhood policy in some ways unrelated to the constraints imposed by the regional power configuration? Two factors proposed by realism and liberalism respectively—military capacity and socioeconomic levels—determine the relative capability of a country within its own region. However, a third factor, suggested by constructivism, that has an impact on a country’s neighbourhood policy are the patterns of regional enmity and amity, themselves a product of past history and current policy. The India-Pakistan relationship remains hostage to history: perceptions about the past continue to place a limit on possibilities for the future. Seen in this light, it makes little sense to talk about a ‘better’ route to regional security, since policy breakthroughs are only one element in a complex web of factors, regional and extra-regional, that define the core dynamics of a region. However, to state the above is not to suggest that policy choices do not matter. The constraints imposed by structural factors, such as the regional power configuration, the role of extra-regional powers and the perceptions of neighbouring states, may seem overwhelming, but they are not insuperable. Perceptions may constrain policy, but policy can alter perceptions.

**The constraints imposed by structural factors, such as the regional power configuration, the role of extra-regional powers and the perceptions of neighbouring states, may seem overwhelming, but they are not insuperable. Perceptions may constrain policy, but policy can alter perceptions.**

On the face of it, India is a prisoner of its regional context. The India-Pakistan relationship remains one of enduring rivalry, enemy imaging and zero-sum calculations. This situation is unlikely to change any time soon. But even in this extreme case of regional constraints, it would appear that policy has a positive role to play. Over the years India has resorted to different strategies to enhance its regional security, fluctuating from bullying tactics (a virtual blockade of Nepal in the late 1980s) on the one hand, to offering unilateral concessions (resolving a river waters dispute with Bangladesh on extremely generous terms) on the other. Vis-à-vis Pakistan, India’s policy has fluctuated between extreme belligerence (the nuclear tests of May 1998) and a genuine desire to bury the hatchet (Prime Minister Atal Bihari Vajpayee’s bus journey to Pakistan in February 1999). Thus, even in the constrained context of South Asia, there is a role for policy initiatives aimed at breaking the regional deadlock.

To return to the question in the title, why engage in a neighbourhood policy? Henry John Temple, 3rd Viscount Palmerston, Prime Minister of the United Kingdom during 1855-1858 and 1859-1865, famously said: “We have no eternal allies and we have no perpetual enemies. Our interests are eternal and perpetual, and those interests it is our duty to follow.” Although Palmerston’s dictum is still cited as an iron rule of foreign policy, it is distinctly jaded in the contemporary context. The evidence provided by the growth of regional cooperation is compelling: The deep meaning of regional integration is *permanent friendship* between neighbouring countries. In contrast, an unintegrated region is organisationally primitive and yields suboptimum outcomes. So there is great wisdom in Modi’s ‘neighbourhood-first’ policy.

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Strengthening historical, cultural linkages:  
Modi with his Chinese counterpart Xi Jinping at  
Big Wild Goose Pagoda in Xian (May 14, 2015)

MEAPHOTOGALLERY/ FLICKR

# India's China Policy under Narendra Modi: Continuity and Change

ALKA ACHARYA

# T

he People's Republic of China is not just India's most significant neighbour, but with a GDP of approximately \$10 trillion (as against India's \$2 trillion approximately), is also the world's second largest economy. Its GDP per capita is nearly six times higher than that of India and since 2012, the country has been the world's third largest investor. Although much of the international relations discourse speaks of the two Asian giants as the defining powers of the 21st century, a closer look at their overall profiles reflects a rather asymmetrical picture in terms of their respective capabilities and achievements, and the comprehensive yawning gap that separates them. The military expenditure in China and India constitutes 4.3 percent and 2.5 percent of their GDP respectively, but the size of China's indigenous defence industry is comparatively much bigger.

As a significant rising power with divergent interests all over the world, China's global footprint is far larger than India's. Moreover, its economic and politico-strategic presence in Asia, specifically in India's immediate neighbourhood, has now become the chief strategic concern for Indian policymakers. In both the economic and strategic contexts, the considerable asymmetry between them on the one hand, and China's increasing capacity to become an agenda-setter in India's surrounding environs on the other, constitute one set of defining features of the overall milieu in South Asia and frame the most critical challenge for Indian foreign policy.

At the same time, over the past two decades, India-China relations have been continuously moving on the path of normalisation and have undergone a significant transformation. The macro policy framework has been fairly steady since the late 1980s, characterised by expanding spheres of engagement, while reserving differences. The contested boundary is no longer the sum and substance of the relationship, though legacies of the border conflict persist, as reflected in the writings of the strategic/security community. And yet, there has been an appreciable reduction in the levels of tension and uncertainty, a substantial expansion in the mediatory mechanisms and inter-governmental dialogues to address the bilateral contentious issues, and most significantly, a record jump in two-way trade.<sup>1</sup> Since the end of the bipolar world order and, in particular, since the turn of the century, this relationship also started to regain a position of centrality in the context of China's relations with South Asia.

This transformation has been underpinned by a consistent political commitment at the highest levels—regardless of which government has been in power in India—to manage the competitive aspects, promote coordination on regional and global issues of common concern and interest, and build a “strategic and cooperative partnership.” It is instructive that this highest-level political commitment has stayed on course despite the existence of a boundary dispute and the absence of a mutually agreed line of actual control, across which frequent transgressions occur from time to time and which tend to vitiate the overall atmosphere by intensifying mutual suspicion and mistrust. While this contested boundary can be likened to India’s “Achilles Heel,” it has reached what may be described as a *post-conflictual* stage, where force is highly unlikely to be used to settle the problem. For China as well, the uncertainty is a source of tension, although arguably, its superior infrastructure and greater military deployments right up to the boundary, place it in a somewhat more advantageous position.

Trade and economic ties represent the most dynamic, as also the most rapidly transforming and transformative aspect of the India-China relationship, even as it has been generating some vital (and some misplaced) concerns. China’s superior manufacturing strengths and industrial capacity, for instance, have led to a trade deficit in China’s favour to the tune of nearly \$35 billion and is invariably perceived in India as a situation that works only to China’s advantage.<sup>2</sup>

## **The Inauguration of NDA II: Some Continuity and Some Change**

Domestic economic reforms and development dominated the campaign agenda of the Bharatiya Janata Party (BJP) in the 2014 general elections. Foreign policy issues or challenges, or country-specific concerns, did not figure significantly in the campaign, with a few memorable exceptions. For instance, in a lecture on ‘India and the World’ in October 2013, the BJP’s Prime Ministerial candidate Narendra Modi made three significant points: First that “[w]e could not let China dominate India in foreign policy matters”; second, that “the time [had] come for foreign policy to be driven by people not politicians”; and third, that “it [was] time to leverage our cultural strengths to drive foreign policy.”<sup>3</sup>

Such positions taken by the prime ministerial candidate in the campaign mode, typical of the strong nationalistic posturing on China and Pakistan taken by every party in opposition, raised some nationalistic-chauvinist sentiments, but not many eyebrows. A few commentaries suggested approvingly that a BJP-led government would take a tougher stance vis-à-vis China on the boundary dispute. However, it was broadly understood that Indian foreign policy under the National Democratic Alliance (NDA) II

would be predominantly shaped by the domestic agenda of economic development and modernisation. This has been borne out over the course of Modi's first year in office—in all the sixteen foreign visits he conveyed an unambiguous message: that India was ready for its great opening to outside capital, technology and investment. His first series of visits in the neighbourhood pointed to his government's intention to reconfigure India's regional relationships and to set the foundations for emerging as the driver of economic change in South Asia. Stable neighbourhood relations and a proactive foreign policy would be the basis for India's own rise.

Shortly before and after the new government took charge in May 2014, two major “border incursions” had marred two major visits of Premier Li Keqiang (May 2013) and President Xi Jinping (September 2014) respectively. Nonetheless, India-China relations were on the whole on even keel—if not moving very dynamically—and offered tremendous scope for expansion of bilateral and multilateral cooperation, especially in economy and trade.

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### **WHILE THERE HAS BEEN NO MOVE TO REINVENT THE WHEEL THAT IS INDIA-CHINA TIES, MODI HAS PUT 'BRAND INDIA' AT THE FOREFRONT OF THE CHINESE GAZE.**

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the crucial role China could play in India's development and modernisation as also in building up the linkages at the provincial level in China. Simultaneously, Chinese confidence in Modi was also built up during this time—the experience of businesses investing in Gujarat under his aegis was quite satisfactory.<sup>4</sup>

Modi's first visit to China as prime minister, which also marked the end of his first year in office, constituted a fair amount of continuity and some noteworthy changes. On the whole, there has been no move to reinvent the wheel. Rather, as mentioned earlier, the new government has chosen to build on the basic framework that has been in place since the late 1980s, viz., of expanding the areas of convergences and promoting cooperation while reserving differences. This can be taken to convey a categorical intention, on both sides, to hold on to their respective claims even as they continue the political dialogue to reach a settlement of their “outstanding differences.” But there are also some new elements as Modi has succeeded in imparting a new emphasis and injecting a greater momentum to the ties.

The significance of Xi's rare gesture of going out of Beijing to spend a day with Modi in Xian dominated the Chinese media and was celebrated by commentators. The predominantly cultural and religious backdrop that Xian provided was a perfect foil for the Modi government's emphasis on India-China historical and civilisational linkages. Though these have always figured in almost all the speeches of visiting leaders from both sides, Modi has foregrounded the historical, cultural and civilisational dimension in a way that it may well emerge as one of the key pillars of the relationship in addition to the economic and the politico-strategic. This could certainly contribute to broadening the people-to-people dimension if promoted systematically and determinedly.

Interestingly, the new prime minister already has a history of engagement with China. As Gujarat's chief minister, Modi was possibly the first of the state-level leaders to proactively seek out Chinese investment and trade. He visited China thrice—in November 2006, September 2007 and November 2011—which proved extremely useful in convincing him about

Significantly, after a long time an Indian leader spoke so frankly—and publicly—about the vexed boundary dispute while on Chinese soil, evident from his statement that China should reconsider some of its positions and look at the dispute from a strategic and long-term perspective. But equally, he spoke of the need to move on, and move forward. It was clear that his utterances in Beijing were intended to reach beyond China and India—there is no doubt that across Asia most people would have welcomed the message of the new government's continuing commitment to India-China cooperation.<sup>5</sup>

A prominent push for investment and trade was also made—this could well be the defining economic partnership in the Asian matrix if it takes off. Modi has put 'Brand India' at the forefront of the Chinese gaze. But that was the easy part. The \$20 billion question is when, and how soon, the Indian domestic and other structural reforms, especially the land reforms, required to encourage foreign investment will be realised. Only then India-China economic ties can begin their long march towards mutual benefit and enrichment.

Interestingly, Modi made China (clubbed with visits to Mongolia and South Korea) his last foreign visit during his first year in power. Possibly, he wanted to see whether the response he received in other major power centers of the world, as also the outcomes of those visits, would have some impact on the kind of stance China would take on various issues. Possibly, he was still trying to finesse his approach to China, well aware that the unfortunate "incursion" that had occurred during Xi's September 2014 visit to India had left a rather negative impression on most Indians.

The challenges in managing this hugely asymmetrical relationship are not lost on the Indian prime minister. He has to craft and promote his China policy against the background of this asymmetry, considering that the Chinese role in the Indian developmental trajectory could well be a game-changing one. There will also be the domestic constituencies, which may take the opportunity to castigate and attack the NDA for 'going soft' on China. Finally, the single biggest challenge for Modi will be to fashion a balanced and nuanced strategy towards a rising China, which is rapidly demonstrating its capacity to set the political, economic and security—and now with the One Belt, One Road initiative, the long-term strategic—agenda in Asia.

Arguably, Modi's visit to China could well prove to be the most significant of all his sixteen foreign visits during his first year in office. The contention here is that China will determine India's relationships with all the major powers. With a number of strategic writings having anointed India the capabilities of a 'swing state,' there appears to be a degree of flirtation with the Asian geopolitical dynamics against the backdrop of concerns about China's growing power. This became apparent during Modi's visits to Japan, and the United States and other western democracies. But it needs to be seen how adept the NDA II will be in balancing its relations with the major powers—specifically if the contradictions in the triangular dynamics of China, Japan and the US get sharper.

## **Problems and Possibilities**

The China-Pakistan "all-weather" friendship and the boundary dispute are easily the most formidable headaches in the India-China relationship, although there could be some difference in perception as to which of the two is the more significant problem. Intrinsic to the latter is also the issue of Tibet. The

presence of the Dalai Lama and the Tibetan government-in-exile inflames the Chinese insecurities as no other issue, and despite the official Indian position, which upholds Chinese sovereignty over the Tibet Autonomous Region, suspicions within the Chinese security establishment about India's intentions are rife. The India-China 'strategic partnership' to that extent lacks conviction and substance since the strategic chasm on these counts is evident.

Unresolved for over five decades, the ease with which the boundary dispute disrupts the normal rhythms, arguably more on the Indian side, and intensifies the distrust, was demonstrated during Xi's visit to India in September 2014, when Chinese troops as well as civilians intruded across the Line of Actual Control (LOAC) in the Ladakh sector.<sup>6</sup> Inexplicable as it may seem because of its timing during the Chinese president's visit, it underlined the unpredictability of widely different perceptions about the LOAC, even as it imparted credibility to the mechanisms set up to resolve precisely such situations. While acknowledging that the current approach has served the need to manage the dispute through dialogue, the continuance of the dispute and consequently the periodic inflammations and the dire scenarios that are projected in and by the media have a negative effect on public perceptions. Invariably, political parties tend to amplify the perceived threat, which in turn reduces the manoeuvrability of the government of the day in pushing for a settlement, which will clearly involve a give and take.

Insofar as the China-Pakistan nexus is concerned, the Indian misgivings go deeper. In the opinion of Chinese scholars, compared "with single pillar policy [i.e., Pakistan] in the past years, now China's South Asian relations [have been] upgraded to parallel and multiple pillars."<sup>7</sup> However, given the international ramifications of the terrorist operations in Pakistan, it is being seen as the "epicenter of international terrorism."<sup>8</sup> Chinese interlocutors, in their interactions with their Indian counterparts, have often shared their concern with regard to the rise of Islamic militancy in Pakistan. It is likely that with regard to their own problems with Islamic militants, who are trained in Pakistan or who have availed of sanctuaries there and who seek to operate in Xinjiang, the Chinese have enlisted the support of Pakistani authorities to curb or eliminate them, thus reducing dangers to themselves.<sup>9</sup>

With regard to anti-Indian terrorist actions sourced in Pakistan, Chinese postures appear to have been, at best, one of moral ambivalence and, at worst, not very friendly to India. Moreover, Chinese actions on the ground in Pakistan Occupied Kashmir, where investments in infrastructure are being undertaken, is in strong contrast to the Chinese view of Jammu and Kashmir, where a narrow legalistic view is being taken—that it is a territory under dispute—glossing over the fact that it is under Indian sovereign control and administration. The nature and quality of China-Pakistan relations over the years, which have seen China's assistance to Pakistan to develop nuclear weapons and their means of delivery, along with what is mentioned above, are perceived as more sensitive to Pakistani sensibilities and as undermining Chinese claims that its relations with Pakistan are not at the cost of India. Undoubtedly, we are still far away from developing any semblance of 'security interdependence' in the subcontinent.

To these hardy old perennials—the boundary dispute and the China-Pakistan nexus—some newer irritants can be added: Issuing stapled visas to Indians traveling to China from Arunachal Pradesh and China's reported attempts to choke off India's water supply by building a dam across the Yarlung Tsangpo in Tibet (Brahmaputra when it comes to India). Then there are those problems, which could be described as belonging to the seasonal variety or those emerging during a specific context, involving some aspect of security, as was the case with the proposed entry of the Chinese telecom major Huawei

into the Indian market. The list could be expanded to include Chinese activities in the border regions abutting India's Northeast states and in the Indian Ocean.

Notwithstanding the obduracy and complexity of some of the problems, it is instructive that the relationship has progressed, diversified and deepened. A fact often glossed over by most analysts and the media is that with no other country has India signed as many declarations and official joint statements as it has with China. If the 30 meetings between the former Prime Minister Manmohan Singh and his Chinese counterparts over a decade were cited as proof of steadily strengthening ties, then five meetings in just over a year have already taken place between Modi and Xi, which augurs equally well. It is possible to argue that India-China relations are currently in their best phase since 1962.

This assessment is based on the hypothesis that the current phase is a period of strategic opportunity for both, given their need to prioritise the domestic agenda of development and modernisation. It is also instructive that the *Annual Report 2014-15* of the Ministry of Defence of the Government of India, in the section on 'Regional Security Environment' cites the mutual agreement on "peace and tranquility on the border (as) an important guarantor for the development and continued growth of bilateral relations." It is important to keep a close watch on China, says the document, but does not cite it as a threat.<sup>10</sup>

Both Xi's visit to India in September 2014 and Modi's China visit in May 2015 have been underpinned by the recognition that Chinese and Indian "developmental goals are interlinked and should be pursued in a mutually supportive manner,"<sup>11</sup> and that the growth processes are mutually reinforcing. This has provided a new rubric—the India-China "developmental partnership"—which will now be the core component of the "Strategic and Cooperative Partnership." Hard-nosed geopolitics or zero-sum calculations will only detract from this objective, since it would effectively limit the scope of economic engagement.

It is welcome news that China has committed to the establishment of two industrial parks in the states of Gujarat and Maharashtra and will endeavor to realise an investment of \$20 billion over the next five years in various industrial and infrastructure projects in India. The said projects include four areas connected with the upgrading of the Indian Railways. Cooperation in several other areas relating to institutional dialogues on economic and financial matters, promotion of civil nuclear energy, culture, youth exchanges, tourism language teaching and the establishment of Provincial/State relations have also been envisaged in the 2014 Joint Statement. This should, over a period of time, lead to the emergence of vested interests within business quarters in both countries. As the China-US economic engagement has demonstrated, these interest groups constitute the most effective bulwark in cooling the inevitable geopolitical temperatures, amidst the power fluctuations of a rapidly transforming international order.

## **Where Do We Go From Here?**

China unarguably offers an immense opportunity. India is surrounded by countries and regions that are benefiting by it. There is no question that we should be—as we probably are—charting our way to both manage the challenges and realise the possibilities of engaging with China. The options we have, or look at, depend on how we understand the nature of Chinese power. The dominant perspective or interpretation of a rising China, which is an assertive/aggressive China, needs to be studied and analysed with greater rigour, so that appropriate policy conclusions may be drawn. With an unfinished

developmental agenda, China would still be fundamentally defensive in orientation, even as it seeks to take on a greater role in world affairs.

Second, China's 'grand strategy' of the Belt and Road will require active participation from all the countries involved – it will certainly be looking at ways of softening potential opposition from India. But it may run into a serious roadblock here. Within India there is little belief in any evenhandedness on China's part regarding the India-Pakistan dispute on Jammu and Kashmir. Now the proposed China-Pakistan Economic Corridor (CPEC)—which is an extremely important segment in the Belt and Road Initiative (BRI)—is generating serious concerns in India. Worse, it may negatively affect the momentum on the The Bangladesh-China-India-Myanmar Forum for Regional Cooperation Economic Corridor as well, which would be nothing short of tragic for the developmental prospects of India's Northeast. At the same time, it is very important to understand that a posture of indifference or aloofness would be tantamount to reducing oneself to a passive bystander as a large number of countries across Asia have actually welcomed the proposals. India would also have to take on board the fact that notwithstanding the concerns of some countries regarding the BRI, this plan could well forge strong partnerships in Asia. Some unconventional ideas will have to be considered, which could lead to building up Indian stakes in the infrastructure construction all around us, including the CPEC. Assessing the various routes and corridors from the perspective of our interests and selective involvement can work for our benefit.

Third, China is not invincible—there are major domestic challenges and many social issues, which threaten to undermine the stability that is the priority task for the Communist Party of China. While there are undoubtedly both competitive and cooperative dimensions to the India-China engagement, both countries will need to transcend this somewhat limited and unimaginative framework.

Fourth, both China and India recognise the importance of this relationship as the bedrock of Asian stability and resurgence, and will have to engage with each other out of necessity, as a divided Asia will be to neither's advantage. Additionally, both countries have begun to interact with each other on a variety of multilateral platforms. The Shanghai Cooperation Organisation is one such, which offers numerous opportunities for a cooperative agenda, not just in terms of the trade and energy issues, but also in view of the new threats to security, chiefly terrorism. Here, both India and China share an interest in maintaining stability—a common sense approach would suggest that India does not necessarily have to suspect or oppose Chinese moves in this regard. In fact moving closely with China in Central Asia may generate greater understanding of our respective stands in the matter. The process of establishing alternate economic and political structure and institutions in Asia has begun. Multilateral security frameworks are also under consideration. There is talk of refashioning the existing undemocratic international politico-economic architecture. India needs to be part of this new emerging discourse, and talking actively with China on these issues cannot be wished away.

Fifth, under the Modi government, India aspires to become the economic driver of regional integration in South Asia, which is already dotted with substantial Chinese contributions to developmental projects. And yet, it can be safely asserted that China would not do well in the longer run without India playing an active, positive and partnering role. China could significantly contribute towards bringing about development, growth and modernisation opportunities to South Asia, but this would have to be done in tandem with India, not just pragmatically, but also strategically.

Finally, if the conversation between India and China has to be meaningful and productive, it has to be encouraged across the spectrum—ideas and energies of scholars, intellectuals, students, culture personnel, entrepreneurs, professionals and the general citizens in both countries have to be actively facilitated by the state by easing irrational strictures on such movement at present.



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- 1 According to the Ministry of Commerce & Industry figures, India-China bilateral trade in 2014 amounted to \$71 billion approximately. “Trade between India and China,” Press Information Bureau, Government of India, August 13, 2014, <http://pib.nic.in/newsite/PrintRelease.aspx?relid=108614>.
- 2 There has been a decline in bilateral trade to the tune of almost 10% since the high of 2011, which brought the level total trade to \$66.57 billion in 2013-14. “Trade and Commercial Relations,” Embassy of India, Beijing, <http://www.indianembassy.org.cn/>. This decline has been due in large measure to the fact that India imported three times as much as it exported and investments remained low. In 2012 there still were no direct flights between Beijing or Shanghai and Mumbai, the commercial hub of India.
- 3 “Can’t Allow China to Dominate India, We Need to Take Ourselves Seriously: Modi,” *The Indian Express*, October 19, 2013, [http://archive.indianexpress.com/news/cant-allow-china-to-dominate-india-we-need-to-take-ourselves-seriously-modi/1184413/0](http://archive.indianexpress.com/news/cant-allow-china-to-dominate-india-we-need-to-take-ourselves-seriously-modi/1184413/).
- 4 Jonathan Ward, “Chinese Analysts Interpret Modi’s New India,” China Brief 14, no. 12, Jamestown Foundation, June 19, 2014, pp. 6-9, <http://www.jamestown.org/programs/chinabrief/single>; Sheela Bhatt, “China is investing in Modi’s ego,” Rediff.com, September 15, 2014, <http://www.rediff.com/news/special/china-is-investing-in-modis-ego/20140915.htm>.
- 5 All documents pertaining to the visit can be accessed at <http://www.meaindia.gov.in/bilateral-documents.htm>.
- 6 D.S. Rajan, “The Meaning of Latest Chinese Transgression in Ladakh, Ahead of Chinese President’s Visit to India,” SAAG, Paper No. 5790, September 18, 2014, <http://www.southasianalysis.org/node/1617>.
- 7 Ye Hailin, “China and South Asian Relations in a New Perspective,” 2008, [http://www.eaber.org/sites/default/files/documents/IAPS\\_Hailin\\_2008.pdf](http://www.eaber.org/sites/default/files/documents/IAPS_Hailin_2008.pdf).
- 8 Varghese K. George and Yashwant Raj, “Pakistan Epicentre of Terrorism: Tone Down Expectations from Talks: PM,” *Hindustan Times*, September 27, 2013, <http://www.hindustantimes.com/world-news/pak-epicenter-of-terrorism-tone-down-expectations-from-talks-pm/article1-1128042.aspx>.
- 9 Sanchita Bhattacharya, “Xinjiang An Important Determinant In Sino-Pakistan Relations,” South Asia Monitor, December 2, 2014, <http://southasiamonitor.org/detail.php?type=sl&nid=9772>.
- 10 “India remains conscious and watchful of the implication of China’s increasing military profile in our immediate and extended neighbourhood, as well as the development of strategic infrastructure by China in the border areas. India is also taking necessary measures to develop the requisite capabilities to counter any adverse impact on our own security.” Annual Report 2014-15, Ministry of Defence, Government of India, p.6, <http://www.mod.nic.in/writereaddata/AR1415.pdf>.
- 11 “Joint Statement between the Republic of India and the People’s Republic of China on Building a Closer Developmental Partnership,” Ministry of External Affairs, Government of India, September 19, 2014, <http://meaindia.gov.in/bilateral-documents.htm?dtl/24022>.

INDO MYAN

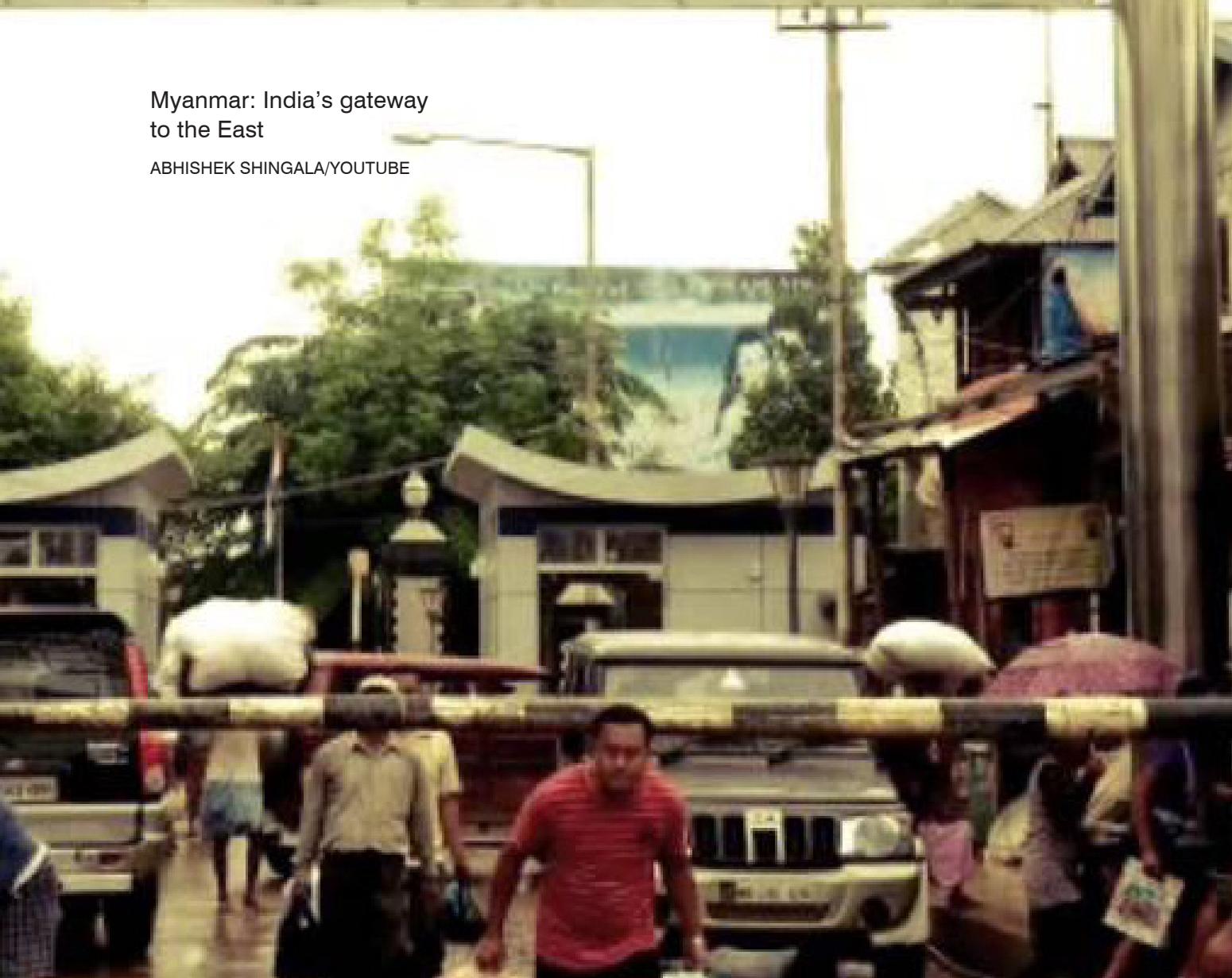




# MAR FRIENDSHIP GATE

Myanmar: India's gateway  
to the East

ABHISHEK SHINGALA/YOUTUBE



# Modi's 'Act East' begins in Myanmar

K. YHOME

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India's ties with Myanmar have been shaped by a shared geography, history and culture. Sharing long land and maritime boundaries, developments in Myanmar have immense implications for India. Myanmar is strategically vital to India, for both internal and external reasons. New Delhi's approach towards Myanmar has consequently been an outcome of this reality. A key political objective of New Delhi is to ensure that Naypyidaw remains strong and prosperous, as this allows it to maintain 'neutrality' in foreign relations. As a land bridge to the resources and markets of Southeast Asia, India's vital economic objectives are in partnering with Myanmar in search for greater connectivity. For border security and development of India's Northeast, Myanmar's role is critical and thus a major goal of New Delhi has been to seek cooperation and collaboration with its eastern neighbour to this end.

India-Myanmar relations have witnessed phenomenal progress in recent years. This is reflected in the growing political, security and economic interactions between the two neighbours. Myanmar's adoption of democracy after a long period of military dictatorship and India's renewed push to strengthen ties with its neighbours has further created new areas for cooperation. The thrust towards growing mutual trust and understanding between the two countries is visible in the increased frequency of high-level political and defence exchanges. Economic ties have also expanded in various sectors. The achievements so far have paved the way for the two neighbours to take their relationship to a higher level. The huge potential

in scaling up economic interactions, enhancing border security and tapping their rich sociocultural linkages are emerging as the focal point of the bilateral ties. It is within this context that Prime Minister Narendra Modi's major policy initiatives have come at a critical time, which have the potential of redefining the India-Myanmar relationship.<sup>1</sup>

Underlying the strategic significance of Myanmar to India, Modi told Myanmar's Foreign Minister U Wunna Maung Lwin, who called on him on 15 July 2015 in New Delhi, that "India attached the highest priority to its relations with Myanmar."<sup>2</sup> Further, he reaffirmed "India's position as a reliable partner in Myanmar's development" and called for deepening the bilateral relationship in all areas. During his visit to Naypyidaw in November 2014, Modi met Myanmar's President U Thein Sein and emphasised stepping up ties in the areas of culture, commerce, and improving regional connectivity to boost trade and increased people-to-people contacts. Myanmar's Senior General U Min Aung Hlaing, Commander-in-Chief of Defence Services, visited India in July 2015, and met Modi and other top defence officials. During his meeting with Modi, Hlaing expressed his appreciation of "India's role as a reliable development partner" and reiterated his "commitment to deepen defence and security engagement with India, including in the maritime security domain."<sup>3</sup> Importantly, the first India-Myanmar Joint Consultative Commission (JCC) meeting, led by foreign ministers of both countries, was held on 16 July 2015, signalling greater seriousness at the top political level.<sup>4</sup>

One way of examining India-Myanmar ties under the current government is to find out where Myanmar stands in Modi's major policy priorities and initiatives. Five major policy initiatives of Modi ensure that Myanmar will remain high in India's regional diplomacy. These include the 'Act East' policy, the 'Neighbourhood First' policy, the 'Buddhist circuit' initiative, greater emphasis on regional connectivity and a mandate to strengthen border security.<sup>5</sup> In each of these initiatives, Modi is aware that Myanmar can play an important role.

### **Act East**

One of the major foreign policy pronouncements of Modi since coming to power has been the ramping up of 'Look East' to 'Act East' policy. He used the 12th India-ASEAN summit held in Myanmar in November 2014 to unveil the new policy.<sup>6</sup> The time and place chosen to launch it could not have been better. Modi recognised that the Bay of Bengal region is where the East starts for India, underlined the point that Myanmar and Southeast Asia are at the core of the new policy, and reiterated Myanmar's importance as the land bridge between India and Southeast Asia. The event was also a reconfirmation of the fact that traditional notions of regions are undergoing drastic changes as dividing lines disappear rapidly in the era of globalisation and as global power politics shift to the Indo-Pacific.

It is within this context that the importance of Myanmar in Modi's renewed focus on the Indo-Pacific region becomes critical. Geopolitical dynamics in the Indo-Pacific region have been changing rapidly as strategic competition intensifies between China and the United States for influence, access to new markets and resources. Even as India has taken a backseat in the emerging geopolitical play in Myanmar as focus shifts to the China-US competition, New Delhi has long-term strategic interests in its eastern neighbour, as clarified above.

## ***Neighbourhood first***

Modi's pledge to reset India's relations with its immediate neighbours was demonstrated by his invitation to the head of states of the subcontinent to his swearing-in ceremony in May 2014. Unfortunately, the president of Myanmar was not present for the occasion.<sup>7</sup>

Modi made his foreign policy priority very clear<sup>8</sup> soon after assuming office by making Bhutan his first foreign trip as prime minister and subsequently following it up with visits to most of India's immediate neighbours, including Myanmar, in his first year. In November 2014 at the 18th SAARC Summit held in Kathmandu, Modi proposed his vision for South Asia. He emphasised "inter-linked destinies" and "shared opportunities," and stated that "the future I dream for India is the future I wish for our entire region."<sup>9</sup> This foreign policy priority of Modi has further injected new geographical realism in India's foreign policy. In Modi's 'neighbourhood first' policy, Myanmar finds itself at an advantageous position. New Delhi has recognised that it has to take along its neighbours in its rise, as that is the most effective strategy to stabilise the neighbourhood, which is a critical factor for development.

## ***Connectivity***

Regional connectivity is a major focus of the Modi government and infrastructure development has been identified as the "greatest priority"<sup>10</sup> both within the country and across the region. The need to give priority to infrastructure development stems from the fact that its lack, thus far, is South Asia's "greatest weakness" for regional integration and deepening economic ties. The same shortcoming is also a key reason for modest India-Myanmar economic and sociocultural interactions. Modi's emphasis on development of infrastructure in India's Northeast region, where four Indian states share a land boundary with Myanmar, is also aimed at extending connectivity to Myanmar and beyond. In this context, the various connectivity projects in the Northeast and cross-border transport services that have been announced in the recent months are aimed at leveraging the geographical proximity that India enjoys with its neighbours.

**Modi's emphasis on development of infrastructure in India's Northeast region, where four Indian states share a land boundary with Myanmar, is also aimed at extending connectivity to Myanmar and beyond. Recent projects announced are aimed at leveraging the geographical proximity that India enjoys with its neighbours.**

The focus on infrastructure development in India's Northeast becomes critical in the context of both economic development and in linking India with the East. India has several bilateral, subregional and regional ongoing and planned projects, such as the India-Myanmar-Thailand Trilateral Highway project that will link India with Thailand through Myanmar (and will be extended to Laos, Cambodia and Vietnam); the Bangladesh-China-India-Myanmar (BCIM) Economic Corridor that plans to connect the four countries in the subregion; and the Delhi-Hanoi Rail Link that envisions a railroad connecting India with the Mekong countries. To take full advantage of these projects, Modi is aware that better and improved infrastructure in India's Northeast, which improves its connectivity with Myanmar, is important as it is the 'gateway' to the East.

### **Border security**

India and Myanmar had already begun to expand defence ties before Modi's government came to power—the two countries conducted their first ever bilateral naval exercise in the Bay of Bengal in March 2013, and engaged in coordinated patrols along the maritime boundary. Other interactions between the two navies, including port calls and exchange of high-level visits, had also increased, and continue to do so. In May 2015, the first joint hydrographic survey between the navies of the two countries was completed off Sittwe harbour (India has been involved in upgrading the Sittwe port). Information from the survey is expected to help enhance safety of the vessels that would be operating in the Sittwe port.

The most significant development in the area of security post Modi coming to power has been regarding border security. A cross-border operation was conducted by the Indian Army on 9 June 2015.<sup>11</sup> Through a single operation the Modi government has sent out a strong political message that it will take all measures to secure the country's borders. Border security along the 1,643-km shared porous land border between India and Myanmar has been a major security challenge where several ethnic rebels operate. Security cooperation between the two countries has scaled up in recent years. Earlier, in May 2014, India and Myanmar inked a memorandum of understanding on border cooperation to provide a framework for security cooperation and intelligence exchange between the security agencies of both countries. It provides for coordinated patrols and exchange of information and intelligence in the fight against insurgency, arms and drugs smuggling, and human and wildlife trafficking between the two countries.

Soon after the cross-border operation, India's National Security Advisor Ajit Doval and Foreign Secretary S. Jaishankar visited Myanmar and met with top political and military leaders to discuss border security.<sup>12</sup> This suggests that India has been able to involve Myanmar more firmly in its counterinsurgency efforts in its Northeast region.

A brief mention must also be made of Myanmar's ethnic troubles. While India has also played some role in the peace process when Naypyidaw sought New Delhi's advice on ethnic political settlements earlier this year, India has largely stayed out of its neighbour's domestic politics. (Although India did donate \$1 million towards relief in Myanmar's Rakhine state in the aftermath of communal riots that ravaged the region in 2012.) Even as the issue of ethnic rebels along the Myanmar-China border has created tensions between the two countries, the issue of ethnic rebels along India-Myanmar border have instead created scope for the two countries in question to cooperate with each other.

### **Buddhist circuit**

As part of India's cultural diplomacy, Modi has made the development of a Buddhist tourist circuit one of his government's foreign policy priorities. The ambitious 'Buddhist Circuit' initiative has been planned to connect all major Buddhist destinations across India. In his remarks at the India-ASEAN summit Modi had said: "I want to see further increase in ASEAN tourists in India. In this, the Buddhist circuit [initiative] represents a vast opportunity."<sup>13</sup> Myanmar's Buddhist linkage with India goes back several centuries. India is a land many Buddhists followers in Myanmar wish to visit for religious purposes. Buddhist influence from India laid the basis for building a strong cultural relationship between

the two countries, but remained largely untapped until recently. Over 80 percent of the total population of Myanmar is Buddhist.

The Modi government has formulated a plan to integrate development of tourist circuits around specific themes, with the Buddhist Circuit having been identified as one of the five circuits. The strategy to use India's rich cultural heritage for both domestic as well as diplomatic interests fits in well with countries such as Myanmar. While development of Buddhist sites will attract more tourists and create job opportunities in India, it will also create goodwill with the nations where Buddhism is a major religion, such as Myanmar. From a regional diplomacy perspective, the Buddhist circuit initiative also fits in well with Modi's Act East policy, as several East Asian nations have substantial Buddhists populations.

## **Challenges and Opportunities**

Against this backdrop, there are good reasons to be optimistic that Modi will ensure Myanmar a high place in regional diplomacy initiatives. However, the challenge is in translating policies on the ground. India-Myanmar ties are free from major contentious issues that otherwise tend to characterise India's relations with most of its other neighbours. Myanmar's opening up has provided significant opportunities for India to further strengthen and deepen ties. The first step has been taken, but the test for Modi is not just about changing perceptions. It will be on the ability to demonstrate with concrete measures if the new momentum that has been created can be sustained.

First and foremost, a sustained focus on the aforementioned five foreign policy priorities can dramatically change India's ties with Myanmar. While ensuring that these policies remain at the core of India's regional diplomacy, equally important is to see to it that they are implemented with rigour and effectiveness. Surely, there are problems in implementation. Part of the impediment is on the Indian side but Myanmar, too, has its own share of problems when it comes to implementation. Unless the two countries address their respective internal structural loopholes to ensure effective implementation of the planned and ongoing projects, the prospects of economic cooperation look grim.

For instance, an agreement, in the pipeline now for three years, to start a bus service between Imphal and Mandalay is yet to take off. Another agreement to enhance direct air connectivity to facilitate easy business interaction, tourism and people-to people exchanges has only resulted in a once-a-week service between Delhi to Yangon via Gaya, adding to the already existing bi-weekly service between Kolkata and Yangon. There has been no visible sign that projects such as the Kaladan Multi-Model Transit and Transport project that will link the Bay of Bengal with the Northeast region have made significant progress beyond the normal pace of development.<sup>14</sup> While there have been efforts to speed up the process, more needs to be done to enhance connectivity.

Likewise, although Indian banks have set up representative offices in Myanmar, there are still no proper banking facilities to boost trade and investment. In fact, in October 2014, Myanmar awarded banking licenses to nine foreign banks that included banks from Japan, Australia, Singapore and China. No Indian bank applied for license. In this context, the recent Indian proposal for a license to an Indian bank to open a branch in Myanmar at the first India-Myanmar JCC meeting is welcome, something which

the Modi government needs to push with all earnestness. Furthermore, the Modi government needs to support the Indian private sector to invest in Myanmar by extending financial packages and work closely with the Myanmar government on this front.

Building and consolidating positive developments is also a challenge. The operationalisation of coastal shipping service between the two countries; IT investment plans; new investment by Indian companies in Myanmar's energy sector; opening of land customs station at Zokhawthar in Mizoram for border trade with Myanmar; projects for conservation and restoration of temples and historical monuments and other such endeavours are commendable. All these efforts will need continued government's attention and support for scaling up operations.

Given Myanmar's geostrategic location, establishing a regional strategic balance is important for India and the wider region. The regional geopolitical dynamics will depend on several factors, including the China-US dynamics, and the role of ASEAN and other players such as Japan. As competition grows in "New Myanmar," how New Delhi leverages its growing regional role and shape the evolving regional geopolitics in its favour will determine India's ties with Myanmar and Southeast Asia.

**As competition grows in "New Myanmar," how New Delhi leverages its growing regional role and shape the evolving regional geopolitics in its favour will determine India's ties with Myanmar and Southeast Asia.**

Cross-border insurgency challenges will remain a security concern for border management. The issue provides an opportunity for the two countries to further strengthen their defence and security cooperation. India's commitment to support the modernisation of Myanmar's armed forces in terms of training and sharing experiences are high on the agenda. With growing mutual understanding and several institutional mechanisms in place, security cooperation in the form of joint and coordinated operations in their efforts to tackle cross-border insurgency could be further expanded.

The boundary issue has never been a serious problem in India-Myanmar bilateral relations. However, a small stretch of the land boundary in India's Manipur sector is yet to be demarcated and has recently attracted attention due to border fencing carried out by India. But to the credit of the leadership of the two countries, the issue has not emerged as a bone of contention in the bilateral relations. Instead, they instituted a joint survey and the process of final demarcation is presently underway. It will be in the interests of both countries to find an early resolution to the irritant, as like any boundary issue, the potential of it becoming an intractable matter is always present. This is a good time for the Modi government to see that the process moves fast towards its logical conclusion.

## **The Way Forward**

### ***Explore sub-regional groupings***

Modi's innovative policy initiatives have opened up new ways of engaging Myanmar. As these initiatives are further exploited to expand cooperation with Myanmar, it is critical that New Delhi leverage its

strengths. Even as the bilateral focus should form the base of the relationship, there are a couple of factors beyond bilateralism that could be leveraged to further deepen ties. Myanmar's geostrategic location allows it to be a member of several sub-regions. Both India and Myanmar are already members of sub-regional groupings, such as the BCIM, the Ganga-Mekong and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation. As existing groupings are strengthened, there are areas where new sub-regional partnerships could be explored for mutual benefits, such as a grouping comprising the key littorals of the Bay of Bengal—Bangladesh, India and Myanmar—focusing on maritime security.

During the recent visit of Myanmar's Commander-in-Chief of Defence Services to India, the maritime security domain was highlighted for deepening defence ties. The first JCC meeting also agreed that "maritime security cooperation in the Bay of Bengal is vital for both countries." At a time when the geopolitics of the Bay of Bengal is undergoing dramatic changes, there is need for more cooperation between India and Myanmar, the two key littorals, to deal with the emerging security challenges as well as in taking advantage of the potential economic opportunities. In this regard, India's role in building Myanmar's naval capabilities and maritime security cooperation is emerging as an area of huge potential for cooperation. As part of the Act East policy, India could initiate maritime security cooperation in the Bay of Bengal region in the lines of the trilateral maritime security cooperation it already has with Sri Lanka and Maldives, or indeed expand this existing trilateral by inviting other key littorals, like Myanmar, to join.

### ***Engage with extra-regional players***

Changing regional geopolitics has given India an opportunity to work with other players and partners, including the US and Japan, in shaping the evolving geopolitics of the region. New Delhi could seek partnership for cooperation in security and economic integration. In this context, there are enormous opportunities emerging in the Bay of Bengal and the Mekong regions. Japan's ties with the Mekong countries and the Bay of Bengal littorals is aimed at connecting South Asia and Southeast Asia. An area that presents an opportune moment for New Delhi to cooperate with Tokyo is the Dawei Special Economic Zone in southern Myanmar that Japan plans to develop along with Thailand and Myanmar. New Delhi could seize the opportunity, as this will emerge as the gateway for India to reach the Mekong region and beyond.

### ***Provide Myanmar an alternative to China, security-wise***

Following the cross-border raid, media reports cited intelligence sources on Northeast insurgents' links to the Chinese People's Liberation Army. Reports about such linkages are not new, but the recent reports have yet again brought the China factor in focus vis-à-vis India's security concerns in the Northeast region. Myanmar has similar concerns as well. Since conflicts between the Myanmar army and the ethnic rebel group of Kokang in northern Myanmar re-emerged earlier in 2015, Naypyidaw has accused China of training, financing and supplying arms to the Kokang rebel group. This shared security concern between Myanmar and India will remain as new rebel configurations and renewed offensives continue to emerge in the borderlands. Naypyidaw's relations with China has been undergoing a rough phase on diverse issues ranging from Myanmar's engagement with the US to suspension of China-funded projects; Myanmar's conflicts with rebels along the China-Myanmar border have emerged as new

sources of tension between the two countries. This emerging dynamic presents an opportunity for India to step up strategic ties with Myanmar, not in a bid to challenge or compete with China, but to provide more strategic options to Naypyidaw and to ensure that Beijing's presence does not adversely impact on New Delhi's long-term interests in Myanmar.

### ***Tap into border areas***

The border areas, as argued already, are a critical component in the India-Myanmar relationship and have been gaining importance in the interactions between New Delhi and Naypyidaw. It is noteworthy that the JCC meeting discussed "possibilities of twinning arrangements between states/regions in India and Myanmar." Considerable potential exists to tap into Indian border states to strengthen bilateral ties. With growing infrastructure investments in the border areas, instilling a sense of competition among the border states to attract such investment could ensure their active involvement in bilateral projects as well as effective implementation of said investment.

### ***Enhance political ties***

India has been engaging with all the political players in Myanmar, and New Delhi will be prepared to work with the Aung San Suu Kyi-led National League for Democracy that has won a landslide in the November election. Modi realises that Myanmar's geography with long land and sea boundaries with India is vital in addressing both India's domestic issues as well as in achieving India's ambitions in the East. As Myanmar moves ahead in becoming a democratic state and taking its place in the regional and international order, strategic competition among major powers is likely to intensify: New Delhi will need to ensure that its interests are not adversely affected.



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- 1 At a time when Myanmar is witnessing dramatic changes in the country and India is resetting its ties with its neighbours the policy initiatives of Prime Minister Modi could have a huge impact on this bilateral relationship.
- 2 "H. E. U Wunna Maung Lwin, Minister of Foreign Affairs of Myanmar calls on PM," pmIndia.gov.in, 15 July, 2015, [http://pmindia.gov.in/en/news\\_updates/call-on-pm-by-h-e-u-wunna-maung-lwin-minister-of-foreign-affairs-of-myanmar](http://pmindia.gov.in/en/news_updates/call-on-pm-by-h-e-u-wunna-maung-lwin-minister-of-foreign-affairs-of-myanmar).
- 3 See "Sr. Gen. U Min Aung Hlaing, Commander-in-Chief of Myanmar Defence Services calls on PM," narendramodi.in, July 29, 2015, <http://www.narendramodi.in/sr-gen-u-min-aung-hliang-commander-in-chief-of-myanmar-defence-services-calls-on-pm>.
- 4 See full text of the "Joint Statement by India and Myanmar on First Meeting of the India-Myanmar Joint Consultative Commission," Ministry of External Affairs, Government of India, 16 July, 2015, <http://mea.gov.in/bilateral->

documents.htm?dtl/25485/Joint+Statement+by+India+and+Myanmar+on+First+Meeting+of+the+IndiaMyanmar+Joint+Consultative+Commission.

- 5 These ideas and initiatives are not a departure from the past. However, Prime Minister Modi has given a renewed push to the ideas initiated by the previous governments.
- 6 See full text of the “Opening Statement by the Prime Minister at the India-ASEAN Summit”, Press Information Bureau, Government of India, November 12, 2014, <http://pib.nic.in/newsite/PrintRelease.aspx?relid=111315>.
- 7 According to sources, the Modi government did not send an invite to President Thein Sein because it had not received a congratulatory message from the Myanmar leader on the occasion of Modi’s electoral victory at the time invitations were sent out to different leaders.
- 8 Modi committed to developing closer relationships with India’s neighbours as the “key priority for his government.” See “Prime Minister Narendra Modi in Nepal for SAARC Summit,” *The Economic Times*, November 25, 2014, [http://articles.economictimes.indiatimes.com/2014-11-25/news/56455281\\_1\\_saarc-summit-prime-minister-narendra-modi-nepal](http://articles.economictimes.indiatimes.com/2014-11-25/news/56455281_1_saarc-summit-prime-minister-narendra-modi-nepal).
- 9 See “Text of Prime Minister’s speech at 2014 SAARC Summit in Nepal,” [narendramodi.in](http://www.narendramodi.in), November 26, 2014, <http://www.narendramodi.in/text-of-prime-ministers-speech-at-2014-saarc-summit-in-nepal>.
- 10 Ibid.
- 11 See “How MEA helped Army set stage for strike in Myanmar,” *The Indian Express*, June 11, 2015, <http://indianexpress.com/article/india/india-others/cross-border-operations-how-me-a-helped-set-stage-for-strike/#sthash.QyXGEtQr.dpuf>.
- 12 “Doval in Myanmar on placatory trip,” *The Telegraph*, June 18, 2015, [http://www.telegraphindia.com/1150618/jsp/nation/story\\_26345.jsp#.VbdRCrOqqko](http://www.telegraphindia.com/1150618/jsp/nation/story_26345.jsp#.VbdRCrOqqko).
- 13 See “PM’s remarks at the 12th India-ASEAN Summit, Nay Pyi Taw, Myanmar,” [pmindia.gov.in](http://pmindia.gov.in), November 12, 2014, [http://pmindia.gov.in/en/news\\_updates/pms-remarks-at-the-12th-india-asean-summit-nay-pyi-taw-myanmar/](http://pmindia.gov.in/en/news_updates/pms-remarks-at-the-12th-india-asean-summit-nay-pyi-taw-myanmar/).
- 14 The India-Thailand-Myanmar Trilateral Highway, however, has seen progress, with a leg of the corridor opening up earlier this year.



China's South Asian economic and strategic diplomacy:  
A Pakistani truck on the Karakoram highway

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# China's Role in South Asia: An Indian Perspective

T.C.A. RANGACHARI

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*“The prospects of the 21st century becoming the Asian century will depend in large measure on what India and China achieve individually and what we do together.” Prime Minister Narendra Modi, Address at the Tsinghua University Beijing, 15 May 2015*

*“Peaceful development is China’s basic state policy, and win-win cooperation is a banner for China’s friendly relations with other countries. To realize ‘China dream’, we must have a peaceful international environment. At the same time, the country will resolutely safeguard its national sovereignty, security, and core interests. The two policies are two pillars of Chinese diplomacy, and do not conflict with each other.” 18th Chinese Communist Party (CCP) Congress, November 2012*

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## Past and Present

India and China have inherited a rich historical and cultural legacy. In the words of the late Chinese Indologist, Professor Ji Xianlin, India and China are 天造地設 (Tian Zao, Di She—“Created by Heaven, Constructed by Earth”). Thus, the past will remain ever present in our bilateral dealings. The question is: Do we have to be imprisoned in, or by, the past?

India and China, today, face a choice: Cooperate to make 21st century the Asian century or compete for strategic and other gains in an effort to contain each other. Working together in a cooperative and constructive spirit would contribute to the economic betterment of the region and provide an impetus for speedier regional integration. Containment would not only derail these objectives, but also result in aggravating bilateral tensions and hostility, thereby widening the trust deficit that the leadership in both countries is committed to redressing. At present, the trends point to a more cooperative spirit. The underlying suspicions, however, linger on. How successful we are in managing each other will significantly influence the achievement of our respective ‘dreams’ as also the regional developmental goals.

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## INDIA AND CHINA, TODAY, FACE A CHOICE: COOPERATE TO MAKE 21st CENTURY THE ASIAN CENTURY OR COMPETE FOR STRATEGIC AND OTHER GAINS IN AN EFFORT TO CONTAIN EACH OTHER.

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### **The Context**

The European Union has been a great exemplar. Every region—South Asia is no exception—has sought to replicate the model.

South Asia has shared commonalities, over centuries, derived from civilisational linkages and of living together in a multiethnic, multicultural, multilingual and multireligious environment. This rich fabric was frayed by the colonial and imperial onslaught. Divisions were created where none existed; complementarities of economies were rent asunder. But the horrors of Partition seem to have erased those of the colonial period. The baggage of that history is still shackling the region. We have not been able to evolve a common understanding of our mutual interests or value systems since we won freedom. Peace and economic integration continue to elude the region.

To compound South Asia’s problems, it is among the poorest regions in the world. It is saddled with multiple challenges: Lack of sustainable and inclusive growth; inequitable distribution of resources; inability to maximise human and material resources for development; pressures of urbanisation and migration; lack of availability and affordability—domestically and internationally—of raw materials like energy; poor standards of governance and legal systems; dealing with the consequences of climate change; and so on. These problems are not unique to South Asia. But they assume criticality in this region given the levels of poverty and deprivation.

The UN Economic and Social Commission for Asia and the Pacific’s 2015 report<sup>1</sup> draws satisfaction from the region’s accomplishments in achieving high growth and progress on the Millennium Development Goals. However, it raises concerns about two major trends: Uneven economic and social transformation; and significant disparities across gender, urban-rural sectors and income quintiles. It prescribes that “[a]ugmenting and enhancing inclusiveness will only be achieved if accompanied by a multidimensional strategy that recognizes the need for simultaneous advances in the economic, social and environmental aspects of development.”

South Asia does have the advantages of large domestic markets, large and relatively low-cost, skilled work forces, and a demographic dividend. India, for example, will remain one of the youngest countries in the world over the next three decades. Other South Asian nations have similar youthful profiles. The region can take legitimate pride in its continuing high rates of growth, which are seen as a boon for global growth, and that nations in the region have been able to improve their positions in the global economy, today vastly different from earlier days.

## **India's Approach to SAARC**

India's approach to the South Asian Association for Regional Cooperation (SAARC) has evolved with the transformation of its economy, and changes in the regional and global situation.

India was clear from the very beginning that SAARC was not to be a political organisation. Its *raison d'être* was to promote peace and stability through economic progress. This approach towards SAARC arose from the recognition that it would not serve India's, or for that matter the region's, interests if SAARC were to develop into a divisive platform against India. New Delhi believed that its smaller neighbours, drawing strength from the collectivity which they lacked individually in their dealings with India, could utilise it to 'gang up' and jointly agitate for settlement of their respective bilateral problems with India. In addressing and resolving such problems, India preferred bilateralism. It willingly accepted its special obligations and responsibilities vis-à-vis its smaller neighbours and committed itself not to take advantage of them.

Other SAARC members did not always share India's approach nor did they trust India's stated commitment not to take advantage of them. Regional integration has thus been held hostage to a perception—real or imagined—of India as a regional hegemon and latent domestic opposition to India in some neighbouring countries. Procrastination rather than progress became the default option.

Attitudes are now changing. India's own approach has moved from advocacy to active participation in cooperative regional development programmes. Enhanced cooperation and connectivity is now seen by others, too, as vital for growth and poverty alleviation. Regional integration and connectivity are seen as enablers for the free movement of peoples, goods and capital. Thus, the SAARC summit in November 2014 decided to "deepen regional integration for peace, stability and prosperity in South Asia by intensifying cooperation inter alia in trade, investment, finance, energy, security, infrastructure connectivity and culture and implementing projects, programs and activities in a prioritized, result oriented and time bound manner." The summit also renewed the commitment to "substantially enhance regional connectivity in a seamless manner through building and upgrading roads, railways, waterways infrastructure, energy grids, communications and air links to ensure smooth cross-border flow of goods, services, capital, technology and people." In realisation of these objectives, national, regional and sub-regional measures and necessary arrangements are to be undertaken.<sup>2</sup>

India's \$2 trillion GDP now provides it with the wherewithal to help finance developmental goals in the region. India has much to gain in seeking markets in the South Asian neighbourhood where it enjoys access and ties that go beyond just economics. India's trade with the South Asian region is estimated at 2.5 percent of its total global trade.<sup>3</sup> Intra-SAARC trade remains more or less constant at about five

percent of its total foreign trade.<sup>4</sup> The potential for expanding these trade volumes further is enormous. For SAARC members, India, in addition to its investment potential, offers a one billion-plus market. In recent years, India has extended sizeable soft lines of credit and made grant allocations to Bangladesh, Bhutan, Maldives, Nepal and Sri Lanka. India has also been involved in institution and capacity building in SAARC countries. Even Pakistan, the lone standout, is not unaware of these benefits. Studies indicate that normal trade relations with India could contribute an additional 1-1.5 percent per annum to its GDP.<sup>5</sup> To take advantage of this, Pakistan will have to overcome its own internal inhibitions. But while it does so, others have decided to do what they can, without Pakistan. In recognition of Pakistan's refusal to allow the South Asian region to transform itself through seamless connectivity, a new sub-regional arrangement of Bangladesh, Bhutan, Nepal and India (BBIN) has emerged. It has started well, even if modestly, with a motor vehicles agreement. So long as each partner in the process sees advantages for itself, the process will move forward and ensure that the regional connectivity it has been denied so far under the consensus decision-making mode is achieved. While the level and pace at which this cooperative conception becomes concretised remains to be seen, it is a welcome effort to break the logjam into which SAARC finds itself because of one country's refusal to join the consensus.

As the larger nation, India will have to show leadership. Relations with neighbours have always been accorded utmost importance. This has been reiterated by Prime Minister Narendra Modi during his visits to SAARC nations and at the 18th SAARC summit itself. India will need to address and assuage fears of the smaller neighbours and treat them as equal partners. Indeed, within the constraints of respecting sovereignty, India should consider the development priorities of SAARC partners as its own and, depending on the willingness of the partner concerned, be ready to participate financially and otherwise as it might do with the states of the Indian Union. It could work together with those SAARC partners willing to do so and integrate India's development plans with those of its neighbours. For their part, the smaller South Asian countries will have to eschew a sense of permanent victimhood and cease expending energies in vainly seeking to deny existing realities of asymmetries. They will have to learn to live in mutual accommodation with their larger neighbour. They can profit from the larger human, material, financial and technical resource base and markets that India offers.

## **China and South Asia**

China is today the world's largest trading nation, the second largest recipient of foreign direct investment (FDI) and the third largest investor after the United States and Japan. China is currently seeking to find productive avenues for profitable utilisation of its massive (more than three-and-a-half trillion dollars) foreign exchange reserves. The most recent "One Belt, One Road" (OBOR) proposal of President Xi Jinping, declared the 'diplomatic priority' for 2015, is a case in point. China is now settling into a seven percent growth rate—termed as the 'new normal' by Xi. This compares with the double-digit growth rates of the past two decades and more. Chinese analysts see the willingness to finance the connectivity envisaged under OBOR to be at least partly driven by the imperative of maximising utilisation of overcapacity in several of its industries, such as steel, cement and ship building.

China's trade volume with SAARC countries has grown significantly and at a fast pace over the past decade. Bilateral trade volume expanded from \$6.5 billion in 2001 to \$73.9 billion in 2012, registering an average growth rate of 26 percent.<sup>6</sup> This expansion is even greater than the increase in China's

overall trade globally. It should be noted that a substantial part of this enhanced trade is accounted for by India-China trade. Furthermore, China has also been a major investor in the region. The increase in China-SAARC trade has boosted economic cooperation to mutual benefit.

Much of China's trade growth with South Asian countries, however, is due to exports; South Asia's exports to China increased only marginally. In the process, though, each SAARC nation has run up a substantial adverse balance of trade with China. China exports manufactured goods; SAARC countries mainly export commodities. In 2012, South Asian countries' total trade deficit with China was around \$48 billion.<sup>7</sup> These continuing, unsustainable, adverse balances have exposed the weaknesses of the SAARC economies. Worse, the trade structure remains unbalanced. (The SAARC countries have a similar problem, though to a much smaller extent, with India. They run substantial adverse trade balances which is, naturally, a continuing irritant in bilateral ties.)

**The countries of South Asia have a massive requirement of funds for investment. China, with large reserves and quest for investment opportunities, can be a possible source for such large funding.**

The countries of South Asia have a massive requirement of funds for investment. China, with its large reserves and quest for investment opportunities, can be a possible source for such large funding. Indeed, recent developments indicate so. For instance, during Xi's visit to India in September 2014, China agreed to invest over \$20 billion in India over a five-year period. During his visit to Pakistan in February 2015, China committed twice that amount—\$46 billion—for the China-Pakistan Economic Corridor (CPEC). China has also become the largest investor in Sri Lanka. During the Chinese president's visit to the country in 2014, 27 agreements were signed. China and Sri Lanka also agreed to start negotiations on a free trade agreement. Chinese firms are engaged in large infrastructure projects covering transportation, and construction of a cricket stadium, convention centre, international airport and deep seaport. In Bangladesh, China has several large-scale ongoing projects of a similar nature, including deep seaports in Chittagong and Sonadia Island. Separately, there are plans for a road and rail link through Myanmar to connect Kunming in China and Chittagong in Bangladesh. China has invested in Bangladesh's agricultural sector, and is currently investing in both the Pagla Water Treatment Plant project and a fertiliser factory in Shahjalal. China's investment in Nepal covers infrastructure development (roads, bridges, container depots, Pokhara Regional International Airport), energy (including hydropower plants) and transportation (including a railroad project to connect Lhasa to Kathmandu). The Maldives and China have agreed to negotiate a free trade agreement, the first such bilateral agreement for the island nation with any country. The only free trade agreement that the Maldives is currently a part of is the regional South Asian Free Trade Agreement (SAFTA). China has pledged \$300 million with a \$100 million grant component to build a 'Friendship Bridge' between Malé and its suburb Hulhumalé. China has also proposed to invest in other projects, including an ambitious Ihavandhippolhu Integrated Development Project in the northern atolls.

While such infusion of investments is helpful for the development of South Asian countries, there are also problems associated with these funds. One major issue is the inability to repay Chinese loans. Doubts have been voiced publicly in the recipient SAARC countries on this score. Another concern is the use of Chinese materials and labour in many projects taken up by China. At one time, it was

estimated that some 25,000 Chinese workers were involved with project work in Sri Lanka;<sup>8</sup> in Pakistan occupied Kashmir (PoK), over ten thousand People's Liberation Army and allied Chinese personnel are said to be engaged in road building and infrastructure projects. So long as labour is not locally available, such a modus operandi does not pose a problem. But South Asian countries have large populations and grapple with massive unemployment. In such a situation, the use of Chinese labour, even if it means greater efficiency and timely completion of projects, causes local resentment.

Given the changing economic, environmental and technological upgradation within China and the competitiveness of South Asian neighbours, China might relocate some of its manufacturing facilities in the region. Considerations influencing such decisions could be environmental or the fact that China is phasing out uncompetitive labour-intensive facilities, moving into technologically more advanced areas.

From the Chinese point of view, insecurities arising from political uncertainties, social instability, terrorism and the lack of trust are all hurdles in enhancing the level of engagement beyond a certain point. It is thus notable that while China is willing to make sizeable commitments of funds to the CPEC in Pakistan, it has not followed through in any substantive way on its investment commitments in Afghanistan. The explanation clearly lies in the preference that China accords to Pakistan in its strategic calculations, because the problems relating to terrorism affecting Pakistan are no less acute than in Afghanistan. In Sri Lanka, too, one can see the leap in economic ties once the government won the battle against the Liberation Tigers of Tamil Eelam.

### **Cooperation, Competition, 'Co-opetition'**

India is the biggest country in South Asia. Its \$2 trillion GDP is bigger than that of all other SAARC members combined. China's GDP of \$10 trillion makes it the second largest economy in the world. Projections suggest that by 2050, China might be the largest and India the third largest economy. If that were to happen, China and India would together account for a third or more of the global economy. This imposes a particular responsibility on both countries to find ways of working together cooperatively, regionally and globally.

India and China have significantly enhanced their economic engagement. Bilateral trade has grown multiple times in the last decade and stands at nearly \$70 billion. They are already cooperative partners in regional and global economic institution building, signifying the coming of age of the emerging market countries. India has committed over \$8 billion to the \$100 billion capital base of the Asian Infrastructure Investment Bank (AIIB), and \$10 billion each to the \$50 billion capital base of the BRICS' New Development Bank (NDB) and the International Monetary Fund's crisis management fund. China has pledged \$29.78 billion to the AIIB, \$10 billion to the NDB and \$43 billion to the IMF crisis management fund.

Against this backdrop, it makes eminent sense for India and China to work together in the South Asia region.

At the same time, one cannot ignore the broader global and regional strategic environment where China and India are increasingly being projected as balancing each other. It serves China's purposes, within

this framework, to seek to minimise India's stature and growth efforts. The integration of SAARC under Indian leadership might be seen as a factor leading to the accretion of Indian influence and national power; enhancing Chinese influence among SAARC countries, through economic and military assistance and political support, is intended to undercut Indian political and strategic influence. For instance, the proposed route of the CPEC is a matter of concern for India as it passes through PoK, a part of the Indian state of Jammu and Kashmir (J&K). This wilful infringement of Indian sovereignty is as sensitive for India as are similar instances for China, such as regarding Taiwan. China's supply of weapons, particularly nuclear weapons and missile technology and equipment to Pakistan, continues to pose a threat to Indian security. China's supply of submarines to Bangladesh is also similarly targeted. It is a different matter that Bangladesh's military capabilities to threaten India remain limited and the current political ambience in the two countries makes confrontation highly unlikely. Again, following the difficulties that have arisen in India-Nepal relations consequent upon the proclamation of its new Constitution, Nepal has projected China as a possible alternative to India as a source of essential supplies, such as energy, medicines and even food. China has responded positively to Nepal's request and has agreed to open up six trade checkposts, in addition to the existing two. This may be unrealistic in economic, logistical and other terms. But it does open up the possibility of China using Nepal's grievances to fan anti-India sentiment in that country. At another level, it is not uncommon for Chinese analysts to argue that India's economic progress is neither impressive enough or sufficient, nor does it have the financial prowess to take care of the development needs of its neighbours.

Ironically, both have problems in their respective neighbourhoods. China may have demonstrated better capacity to break through the Himalayan barrier to access South Asia than India has in bridging the waters to get entrée into the South or East China Seas' neighbourhood. But, China itself generates, and is faced with, doubts and reservations in its own neighbourhood. It has an ongoing territorial dispute with several of its neighbours over the South China Sea. China is now being seen as domineering and aggressive in pursuit of its interests. The justification cited for such actions is that just because China is a big country, it cannot be expected to give up on its core interests. Xi said to the Chinese Communist Party politburo session in January 2013 that while China would remain on a path of peaceful development, it would "never give up" legitimate rights or sacrifice its 'core interests.' "No country should presume that we will engage in trade involving our 'core interests' or that we will swallow the 'bitter fruit' of harming our sovereignty, security or development interests."<sup>9</sup>

Whether it is China or India, it is hardly practical to expect either nation to reduce its size—and, as a consequence, its footprint—or give up its national interests simply to reassure smaller neighbours of bona fides. In that sense, both are in the same boat.

The more relevant consideration for China may be that in pursuing its political, strategic and economic

**It is not possible for China, given the geographical realities and ethnic, linguistic and familial linkages within SAARC, to replace India in the region. India and China may thus have to live in peaceful coexistence involving both cooperation and competition. The effort should be to ensure that competition never escalates into conflict.**

interests in the SAARC region, it cannot lose sight of the 'India' factor. It is not possible for China, given the geographical realities and ethnic, linguistic and familial linkages within SAARC, to replace India in the region. India has traditional ties of blood in the region that transcend geographic boundaries. China can hardly expect its proposals for roads and belts to take off in the absence of India's support, even if only tacit. The same is the case for the pending proposal relating to the Bangladesh-China-India-Myanmar Forum for Regional Cooperation corridor and the latest initiative for Trans-Himalayan development cooperation. It must also be noted that despite economic exchanges between China and SAARC having developed rapidly in recent years, they are still much smaller in scale than China's relationship with the Association of Southeast Asian Nations (ASEAN) and the Shanghai Security Cooperation.

India and China may thus have to live in peaceful coexistence involving both cooperation and competition. The effort should be to ensure that competition never escalates into conflict. The leadership in both countries seems entirely aware of the pitfalls of a hostile relationship. One example is that 2015 has not seen the kind of border standoff that troubled the relationship in 2013 and 2014 during high-level visits. Another is the prospect of China's growing engagement in, and involvement with, the Indian economy.

## Conclusion

There is talk of a shift in the centre of gravity of international affairs from the Atlantic to the Indo-Pacific region. If indeed such a shift does eventuate as a consequence of the rise of emerging economies in Asia, one would have to anticipate the kind of future we envisage for ourselves. The rise of large, populous countries like China and India augurs well for poverty alleviation and providing livelihood security to nearly two-fifths of the global population. India and China will need to accommodate differing, competing, even conflicting interests in a cooperative arrangement. They have to change their approach of dealing with each other as potential strategic adversaries. Military strength confers no automatic sense of security. They will need to be sensitive to each other's concerns and seek ways of accommodating them. China, for instance, will have to respect Indian sensitivities on territorial issues, including J&K, just as India respects Chinese sensitivities relating to Taiwan. This will be in line with the concept of 'New Type of Great Power Relations' enunciated by Xi for China-US relations which, inter alia, calls for mutual respect for each other's core interests and concerns. The balance of power approach that tends to shape strategic thinking will therefore have to be replaced by a civilisational, human approach.

Given this understanding, India and China can play a cooperative role in their respective neighbouring regions, SAARC and ASEAN, with an agreed objective of enhancing prospects of sustainable development of the Asian region and attaining the common goal of making the 21st century the Asian century. Narendra Modi and Xi Jinping have made a promising beginning. It has to be sustained in the coming years for mutual benefit.



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Where spontaneity meets goodwill: Modi greeting people on the streets of Kathmandu en route to the Nepali parliament (August 3, 2014)

MEAPHOTOGALLERY/Flickr

# India-Nepal Relations: On the Threshold

JAYANT PRASAD

I

ndia's relations with Nepal are older, and more multilayered than with any other country in the world. Somewhat different from India's other relationships in the neighbourhood, India-Nepal relations are determined by geography, defined by history and shaped by strong people-to-people exchanges across an open land frontier straddling five north Indian states. From the Himalayan heights to the Indian Ocean, they share a common terrain. Their civilisational contacts run from Janakpur to Ayodhya, Lumbini to Bodh Gaya, Pashupatinath to Kashi Vishwanath, and from Muktinath to Balaji Vishwanath. Of a population of 29 million, over six million Nepalis live and work in India,<sup>1</sup> where they are well liked and treated at par with Indian citizens. Bound by common languages and religions, cuisine and culture, marriage and mythology, the two peoples are bound by indissoluble ties.

Their economic interaction remains close and robust, and can be upgraded in significant ways. In 2013, 67 percent of Nepal's manufactured exports went to India. Similarly, nearly 64 percent of Nepal's imports come from India.<sup>2</sup> Disembodied trade, or trade in services, which remains undocumented, might account for a higher percentage. Over 40 percent of Nepal's foreign investments originate in India.

Nepal matters for the defence of India. After the Chinese established a significant military presence in Tibet, it became an important buffer vis-à-vis China. The porosity of the India-Nepal border—the open access available to people on both sides of it—creates security vulnerabilities. Nepal has been used by

terrorist groups as a transit point, where temporary shelters and sleeper cells assist such movement. Organised crime, including drugs and arms trafficking, is supplemented by smuggling of fake Indian currency notes consignments into India by Pakistan-based networks. The law enforcement agencies have forged close functional cooperation to deal with these threats, even if the formal institutional and legal framework, through mutual legal assistance and extradition treaties, is still not in place.

Just as India is undergoing a profound transformation, so is Nepal, where the process of political change has been dramatic, especially over the past decade. Its 1990 constitution, providing for constitutional monarchy, was derailed under the twin impact of the Maoist insurgency that began six years later—initially used by the monarchy to keep the democratic forces in check—and the patricidal killing of King Birendra in the Narayahiti Palace in June 2001. Subsequently, King Gyanendra's arbitrary actions brought the Maoists and the democratic forces together on a common republican platform, ending the institution of the monarchy.

Over the past decade, Nepal's numerous transitions have taken it from a civil war and insurgency to a democratic order, and from a monarchy to a republic. The Maoists were socialised and mainstreamed in a peace process that began in New Delhi with the signing of the 12-Point Agreement between the Maoists and the major democratic parties of Nepal. The People's Liberation Army was finally dissolved in April 2012. The cantonments harbouring the Maoist combatants were shut down and the containers with their surrendered weapons taken into government's armoury. Most of them integrated into civilian life with a generous start-up fund in the form of a golden handshake, with a balance of around 1,400 joining the Nepal Army, providing a template worthy of emulation in other conflict areas of the world. The remaining issues to be settled concerning the new constitution are arguably less contentious by contrast, including the highly emotive issue of delimiting provincial boundaries.

The inconsistent progress of democracy in Nepal resulted partly from the lack of traction between its political parties and the mass of the Nepali people, including its plains and hills Janajatis (indigenous peoples) and Dalits (severely disadvantaged castes), and the Madhesis (plainspeople speaking Hindi, Awadhi, Bhojpuri, Maithili and Bengali) living in the Terai (the flatlands of Nepal). The rapid spread of the Maoist insurgency within five years of its commencement was a consequence of this political gap. The demand for inclusive and pluralist democracy was not artificially superimposed on Nepal's emerging democratic edifice. The inheritance of the democratic people's movements—the Jana Andolan of 2006 and the Madhesi movement of 2007—have embedded these ideas in the foundations of the new republic. Much of it got reflected in the November 2006 Comprehensive Peace Agreement (CPA) and the January 2007 interim constitution, which marked a radical departure from all previous constitutions in recognition of the profound aspirational change expressed through the two popular movements.

The first Constituent Assembly, elected in 2008, declared in its very first meeting by near unanimity (with the exception of just four of its 601 members) that Nepal would be a federal, secular democratic republic. The main unfinished task remaining in Nepal thereafter was the promulgation of a new constitution reflecting the values of the peace agreements, and the Andolans of 2006 and 2007. Besides the issue of the number and boundaries of the states, the problems associated with the new constitution, adopted on 20 September 2015, are the significant derogations from the 2007 interim constitution, including the principle of population determining delimitation of constituencies and the proportional representation of disadvantaged in the principal state organs. These issues are hopefully in the process of being redressed.

## Modi's Policy

Prime Minister Narendra Modi's bilateral visit to Kathmandu in August 2014—the first such goodwill visit undertaken by an Indian premier in 17 years—signalled the start of a two-way political re-engagement between India and Nepal. This was preceded by a ministerial Joint Commission meeting, held after a gap of 23 years, and was followed by Modi's visit for the South Asian Association for Regional Cooperation (SAARC) Summit in November 2014. Although India has remained invested in Nepal's stability and progress since its independence, Modi lifted the vision of the relationship to a new level. He underlined the inseparability of India and Nepal and projected the latter as New Delhi's partner of the first rank. His half-hour speech in the Constituent Assembly, and his deportment and gestures during the visit, impressed both the Nepali people and leadership, cutting across Nepal's political spectrum. The veteran Kathmandu-based journalist Vijay Pandey told the author that Modi effectively changed the public perception of India's attitude towards Nepal and won goodwill for India in 30 minutes in a way that Indian diplomatic efforts had not been able to achieve in 30 years. Whether or not this view is widely accepted, the visit did mark a change in mindset about India's determination to reconstruct a new development partnership with Nepal.

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Modi made concrete offers—of concessional credit for infrastructure and development projects, promising assistance to Nepal on highways, info-ways (information and communications technology) and trans-ways (electricity transmission lines). He conveyed India's willingness to share its resources and invest in the future of the Nepali people. He positively reinforced the constitution writing process in Nepal by encouraging members of the Constituent Assembly to draft a constitution that sprang from the womb of the peace process. In a subsequent visit for the SAARC Summit three months later, he further advised that the constitution should be inclusive and drafted by consensus, not majoritarian voting. He believed this would unite Nepal, increase confidence about its future stability and open the doors for its rapid economic progress.

Modi also frontally addressed a couple of difficult issues that have clouded India-Nepal relations in recent years. Both sides agreed to review, adjust and update the 1950 Treaty of Peace and Friendship and to resolve pending boundary issues, including Kalapani and Susta, by reviving the Boundary Working Group. They also decided to expedite the formation of an Eminent Persons Group on Nepal-India relations to suggest measures to further expand and consolidate the multifaceted ties of the two countries.

While India has never had a 'hands-off' approach to Nepali politics, it has always remained reticent about investing in Nepal's internal affairs. Indeed, the big changes in Nepal, such as the end of the Rana oligarchy in 1950, the institution of constitutional monarchy and end of the 'Panchayat' rule in 1990, and the peaceful end of the monarchy in 2008, could not have come about without India's support. India succeeded on these occasions, as also in taking forward the peace process and bringing the civil war to an end, because it remained aligned with popular aspirations. During the constitution-drafting process,

India stayed away from the recent discussions on the fine print of Nepali federalism because of the visceral nature of the internal debate and the divisiveness it created.

Notwithstanding the resounding success of Modi's two visits in terms of their public resonance, and his push to substantially increase India's commitments for infrastructure building in Nepal, including bridges, roads, railways and an oil pipeline from Raxaul to Amlekhganj for Nepal's future energy security, the fragility of the India-Nepal relationship has been demonstrated by the wave of anti-Indian sentiment that has swept the Kathmandu valley since September 2015, when the Madhesi agitation against the inequities of the new constitution intensified in the Terai. By the end of 2015, the public mood and expectation in Nepal vis-à-vis India turned negative. Political leaders from the ruling coalition encouraged demonstrations against an alleged blockade of essential supplies by India—actually created by the Madhesi agitation in the Terai—by Kathmandu-based school children, violating the United Nations Convention on the Rights of the Child and the Children's Act of 1992, according to Nepal's Human Rights Commission.

Modi sought positive outcome on the federalism issue with the widest possible consultations, without India involving itself with the constitutional processes. Upon arriving in Nepal in November 2014, he clarified that India expected Nepal to adopt an inclusive and equitable constitution. "I request all political stakeholders to draft the Constitution by early next year as committed through consensus, which will reflect aspirations of all communities, including Madhesis, Pahadis and Maoists ... failing to do so can cause difficulties to Nepal and your difficulty despite our expertise to help you in this field is a matter of sadness," he said.<sup>3</sup> His advice was unfortunately spurned, and the constitution, as approved, did not find acceptance across Nepal. The challenge for the Nepali leadership now is to remedy the constitution's shortcomings.

## **Challenges and Opportunities**

The people-to-people connectivity between India and Nepal, the common cosmology and cultural spaces they share, and their regimental, economic and familial ties have neither helped in realising the full potential of the relationship, nor in addressing its post-constitution crisis. Close relationships have their particular complexities: so it is between India and Nepal. Some are engendered by historical memories—of the truncation of Greater Nepal that extended from Sutlej to Teesta about two centuries ago; some by geography—by the feeling of being hemmed in, south of the Himalayas, surrounded by India; and some by the social and economic disparities—by Nepal's dependence on India for trade, investment and employment.

While "no other neighbours in the world probably share so many similarities and interact as comprehensively and regularly as Nepal and India," writes Dinesh Bhattarai, currently Foreign Policy Advisor to the Prime Minister of Nepal, "the deeply interdependent relations ... often exhibit recurring irritants that emanate from misperceptions and conflicting narratives."<sup>4</sup> Some of these narratives have been deliberately encouraged for domestic political purposes, despite the absence of any irresolvable, contentious issue between the two countries.

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**The trust deficit towards India is fomented by sections of the Nepali elite who believe their political fortune is tied to defining their nationhood and interests in opposition to India.**

fortune is tied to defining their nationhood and interests in opposition to India. Both the monarchy, while it lasted, and the communist parties tended to identify India as their principal antagonist, given India's natural affinity for the democratic forces in Nepal. The Maoists profited by defining 'Indian expansionism' as "the principal enemy of the Nepalese people." India's principal challenge in Nepal is to overcome this negative image.

Despite the vicissitudes of contingent events, there has been a slow but unmistakable change of this perception in Nepal over the years. Leaders of parties traditionally hostile towards India have made initial efforts at redefining the basis of Nepali nationalism. *The Hindu* reported, for instance, the former Nepali Prime Minister Madhav Kumar Nepal's "scathing criticism" of the 'narrow and blind' nationalism that afflicts sections of Nepal's political class, including that of his own party, the Communist Party of Nepal (Unified Marxist Leninist). "It is time," he said, for his country to shed its "suspicion" of Indian actions, "while India should empathise with insecurities of its smaller neighbour."<sup>5</sup> At its 7th General Convention of the United Communist Party of Nepal (Maoist), in Hetauda in February 2013, both its Chairman Pushpa Kamal Dahal Prachanda and former Prime Minister Dr. Baburam Bhattarai (who has since quit the party), decried "feudal nationalism," which they said had been used by the monarchy against progressive forces and India. A few weeks later, 'Prachanda' told *The Hindu*, "For the first time, we have criticised narrow nationalism, feudal nationalism and adopted progressive nationalism. We want good relations with India. Our relations must be the best example of bilateral ties in the rest of the world." He added that when he met President Xi Jinping in Beijing, the Chinese leader, too, encouraged his party to establish good ties with India.<sup>6</sup>

India is Nepal's steadfast partner, supplying to it essential commodities ranging from salt to petroleum products. India is constructing a petroleum pipeline from Raxaul to Amlekhganj for Nepal's future energy security, besides halving the transportation costs. India's development partnership in Nepal straddles every conceivable area of economic activity, from socially oriented small projects to the infrastructure sector. The programme for goitre control through the provision of iodized salt is among the oldest and most effective India-assisted projects in Nepal. Starting in 1967 following an iodine deficiency survey carried out by Professor Ramalingaswamy of the All India Institute of Medical Sciences, the project has achieved remarkably positive results. The availability of iodized salt at the household level reached over 95 percent in 2011, and the incidence of goitre in the affected districts of Nepal decreased from 55 percent in 1965 to 0.4 percent in 2007.<sup>7</sup>

India-Nepal cooperation includes community and grass-roots oriented Small Development Projects in the key areas of education, health and rural infrastructure. Ongoing in the area of human resource development, 3,000 Nepali students get Indian scholarships annually, and over 200 professionals avail of training in India under the India Technical and Economic Cooperation & Colombo Plan programmes. Institutional support extends to capacity building of the Nepal Police and Armed Police Force by providing security equipment, vehicles and logistics, including the construction of the Nepal Police Academy. India-Nepal defence ties include military educational exchanges, joint exercises, and supplies

of military stores and equipment.

India accounts for nearly two-thirds of Nepal's foreign trade. In the current financial year, two-way trade might reach around \$6 billion. 100 percent of Nepal's exports to third countries, except 2.34 percent that are destined to China,<sup>8</sup> go through Indian roads, railways and the port of Kolkata. We have greatly widened the scope of privileges offered to Nepal in the 2009 India-Nepal Treaty of Trade. Since August 2012, India has exempted all goods of Nepalese origin from the levy of 4 percent Additional Customs Duty, thereby making all Nepalese origin exports to India completely duty free.

In the infrastructure sector, India's current development partnership consists of construction of four Integrated Check Posts for trade promotion and facilitation, 1,450 kilometres of Terai roads, and cross-border rail links at five locations. India and Nepal work together against flood-related disasters, including the repair and maintenance works at major border rivers, especially Kosi and Gandak, embankments of which are maintained by India under bilateral agreements. Besides this commitment, India has provided grant assistance for protection works on the Kamala, Lalbakra, Khando and Bagmati rivers. To augment electricity supply from India to Nepal, India has implemented grid connectivity projects, resulting in Nepal importing an additional 80 MW of electricity through over a dozen upgraded exchange points in the lean season.<sup>9</sup> India has also supplemented the World Bank's financing of the long-term cross-border grid connectivity from Muzaffarpur to Dhalkebar.

With the goodwill that Nepal enjoys in India, India's helping hand has been extended to Nepal whenever required. When a Turkish passenger aircraft stuck off the runway, blocking the Tribhuvan International Airport that left 80,000 passengers stranded in Kathmandu in early March 2015, it was an Indian Air Force C-130—able to land on very short runways—that brought in the repair equipment and technicians to extricate the Turkish plane. When a massive earthquake hit Nepal a month later, India mobilised quickly as the first responder. The first of its aircraft, with rescue teams and materials, flew into Kathmandu within seven hours of the tragedy, and MI-17 helicopters were deployed the following morning. At the International Conference on Nepal's Reconstruction in June 2015, India pledged \$1 billion for assistance, a fourth of it as outright grant, over and above the bilateral assistance of another \$1 billion announced during Modi's visit to Nepal.

Hydropower development affords India and Nepal the greatest opportunity. Nepal has South Asia's largest potential for hydropower and India is the largest potential consumer. At present, the installed capacity for hydropower in Nepal is less than one percent of what can be produced. Given the availability of water sources flowing down a sharp gradient, hydropower in Nepal could be affordable, reliable and sustainable. It could contribute to climate change mitigation in South Asia generally, and especially in the Himalayan region, by reducing dependence on carbon-based fuels. It could lead to energy security of Nepal, create jobs, businesses and industry, and redress the acute imbalance in Nepal's external trade account. Not just that, it could completely alter the social and fiscal dynamics of Nepal through its employment, energy and revenue generation potential. Moreover, through river-basin initiatives, transmission networks and creation of power pools, hydropower infrastructure could augment water security, flood mitigation and

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## HYDROPOWER DEVELOPMENT AFFORDS INDIA AND NEPAL THE GREATEST OPPORTUNITY.

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irrigation, thereby increasing food security both in Nepal and the Gangetic basin in India.

Nepal's changed approach to developing its hydropower potential is symptomised by some progress on the Pancheshwar Development Project and the conclusion of Project Development Agreements for the Upper Karnali and Arun-III projects between the Investment Board of Nepal and the GMR group and SJVN, respectively. If even one of these projects is implemented over the next five to six years, it could begin to transform Nepal's social and economic outlook and take India-Nepal cooperation to a different level.

## **Recommendations**

Notwithstanding Nepal's current internal political crisis, which will hopefully be resolved through the amply demonstrated Nepali genius for conciliation, the diversified India-Nepal relationship could enable it to become a model of bilateral relations in South Asia.

Hydropower, connectivity and infrastructure are the three areas that constitute the building blocks of a new architecture of India-Nepal relations. Some of the big ideas for future cooperation that could have a transformative impact include the following:

- a) Indian partnership in cooperative watershed and environment management for the protection of the Himalayan ecosystem, including soil conservation, reforestation, and more rational land use for horticulture and bio-agriculture.
- b) On connectivity and infrastructure, India could speed up construction of a road bridge over the Mahakali, linking western Nepal more closely with north India; provide viability gap funding for the Kathmandu-Terai Fast Track Road that could reduce travel time from north Bihar to Kathmandu to under two hours; and establish a new international airport at Nijgadh and further cross-border power grids.
- c) When the hydropower revenues kick in, India and Nepal could jointly build an East-West railway (prospected by Rail India Technical and Economic Service) along the present alignment of the highway built by India. It could become economically viable the moment it is connected to Kathgodam in the west and Siliguri in the east, significantly shortening the route from north to Northeast India.

While India and Nepal have no conflict of national interests, they still have to develop a habit of cooperation and learn ways to effectively manage the opportunities and challenges that lie before them. This would make it easier for Indians and Nepalis to relate to each other and insulate the relationship from the vicissitudes of political change in both countries. For deepening and widening the bilateral engagement, and for Nepal's growth and development to take off, it will need constitutional adjustments to make it durable and accommodative of regional aspirations, as also a political disposition that unfetters its economy and supports the entrepreneurial talent of its people. India and Nepal stand now on the threshold of a significantly upgraded relationship. This will be realised as soon as Nepal's politics permit it.



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ശ്രദ്ധാർപ്പണം  
ROYAL COURT OF  
SUPREME COURT  
INAUGURATED BY HIS EXCELLENCY  
PRIME MINISTER OF INDIA  
A GOVERNMENT OF INDIA AS

Modi's first official overseas visit as Prime Minister:  
Inaugurating Bhutan's Supreme Court building,  
which was funded by India (June 14, 2014)

MEAPHOTOGALLERY/Flickr



# Paradigms in India-Bhutan Relations and Pathways for Cooperation

MEDHA BISHT

**O**n 16 May 2014, when the Indian Prime Minister Narendra Modi invited the leaders of South Asian countries to his oath-taking ceremony in New Delhi, it appeared that the ‘South Asian moment’ had arrived. The highlight of this gathering was a pointer to the fact that given the political will, a plausible idea of South Asia could take root in the 21st century. Against the backdrop of hopes and aspirations of a new India, particularly with a strong Centre, and the possible emergence of a South Asian moment, this chapter highlights the possible trajectories of India’s Bhutan policy. The chapter is divided into three broad sections. The first section briefly discusses the patterns of continuity and change in India’s neighbourhood policy in general and towards Bhutan in particular. The second section articulates the distinct policy shifts, through which Bhutan has reacted to external developments over the last six decades, and how these responses are relevant for informing Indian policies towards its northern neighbour. Finally, the last section highlights policy options for the Modi-led government by focusing on three distinct trajectories relevant to India-Bhutan bilateral ties.

## India’s Neighbourhood Policy

If one were to trace the continuities and changes in India’s Bhutan policy, the political environment of the 1940s and 1950s becomes a critical starting point. It has been argued that Jawaharlal Nehru, while a

universal moralist, was also a realist in his neighbourhood policy.<sup>1</sup> In the words of Ainslie Embree, “the content and style of the Raj diplomacy was the formative legacy of the British India.”<sup>2</sup> This diplomacy, as Embree writes, did not disappear with the Raj. Once Nehru came to power, the geopolitical imperatives of security controlled Nehru’s perception of India’s neighbourhood policy.<sup>3</sup> Amongst the treaties signed with the Himalayan neighbours, the 1949 treaty with Bhutan is a case in point.

A primary reason for this continuity could be that Himalayan states were often perceived through the British frames of ‘protectorates,’ ‘buffers’ and ‘frontiers.’<sup>4</sup> Jayant Bandopadhyaya, in his well-known book *The Making of Indian Foreign Policy*, captures the specific anxieties of India which shaped its Himalayan policy. Bandopadhyaya, by focusing on the geographical specifics of the Himalayan passes, deliberated on the importance of the Himalayan belt, thus amplifying the geopolitical complexities of India in dealing with its northern neighbours. The sensitivity towards these passes was also raised in domestic circles, particularly by the Indian National Movement. For instance, in 1936 the radical wing of the Congress party was demanding the absorption of native states into India. In the popular nationalist mind one could thus see the traces and imagination of a greater India, which would include territories from Afghanistan to Himalayas, Burma to Kanyakumari.<sup>5</sup> These differences are visible in the debates between Jawaharlal Nehru and Sardar Vallabhbhai Patel.<sup>6</sup>

If one was to underline the objectives of India’s Bhutan policy, three tiers can be identified. The first tier is security and economics (the phase which was dominant during the early years, when Bhutan was cautiously and gradually moving closer to India); the second, connectivity—both in terms of infrastructural and socio-cultural linkages; and the third, energy and environment. While the first tier has received significant attention in past engagements, the second and third tiers of discussion and partnership are consequences of improved India-Bhutan bilateral ties and will be in the spotlight in the coming years. This is particularly true, seeing as they pose both opportunities and challenge to the Modi-led government.

## **The Shift in Bhutan’s Foreign Policy and Bhutan-India Ties**

During the 1950s and 1960s, both internal and external security concerns played an important role in shaping Bhutan’s policy towards China and India. The years 1949 and 1959, in particular, are significant watershed years for Bhutan’s foreign policy. Bhutan renewed the Treaty of Friendship with India in 1949, continuing the clause that it had with British India on being advised on its external affairs.<sup>7</sup> In 1959, it withdrew its representative from Tibet, given the Chinese presence on its undefined frontiers in the northwestern areas.

This was a departure from policies followed in previous years, as Tibet and Bhutan shared intimate ties over centuries. For instance, trade and commercial contacts between Bhutan and Tibet took place through the Phari valley in Paro.<sup>8</sup> Also, on the eastern extreme, the Kameng district of Arunachal Pradesh, earlier known as the Tawang tract, was extensively used for trade.<sup>9</sup>

A key reason for this shift were the developments in Bhutan’s northern neighbourhood. Threats to Bhutan’s national security became manifest during the 1950s (1954, 1958 and 1961), when China published maps showing Bhutan’s territory as part of China.<sup>10</sup> Further, in 1959, China occupied 300

**Post 1959, Bhutan predominantly perceived national security as being synonymous with economic development. Economic motivations, perhaps backed by the ‘security insurance’ against any Chinese imperialist designs, motivated Bhutan to develop intimate relations with India.**

square kilometres of Bhutanese enclaves in Tibet.<sup>11</sup> As a result, by 1960, all the major Tibet-Bhutan passes were being patrolled by Bhutan’s border security guards to contain the Tibetan influx into Bhutan.<sup>12</sup> National Assembly (NA) debates reveal that these developments were forcing Bhutan to re-evaluate its geopolitical reality. The NA resolution in 1959 underlines the gnawing awareness in Bhutan about the constraints inherent in its geographical location. The resolution stated that “Bhutan is situated in-between two powerful countries, India in the South and now China in the North.”<sup>13</sup> Thus, post 1959, Bhutan predominantly perceived national security as being synonymous with economic development. Economic motivations, perhaps backed by the ‘security insurance’ against any Chinese imperialist designs, motivated Bhutan to develop intimate relations with India.

Based on this trend one could argue that while trepidation and fear about India’s foreign policy debates existed, Nehru’s leadership and assurance paved the way for middle ground. During the Nehruvian phase, Bhutan adopted a cautious wait and watch policy, carefully signalling to India its decision to move south rather than northwest towards China. While the security undertones in keeping China away and a calculated move towards opening up to India continued for almost three decades, the overt dependence on India was soon debated domestically, and in late 1970s and 1980s Bhutan fervently sought a more diversified foreign policy.

This also coincided with Bhutan’s leanings towards a more active economic policy that started in the late 1980s. With democracy taking roots in Bhutan, this particular trend continues prominently even today, thus demanding greater attention. This is a significant development, given that India is Bhutan’s largest development and trading partner. A brief look at the figures shows bilateral trade reaching INR 728.7 million (almost \$11 million) in 2013, where imports to Bhutan from India stood at INR 43.89 million (about \$650,000; 82.4 percent) and Bhutan’s exports to India stood at INR 28.98 million, including electricity (about \$430 million; 91 percent). The Government of India, as in the past, has committed to support the Eleventh Five Year Plan of Bhutan (2013-18) with INR 450 million (over \$6.5 million), pledged along with an additional commitment of INR 50 million (over \$700,000) for the Economic Stimulus Plan.<sup>14</sup> As has been increasingly witnessed in the past few years, the economic footprint of India has been an issue of much deliberation, debate, critique and also appreciation in Bhutan, with many stakeholders discussing the consequences that such development interventions and patterns of engagement engender for Bhutan. Assumptions apropos alleged interference by India during the 2013 elections in Bhutan, and the debates associated with the phenomenon of rupee crunch it has been witnessing for the last five years, which is suggestive of an overhauling of Bhutan’s domestic sector, are two cases in point.<sup>15</sup>

The late 1980s also saw Bhutan, with Indian support, initiate its first hydroelectric project with the Kurichu dam. While the economic relationship, although beginning as development aid, had started way back in the 1960s, it started taking a new turn by the 1990s, when two more hydropower projects were commissioned—the Chukha and the Tala. By the beginning of the 21st century, Bhutan was clearly

emerging as India's development partner, at least in hydropower generation, which was also having large socio-economic ramifications for Bhutan. All the three projects were completed by 2009, providing good incremental returns to Bhutan. In fact, between 2003 and 2009, there had been a sharp growth in revenues from Nu 2.3 billion (\$33 million) to Nu 10 billion (almost \$150 million), thereby substantively increasing export revenues to Bhutan from Indian-assisted projects (Tala and Kurichhu).<sup>16</sup> Based on these benefits of cooperation, both countries decided to sign an agreement for improving cooperation in the power sector, particularly to develop 10,000 MW of power by 2020. This was indeed the most significant economic decision that was primarily aimed at achieving self-sufficiency for Bhutan in the future.

As to the current status of projects, reports point out that Punatsangchu-I (1,200 MW) Punatsangchu-II (1,020 MW) and Mangdechhu (720 MW) are projects which are still under construction. While the foundation stone for Kholongchhu (600 MW) was laid by Modi in June 2014, the other projects are at varying stages of development. These include the Amochhu reservoir project (540 MW), Wangchu project (570 MW), Bunakha reservoir project (180 MW), Kuri Gongri reservoir project (2,640 MW), Chamkarchhu-I hydroelectric power project (770 MW) and Sankosh reservoir project (2560 MW).<sup>17</sup> However, a recurring issue regarding the second phase of hydropower cooperation is the financial stability and economic viability of these projects. The hydropower debt in Bhutan has increased from INR 16,603.8 million (almost \$250 million) in 2003-2004 to over INR 56,000 million (over \$800 million) in 2013-2014.<sup>18</sup> This has not only generated criticism in Bhutan, but also forced the government to be cautious of the power purchase agreements signed with India. A report in the Bhutanese media in May 2015 questions the assumption of an unlimited demand for power in the Indian market. It argues that poor economic health of most of the state distribution companies in India is primarily responsible for the lack of capacity to afford power produced by power producers.<sup>19</sup> Given larger political and geopolitical implications to Bhutan, the report highlights the uncertainties associated with the power purchase agreements, as they are non-binding in nature (the one for Chukha ends on 31 March 2017 and Tala in 2041).<sup>20</sup> While there are new challenges in channelising the full potential of hydropower cooperation, this is indeed a task ahead for the Modi government.

The economic uncertainties in Bhutan are at present an urgent priority of its government. As of June 2014, the external debt in Bhutan was \$629.5 million. Significantly, 70 percent of Indian rupee debt, which stands at INR 67.9 billion (over \$1 billion), is hydropower debt.<sup>21</sup> Given that Bhutan has now started looking beyond just its security concerns, economics and the benefits thereof will be occupying a paramount place in its strategic calculations in the years to come. Managing fears regarding uncertainties in hydropower cooperation should therefore be one of the urgent priorities for India's public diplomacy.

Socio-cultural ties with Bhutan have also grown over a period of time. The India-Bhutan Foundation established in 2003 and the Mountain Echoes Literary Festival held every year in Bhutan are cross-cultural spaces widely attended in Bhutan. As the India-Bhutan brief by the Ministry of External Affairs states, "Government of India scholarships are granted to Bhutanese students at undergraduate and post-graduate levels every year in Indian institutions of higher learning. Under the Nehru Wangchuck Scholarship Scheme (implemented in 2010) and under the new Bhutan ICCR Scholarship Scheme (implemented in 2012) 67 Bhutanese students are undergoing graduate/post graduate courses in India."<sup>22</sup>

## Modi's Engagement with Bhutan

Narendra Modi's short tenure has indeed brought Bhutan into the spotlight. This was not only evident in his choice of Bhutan as the destination of his first visit abroad, which was symbolic in that it identified Bhutan as a nodal point of India's infrastructural connectivity project in South Asia, but also through some meaningful messages Modi articulated in due process. For instance, Modi was quoted as saying that "Himalaya divides the nations, but I want to give a new thinking that Himalaya should unite the nations."<sup>23</sup> While through the slogan 'Bharat for Bhutan and Bhutan for Bharat' (B4B), Modi emphasised that India and Bhutan have mutual security concerns, he also seemed to have broadened his vision for Bhutan in India's South Asia policy. During his visit, with the emphasis on capacity building and education, Modi announced that the grants through the Nehru-Wangchuck scholarship would be doubled to INR/Nu. 20 million per year, and committed Indian support in providing grant assistance for the establishment of the digital section/e-library in the National Library of Bhutan and in all of the 20 districts of Bhutan.<sup>24</sup>

Bilateral relations again came under spotlight after six months when Tshering Tobgay, the Prime Minister of Bhutan, visited India in January 2015. At the 'Vibrant Gujarat Summit,' Tobgay termed his maiden visit as an economic pilgrimage. Tobgay also highlighted the potential of Bhutan as the

penultimate destination for undertaking green business. Could India and Bhutan elevate their engagement by investing more in green technology? While the hydropower arrangement has been cited as an example of a 'green engagement,' flood management coordination between Bhutan and India's Northeast needs to be

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### GOING GREEN: INDIA'S NORTHEAST AND BHUTAN NEED TO PRIORITISE FLOOD MANAGEMENT COORDINATION.

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prioritised. How India-Bhutan relations can be responsive to the possibilities of green technological cooperation is another potential area both countries can think about.

An important regional initiative by the Modi government has been sub-regional cooperation between Bangladesh, Bhutan, India and Nepal (BBIN) on water resources management, hydropower, connectivity and transit. The Joint Working Group met on January 2015, and discussed the scope for power trade and inter-grid connectivity between the four countries. As reports claim, it was agreed that the BBIN countries would jointly explore cooperation on power generation apart from hydropower, and employ multimodal transport channels that could meet the economic and tourism needs of these countries. This project-based cooperation, under the auspices of the South Asian Association for Regional Cooperation (SAARC), could become an important entry point for sub-regional diplomacy in the years to come.

While it is still very early to determine any policy shift towards any country, given the state of current developments, three broad patterns could well emerge in the coming years. These are instructive of the distributive, accommodative and integrative strategies that can be operationalised given the political climate existing between the two countries and the increasing emphasis on economic policies in Bhutan. Specific policy pointers have been suggested, keeping the broader trajectory of India-Bhutan relations in mind.

## Pathways for Cooperation: General and Specific

Distributive strategies often entail adopting tactics, where parties do not easily make concessions. Zones of agreement often shrink as other issues are held hostage to them. Such distributive strategies have been absent in India-Bhutan relations. The only episode when such distributive tactics were used was in July 2013, when New Delhi stopped the gas and kerosene subsidy to Thimphu. Seen largely as a reaction to former Prime Minister Thinley's growing closeness to China, the issue of subsidies was for the first time politicised and brought to the fore the interference of India in Bhutan's internal affairs. Given Bhutan's sensitivity to economic issues, where India is perceived as a key player and a major developmental partner, such moves should indeed be undertaken after considerable deliberation.

Conversely, an accommodative approach in Indian foreign policy was primarily seen during the brief period of the Janata Party and United Front, when concepts and ideas such as bilateral benefits and the Gujral doctrine were introduced. Promising non-reciprocity, neutrality and non-interference, these ideas were partially successful, held hostage as they were by domestic problems of other South Asian countries. If one analyses the border issues between China and Bhutan, it is generally believed that India has been adopting an accommodative approach even though it has been assumed by some that Bhutan's proximity to China could undermine the economic help that it gets from India. While economically generous credit lines are given to Bhutan, there is a growing view in Bhutan that India's economic assistance should be geared towards greater holistic human development and the empowerment of young Bhutanese in due process. Moreover, notwithstanding that most of the adaptive innovations have to be adopted and operationalised by Bhutanese policymakers themselves, the growing debt in the hydropower sector is being seen as having the potential to transform hydropower into a resource curse.

Thus, ways and approaches related to India's economic engagement in Bhutan need a much more coordinated strategy. This is particularly so given that Indian private players are also involved, and accommodative strategies could transform into distributive approaches. Some thought therefore needs to be given towards directing accommodative approaches towards integrative ones.

Integrative strategies explore common solutions and are driven by problem-solving approaches, thus increasing the zone of possible agreement. While such strategies are rare to find, India-Bhutan relations provide a good example in South Asia.<sup>25</sup> Given that the bilateral arrangement has already proven that such approaches offer diffused benefits, there should be a strategic imagination to respond to integrative strategies in other areas of security, economics and environment, so that strategic interdependencies can be created at the cross-sectoral level. While Bhutan and China have been discussing border issues at the bilateral level and there is little that India can do on that front, it can prioritise economic and environmental issues. India needs to pay heed to the uncertainties and wildcards that its economic assistance can have on the social and political fabric of Bhutan, and it needs to up the ante on environmental cooperation. While a Joint Group of Experts on Flood Management has already been established as an interactive forum, this could be made the nodal platform for discussing and coordinating disaster management strategies, where the focus would be on the potential impact the glacial lakes in northern Bhutan could have on the planned hydel cooperation between India and Bhutan. So far the issue has not been taken up by the Modi government, but the sector needs to be seen as a viable platform of cooperation. Infrastructure connectivity, both in terms of transport and power, needs to be revisited keeping environmental factors in mind, given that the region is prone to seismic activities.

The Modi government has been taking forward the idea of the Buddhist circuit. This case of heritage diplomacy should be widened and broadened by establishing research institutes and conducting conferences on the intangible values that Buddhism can bring to the field of policy domain. Bhutan, for one, will have much to add on this front, given that its policies, politics, society and culture have been deeply influenced by Buddhist spiritual values. Such spaces of cooperation should therefore not only be seen in an instrumental sense of celebrating the commonalities that exist between Asian countries, but also in terms of the intangible value that discourses on the Buddhist view of life and politics can bring forth to the secular domain. Creating an Asian presence, where Bhutan could have much to contribute and illuminate, could be one of the fundamental nodal points for advancing the India-Bhutan cooperation in the twenty-first century.



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- 25 For instance, the first phase of hydropower cooperation, Operation All Clear of 2003 (when the Bhutanese Army pushed out anti-India elements out of its territory) and existing cross-border cooperation with hot-line pursuits against insurgents between both countries are few relevant examples.



One of the hallmarks of Modi's Neighbourhood Policy: India, Bangladesh exchange Instruments of Ratification of India-Bangladesh Land Boundary Agreement-1974 and Protocol-2011 (June 2015)

MEAPHOTOGALLERY/Flickr



# India-Bangladesh Relations in Modi's Era

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JOYEETA BHATTACHARJEE

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**B**angladesh and India share a common culture, history and language. India's longest land boundary is with Bangladesh, which is strategically located between India's Northeast region and the rest of the country. Its unique geographical location has made it crucial for development of India's Northeast, especially for improving connectivity in the region. Bangladesh also figures dominantly in India's security calculations, particularly for securing peace and stability in the Northeast.<sup>1</sup> Moreover, the country is a major trading partner of India's with bilateral trade at present standing at more than \$7 billion.

Since the creation of Bangladesh in 1971, India has been actively pursuing friendly relations with the country. Despite Indian initiative, bilateral ties have not always been smooth. A major impediment has been Bangladesh's inconsistent India policy that constantly shifts with a change in government in Dhaka. Any substantial and sustained progress in bilateral ties demands that Bangladesh pursue a stable policy. To attain this, one of the key prerequisites is for Bangladesh's political parties to disassociate the bilateral relationship from internal politics. Under Prime Minister Narendra Modi's neighbourhood-first policy, special emphasis is being given to improving ties with Bangladesh. As a mark of this interest PM Modi has already visited Bangladesh. It remains to be seen whether these early efforts will yield desired results. This chapter assesses and analyses Modi's policy in Bangladesh and its impact on the India-Bangladesh relationship.

## Evolution of India-Bangladesh Relations

Initially, India-Bangladesh relations were extremely cordial and warm. India had supported Bangladesh's War of Liberation in 1971. But the bonhomie between the two countries did not last for long. The assassination of Sheikh Mujibur Rahman, Bangladesh's first prime minister, in 1975 changed the nature of the relationship. The subsequent military governments that succeeded Mujibur Rahman's government pursued a policy that distanced Bangladesh from India. The military ruler Ziaur Rahman fuelled anti-India rhetoric to justify patriotism by raising the issue of the Farraka Barrage on the Ganga river, which cut water supply to Bangladesh. Subsequent regimes that followed also continued this anti-India posture. Even the democratic government led by Begum Khaleda Zia's Bangladesh Nationalist Party (BNP), the first government formed after the ouster of military ruler H.M. Ershad in 1991, was no different. The years 1996 to 2001 saw marked improvement in bilateral relations under the Awami League government of Sheikh Hasina. The major success during this period was the Ganges Water Sharing Treaty. But with the return of Zia to power in 2001, ties once again faced mistrust and suspicion. In fact, relations touched rock bottom during Zia's second tenure, which lasted until 2006. India accused her government of offering safe haven to Indian secessionist forces. The embittered bilateral equation even derailed proposed projects like the India-Bangladesh-Myanmar trilateral gas pipeline that could have solved the energy crisis common to both countries.

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**POLITICAL WILL AT THE HIGHEST LEVEL HAS HELPED IN REDUCING MUTUAL MISTRUST AND SUSPICION, CREATING A PLATFORM FOR MODI TO BUILD UPON.**

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The relationship again took a positive turn after the Awami League, led by Sheikh Hasina, formed the government in 2009. At the very beginning of her rule, Hasina made it categorical that transforming the relationship with India was one of her priorities. She declared that her country's soil would not be allowed to be used by any forces inimical to India's interests. True to her promise, she acted against insurgent groups from India's Northeast operating from Bangladesh. To strengthen the relationship further, she visited India in January 2010. Manmohan Singh, the then prime minister of India, reciprocated by visiting Dhaka in September 2011 as a mark of India's sincere interest in transforming the relationship.

Since 2009, India-Bangladesh relations have witnessed major progress in the field of economy, energy and security cooperation. Recent development have included India granting duty-free access to all Bangladeshi products in its market, a measure appreciated in Bangladesh, seeing as it has the potential to increase export of Bangladeshi products to India and reduce the trade deficit it often complains about. India has also provided \$1 billion as credit to Bangladesh for development of infrastructure, out of which \$200 million was given as grant in aid. In the field of energy, Bangladesh allowed a one-time transit for the passage of heavy equipment for the construction of a power plant in the Indian state of Tripura. More importantly, India and Bangladesh inaugurated two landmark power projects in 2013, one of which was a cross-country electricity transmission line, which allowed for the beginning of power trade between the two countries. Bangladesh is now importing 500 MW of power from India. Finally, security cooperation between the two countries has been the most significant, especially in the area of combating cross-border terrorism and insurgency. But the non-signing of the Teesta river water-sharing agreement and India's delay in ratifying the Land Boundary agreement (LBA), signed during Singh's

2011 visit, greatly dampened the initial feelings of enthusiasm and raised questions in Bangladesh about India's credibility to deliver on its promises. Despite such setbacks, India-Bangladesh relations have significantly progressed since 2009.

Political will at the highest level has helped in reducing mutual mistrust and suspicion, creating a platform for Modi to build upon. One of the major opportunities for Modi has been the return of the Awami League to power in 2014 that allows for continuity of Bangladesh's policy towards India. Moreover, Modi, unlike Singh, has the advantage of leading a government that enjoys two-thirds majority in India's Parliament. This allows him to pursue relations with critical countries like Bangladesh free of coalition and domestic politics that had derailed Singh's efforts, as evident in the case of the Teesta river water-sharing agreement.

## **Modi's Bangladesh's Policy**

Since Modi assumed office in May 2014, India-Bangladesh relations have shown significant developments in all spheres:

*Diplomatic engagement:* Modi, in his foreign policy diplomatic endeavours, has placed special emphasis on Bangladesh. An important step was sending External Affairs Minister Sushma Swaraj to Bangladesh as her maiden official visit abroad in June 2014. This was a major confidence booster and created the impression in Bangladesh that the new Indian government is sincere about improving ties.

It also needs to be recalled that the Bangladeshi government from the beginning expressed interest in strengthening ties with the new Indian government. Hasina not only congratulated Modi on his victory but also invited him to visit her country. Modi's visit to Bangladesh in June 2015 was a high point for the bilateral relationship. The two leaders also met in September 2014 in New York at the sidelines of the UN General Assembly, and also during the SAARC summit in Kathmandu in November 2014. These meetings helped in exchanging views and understanding each other's concerns.

*Land Boundary:* The most important development during Modi's tenure has been the ratification of the LBA by the Indian Parliament, with the consensus of all political parties. This move proved that India is capable of delivering on its promises and improved India's image. Modi understands that to develop bilateral relations, gaining public confidence in Bangladesh is very crucial, and the LBA gave him one such opportunity.

*Connectivity:* Modi's Bangladesh policy is driven by two interests—development of India's Northeast and his Act East Policy. He realises that to achieve both these objectives Bangladesh needs to be a major

**The most important development during Modi's tenure has been the ratification of the LBA by the Indian Parliament, with the consensus of all political parties. This move proved that India is capable of delivering on its promises and improved India's image.**

partner by virtue of its unique geographical location. Bangladesh has the potential to become a major bridge for improving connectivity between India and its Northeast states, and with East Asia. Hence, the areas that are being prioritised in bilateral relations are connectivity and economic cooperation. The essence of this is well sensed from the 22 agreements<sup>2</sup> signed during Modi's visit to Dhaka in June 2015, the majority of which are focused on improving connectivity. New bus and rail routes are planned, as is the use of Mongla and Chittagong ports. An additional \$2 billion dollar line of credit has also been extended to Bangladesh for infrastructure improvement. Stronger connectivity with Bangladesh helps create an alternative gateway for India's landlocked Northeast and is essential for its development.

Modi's engagement with Bangladesh also arises from his greater interest in strengthening regionalism and sub-regionalism in India's neighbourhood, again for which Bangladesh is an ideal partner. Bangladesh played a key role during negotiations for the Bangladesh, Bhutan, India and Nepal Multimodal Transport Agreement after the South Asian Association for Regional Cooperation (SAARC) multimodal transport agreement could not be approved at the 2014 SAARC summit. India and Bangladesh are also partners in the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation and Bangladesh-China-India-Myanmar Forum for Regional Cooperation.

*Security Cooperation:* Security cooperation remains one of the primary avenues for collaboration and due emphasis has been given to strengthening it further. The need for enhancing security cooperation has become crucial given rising incidents of cross-border terrorism, particularly after the bomb blast at Bardhwan in West Bengal in October 2014. The incident revealed a network of Jamaatul Mujahideen Bangladesh, a banned militant organisation operating in India. This incident changed the dynamics of the bilateral security cooperation. Before this incident, the prevailing perception was that security cooperation was a necessity only for India. The Bardhwan incident made it evident that stronger security cooperation is in the interest of both countries. The two countries since then have been working to strengthen existing initiatives, such as intelligence sharing, while simultaneously exploring new areas for cooperation. During Modi's visit, the two countries signed an agreement to tackle cross-border crimes jointly, especially smuggling of fake currencies and human trafficking. With a successful resolution of the maritime boundary between the two countries in 2014, security cooperation has also been extended to the maritime domain. As a mark of nascent maritime ties, the coast guards of the two countries have signed an agreement.

*Economic cooperation:* Modi has been conscious of Bangladesh's economic concerns vis-à-vis India and has expressed his interest in addressing them. The two major issues which Bangladesh often complains about are a persisting trade deficit and non-tariff barriers. To address the first concern, Modi is encouraging Indian companies, particularly in the private sector, to invest in Bangladesh. To incentivise Indian companies, the two countries have signed an agreement to set up a special economic zone for Indian industries in Bangladesh. Indian industries are also encouraged to be involved in infrastructure development in Bangladesh. India industry giants like Reliance and Adani have signed agreements to invest in the power sector. Such initiatives will help address not only the bilateral trade deficit, since many of these products will be exported to India, but will help in job creation in Bangladesh and contribute to its economic development. Indian companies, too, could benefit, as they can take advantage of the duty-free access that Bangladesh gets from various countries and remain competitive globally.

On the second bone of contention, India has already taken steps in reducing non-tariff barriers, like the establishment of Integrated Check Posts that improve infrastructure at key entry points along the border. During Modi's visit Bangladesh, Standards and Testing Institute and the Bureau of Indian Standards signed an agreement for sharing information on new legislation, rules and regulations in safety and testing to facilitate easy compliance and upgradation of facilities. This is expected to ease regulations Bangladeshi goods face when entering India.

*Water Sharing:* This is yet another concern of Bangladesh that has been acknowledged by Modi. Although the agreement on sharing the waters of the Teesta could not be signed during his visit, he promised to resolve the issue soon. Modi recognises the sensitivity of this issue in Bangladesh.<sup>3</sup> His speech at Dhaka University on 7 June 2015, claiming that air, water and birds do not need visas to travel, and stress on the need to resolve this issue was much appreciated in Bangladesh.

## **Challenges and Opportunities**

Modi's policy in Bangladesh is an extension of the efforts initiated by the previous United Progressive Alliance government to engage with neighbours. His credit lies in continuing this policy and pushing it with greater thrust and vigour. Consistency in the neighbourhood policy will help fulfil various promises made to Bangladesh in recent years that have contributed in improving India-Bangladesh ties. It is particularly important for Modi to strengthen the image of India as a credible partner, which dwindled substantially due to the delay in ratifying the LBA and the non-signing of the Teesta Agreement. It remains to be seen whether the recent upsurge in relations has been able to change the dynamics of the relations and is sustainable, i.e., independent of the political party in power in Dhaka.

Effectively, one of the biggest challenges for Modi is to sustain the bonhomie between the two countries and to ensure that the bilateral relationship is free of the internal political schisms of Bangladesh. For a long time, India has been trying to reach out to all the political parties in Bangladesh, and this government is no exception in that respect. Modi, during this visit in June 2015, met leaders of parties across the political spectrum, including the BNP. Unfortunately, there is little perceptible change in the BNP's attitude. Unless India-Bangladesh relations are viewed detached from internal politics by the Bangladeshi parties, they will continue to face ups and downs. Political parties who are known to be friendly to India also remain conscious of their policies and whether they could draw political backlash domestically. Bangladesh's reluctance in giving road transit to India is a case in point.<sup>4</sup>

Another challenge that needs to be closely monitored is the rising fundamentalism and intolerance to liberal thoughts and ideology in Bangladesh, as this often culminates into India-bashing and may hamper the relationship in the long run. This has become a bigger concern with the expansion of the network of international terrorist organisations, like the Islamic State and al Qaeda, which increases the need for stronger security cooperation between the two countries

Addressing the issue of cross-border migration from Bangladesh remains a further challenge for the Modi government. The increasing migration from Bangladesh has been a cause of socio-ethnic conflicts in states like Assam, where locals fear becoming a minority in their own land given the influx of Bangladeshi migrants. Till date no Indian government has not been able to deal with this problem

effectively. The problem is likely to become graver with climate change. Initial predictions by various scholars on the subject suggest that climate change may lead to an exodus of a large number of people from Bangladesh as the country loses large tracts of land due to a rising sea level. Since there is already scarcity of land in Bangladesh, a good percentage of the Bangladeshi population is likely to migrate to India next door. Will India, which faces its own share of challenges due to climate change, be able to bear this extra burden? An exodus of people to India will have severe socio-economic implications, for instance. There is need for detailed discussion between the two countries on how to deal with this common problem. On this note, India has already given Bangladesh INR 50 million under the India Endowment for Climate Change.

Resolving the deadlock on water sharing of the Teesta river is another persisting challenge for the Indian government. New Delhi has to convince the state government of West Bengal, which has already expressed its resentment on the draft treaty, for the agreement to go through. Consent of the state government is important in this case, as the Indian Constitution puts water in the state subject list.

Improving relations with Bangladesh opens up a wide variety of opportunities. Bangladesh will be one of the fastest growing economies in the world, and it is placed in the group of 11 most emerging countries after the Brazil-Russia-India-China grouping. It has made major progress in the social sector, particularly in human development, and its social sector development model is imitated in various countries. India can also learn from Bangladesh's social development model.

Tourism also has great potential. Considering the present push for improving land and water connectivity between the two countries, riverine tourism in particular could be a good opportunity. There are also geostrategic benefits in maintaining good ties with Bangladesh. The country not only offers an international gateway to India's Northeast by providing it access to its ports, but closer ties can also help in balancing the increasing influence of China in the Bay of Bengal. Furthermore, the Bay of Bengal is rich in hydrocarbons; cooperation with Bangladesh is crucial for exploration, as a substantial portion of the resource-rich waters form part of Bangladesh's territory. Above all, a friendly neighbour takes care of the interests of the other and refrains from activities that harm said interests.

## **Way Forward**

Modi has added a new momentum to the bilateral relationship. Ties between India and Bangladesh have improved significantly in his tenure thus far. To sustain this new trajectory, India should work on delivering the promises made. The following are some specific policy recommendations for the same:

- a) Both countries should hold regular meetings of the Joint River Commission to discuss and resolve water disputes. They should also consider undertaking projects that promote joint management of common rivers. For example, India can offer a portion of its \$2 billion line of credit for constructing the proposed Ganga Barrage in Bangladesh.
- b) To increase trade India should consider removing non-tariff barriers. As mentioned earlier, some steps have already been taken. The task of the present government should be to ensure the timely implementation of these initiatives. Again, the number of trading routes needs to be increased. Meanwhile, to encourage investment from India, Bangladesh should focus on easing up repatriation

of profits. Banking facilities also need to be improved. A special administrative framework needs to be put in place to avoid unnecessary bureaucratic delays.

- c) India and Bangladesh should deepen cooperation on climate change. India should help Bangladesh in the area of climate change mitigation.
- d) For any relationship people-to-people exchanges are important. India already provides various scholarships and sponsors cultural exchanges, among other things. These steps are contributing in building bridges among people. To further enhance such linkages, there is a need to ease the visa process. The most important policy step in this regard will be to upgrade technology of the online visa application process and make the overall process simpler—people in Bangladesh often complain of difficulties.
- e) The focus on security cooperation should continue and be strengthened further. The two countries should share knowledge about newer threats the region may face and work on developing capabilities to deal with them together. In this regard, the two countries should discuss issues like cyber and space security.

The above measures are merely indicative. Considering common socio-economic considerations and geographical proximity, there is hardly any issue or event in one country that does not affect other: this only broadens areas for potential cooperation. Activities of the current Indian government will be important in defining the future of India-Bangladesh relations.



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- 1 Cooperation from Bangladesh has contributed to establishing relative peace in the Northeast. For instance, it has led to the arrest of some of the top insurgent leaders, including chief of the National Democratic Front of Bodoland Ranjan Daimary and United Liberation Front Chairman Arabina Rajkhowa.
- 2 For a list of the bilateral documents signed, exchanged, adopted and handed over during the visit Prime Minister's Modi's visit, see: "India, Bangladesh ink 22 agreements. Here's the list," *Business Today*, June 7, 2015, <http://www.businessstoday.in/magazine/current/deals/pm-narendra-modi-signs-22-deals-with-bangladesh/story/220216.html>.
- 3 Since Bangladesh is a riverine country, people's lives and livelihoods revolved around rivers. The issue became more critical for the India-Bangladesh relationship, since Bangladesh is the lower riparian in the case of 54 common rivers that it shares with India. Availability of the water is dependent on the treatment of these rivers upstream. Bangladesh wants to sign agreements on the sharing of waters of these rivers. Till date, only the Ganges Water Treaty has been signed, and that too in 1996.
- 4 Technically Bangladesh has given transit to India following the trade treaty signed in 1972. Transit to inland river view is functional but the rail and road transit is pending. During Sheikh Hasina's visit to India in January 2010, Bangladesh again promised to make road and rail transit functional but no major progress have been made till date.

Making West Bengal a critical ally in India's  
Bangladesh Policy: Modi with state Chief Minister  
Mamta Banerjee in Dhaka to flag off the India-  
Bangladesh bus service (June 6, 2015)

MEAPHOTO GALLERY/FLICKR



# The Domestic Elements: States as Stakeholders

SHASHI THAROOR

**F**oreign policy in India is largely the prerogative of the Union government; indeed, foreign policy figures as an entry in the Union List of the Constitution, and states were intended to stay out of it. The man who laid the foundations of India's foreign policy, the country's first prime minister, Jawaharlal Nehru, affirmed New Delhi's exclusive authority over foreign policy formulation as indispensable to preserve the integrity, sovereignty and security of the country. Though he regularly wrote to his chief ministers informing them about various foreign policy decisions, his letters sought to keep them apprised of developments and of his views, not to consult them. There is no record of any state government having influenced any foreign policy decision during the first five decades of India's independence.

If anything, the opposite was the case. The Indus Water Treaty was signed with Pakistan in 1960, overriding local concerns in the Indian state of Punjab, in the interests of strengthening international relations. In 1974, the Dravida Munnetra Kazhagam (DMK) state government in Tamil Nadu similarly objected to New Delhi's intention to cede the disputed island of Kachchativu, a favoured watering-hole of Tamil fishermen, to Sri Lanka, but the Government of India did so anyway. The Central government consistently took the view that it alone could ensure an overriding view of the entirety of India's national interests in foreign policy, as opposed to the more parochial priorities of a state or a region.

The changing socio-economic political reality in today's world has, however, loosened the Union government's exclusive hold over foreign policy. One of the consequences of globalisation is that the distinctions between 'domestic' and 'foreign' have increasingly blurred. Though India follows a federal system which allocates foreign policy to the Centre, the subjects of foreign policy often spill over into matters on the State List (land, agriculture, fisheries, etc.) and, as a corollary, into issues of domestic politics. The expansion of the subjects being discussed as foreign policy preoccupations have gone beyond exclusively defence and security-related issues into the economic, social, cultural and environmental spheres, which has further increased the role of states as stakeholders in foreign policy formulation. It is now increasingly apparent that the space available to, and exploited by, India's states in foreign policy formulation is expanding, facilitated by the nature of India's parliamentary democracy and federal system.

Most of India's states (barring only Delhi, Madhya Pradesh, Chhattisgarh, Jharkhand and Haryana) share boundaries with foreign countries, or are coastal states which enjoy close proximity to international waters. Indian states' land boundaries are as follows:

Bordering Pakistan	Jammu and Kashmir, Punjab, Rajasthan and Gujarat
Bordering China	Jammu and Kashmir, Himachal Pradesh, Uttarakhand, Sikkim and Arunachal Pradesh
Bordering Nepal	Bihar, Uttarakhand, Uttar Pradesh, Sikkim and West Bengal
Bordering Bangladesh	West Bengal, Mizoram, Meghalaya, Tripura and Assam
Bordering Bhutan	West Bengal, Sikkim, Arunachal Pradesh and Assam
Bordering Myanmar	Arunachal Pradesh, Nagaland, Manipur and Mizoram
Bordering Afghanistan	Jammu and Kashmir (Pakistan-Occupied Area)

The realities of geography permit Indian states to argue that foreign policy directly impinges on their interests as neighbours. In addition, India's increasingly fractured federal polity has considerably reduced the ability of the Centre to assert overweening dominance over the states. Two political trends of relevance have arisen: First, many states have governments belonging to regional parties or opposition parties not amenable to direction from the Central government, and second, between 1989 and 2014, the Central government has always been a coalition government dependent on the support of unaffiliated state governments for its survival. The result has been a marked increase in the assertiveness of states on foreign policy.

Since this assertiveness, however, has occurred only in a handful of instances, I was able to argue, in my 2012 book *Pax Indica: India and the World of the 21<sup>st</sup> Century*, that the impact of India's domestic politics on its foreign policymaking is superficial. I took, for example, the postponement of Israeli President Shimon Peres' scheduled visit to India because of the ruling party's sensitivity to Muslim voters' views in an imminent state election. Examining what had happened, I argued that while this sensitivity might prevent overly visible gestures putting the relationship on display, it would not impinge on the substance of India's defence purchases from, or security exchanges with, Israel. I was right: it did not. For in reality, the general public is crippled by its own lack of interest in national, let alone world, affairs. In a country where many are barely conscious of political issues beyond their own village or neighbourhood, let alone national questions, foreign policy is, at bottom, a remote concern. And an issue

which, for the most part, does not affect a government's electoral fortunes, cannot prove determinant in formulating the substance of a policy.

This remains true, but the broader argument must accommodate some important caveats. Until the Bharatiya Janata Party (BJP) won an absolute majority for itself in the elections of 2014, Central governments could no longer consider themselves invulnerable to pressure: Within the larger reality of coalition politics, a ruling party often feels far more vulnerable to its own supporters than to the opposition. While parties without a majority in Parliament can at best be humoured and worst be ignored, parties that actually help constitute the ruling majority must be appeased if they feel strongly enough about an issue of policy—including foreign policy. The ever-present threat of a withdrawal of support by a coalition ally, which could even bring a government down, is far more potent than the most eloquent arguments of the official opposition. The Left Front of Communist parties, though not a part of the United Progressive Alliance (UPA) coalition, supported it from the outside between 2004 and 2008; their decision to withdraw support from the UPA in protest against the Indo-US nuclear deal starkly illustrates the point, leading as it did to a hotly-contested vote of no confidence in the Parliament.

**While parties without a majority in Parliament can at best be humoured and worst be ignored, parties that actually help constitute the ruling majority must be appeased if they feel strongly enough about an issue of policy—including foreign policy.**

This vulnerability increases the influence on foreign policy of state governments run by coalition partners. Thus, Mamata Banerjee, the Trinamool Congress Chief Minister of West Bengal (Paschimbanga), single-handedly stymied a major agreement with Bangladesh on the sharing of waters from the Teesta river, which flows from West Bengal to Bangladesh. She argued that the proposed arrangements would harm the interests of West Bengali fishermen—her own voters—and refused to cooperate, leading the Government of India to pull out of the Teesta Accord after it had already been negotiated by the two national governments. ('Water' being an entry on the State List of the Constitution, the Centre cannot exercise legislative power over the subject in any case; challenging a powerful coalition ally was further out of the question.)

The DMK in Tamil Nadu had similarly attempted to influence New Delhi's positions on the Sri Lankan civil war, but had proved less effective—not so much because of the intractability of Indian foreign policy, but because it was rightly believed that the DMK would not genuinely threaten the survival of the government by withdrawing support, something that it was not possible to say about Trinamool. In the end, though, the DMK did pull out of the UPA government over Sri Lanka in 2013. But by then other arrangements had been made to ensure the government's survival, which gave New Delhi a certain immunity to its erstwhile partner's fulminations.

The Indian vote in favour of a US-backed resolution critical of Sri Lanka at the UN Human Rights Council in 2012 was an interesting departure from this norm. India had traditionally been supportive of Sri Lanka in such international bodies, voting in favour of Colombo in the face of Western countries' resolutions condemning it, but on this occasion New Delhi reversed course. The decision to do so appeared to be prompted directly by the clamour from both the treasury and the opposition benches

(both the DMK, a member of the coalition, and the All India Anna Dravida Munnetra Kazagham, ruling in Tamil Nadu, demanded that India not oppose the resolution). While domestic politics undoubtedly played a crucial part in the government's decision—which was made, by all accounts, in the Prime Minister's Office and not in the Ministry of External Affairs—it could well be argued that this was not the sole motivation, since the vote gave India the opportunity to send Sri Lanka a strong signal at very little cost to either the sender or the recipient. The resolution itself was rather mildly worded, calling upon Sri Lanka to do little more than implement the recommendations of its own Lessons Learned and Reconciliation Commission. But it enabled New Delhi to be on the side of the angels internationally; to break free of its stifling self-imposed constraint of never voting in favour of any country-specific UN Human Rights Council resolution; and to convey to Colombo that its progress in fulfilling commitments to devolve genuine political autonomy to its Tamil minority were unsatisfactory. At the same time, pointing to domestic pressures gave it a certain plausible deniability with those in the Sri Lankan government who might otherwise accuse it of letting down a neighbour and friend.

The case of the Bangladesh Land Boundary Agreement, concluded in 1974 but finally ratified in Parliament only in 2015, is also instructive. The delay in submitting the agreement—which, since it involved the ceding of territory, required a constitutional amendment—to Parliament was initially due to changes of regime in Dhaka having produced governments deemed insufficiently friendly to India. Subsequently, however, the desire of New Delhi to “reward” the Awami League Government of Sheikh Hasina Wajed for its cooperation with India on vital security questions led Prime Minister Manmohan Singh to revive the agreement. But his UPA government ran into two kinds of domestic opposition—one from the state government of West Bengal, an important coalition ally, and the other from the opposition Bharatiya Janata Party, on chauvinist grounds objecting to the “surrender” of “even a single inch of Indian soil.” Since the agreement could literally not be ratified without opposition cooperation—a constitutional amendment requires two-thirds of Members of Parliaments to vote for it—it was the BJP’s objections that prevailed. When the BJP itself came to power and realised the importance of the agreement to the vital bilateral relationship, however, the amendment obtained smooth passage, but only after taking into account the views of the affected states.

When the Land Boundary Agreement came before the Parliamentary Standing Committee on External Affairs, of which I am Chairman, one of the principal issues in its consideration was whether the border states, particularly West Bengal, had been consulted and taken on board. The Ministry maintained that all the concerned state governments had been consulted at various stages before reaching a settlement on the boundary dispute. (I was able to use the good offices of a couple of members of the Committee from West Bengal’s ruling Trinamool Congress to lobby their chief minister in favour of the agreement, and to confirm that she would not object to its adoption.) The Standing Committee further recommended closer consultations at the highest political levels between the Central and the state governments on this issue, as implementation of the accord on the ground would only be possible with effective coordination between the states and Centre.

Since all the Bangladeshi enclaves were located in the district of Cooch Behar in West Bengal and all the Indian enclaves were located in four Bangladeshi districts—Panchagarh, Lalmonirhat, Kurigram and Nilphamari—which were also close to the border with West Bengal, an exchange of enclaves would principally affect the state of West Bengal. The support and cooperation of the government in Kolkata was therefore crucial. It was decided that the development plan of the affected areas would be drafted

only after comprehensive consultation with the concerned state government. Although the Central government would assist the people with financial packages, it would be the responsibility of the state to implement them on the ground. Compensation packages relating to the development of essential facilities, infrastructure augmentation and rehabilitation of the inhabitants of the enclaves were decided upon after consultation with the Chief Minister of West Bengal.

Evidence of similar impact is more elusive elsewhere. The concerns of the Northeast Indian states are said to factor in determining foreign policy towards China, but there is no significant difference between New Delhi's security concerns and those of the states in question. However, on a handful of issues—notably diplomatic dialogue on water sharing between the two countries, the transit of pilgrims through the northeastern states to Tibet, and the opening of trade links between India and China through the Nathu La Pass in 2006—the interests of the border states were clearly taken into account. Pressure from Sikkim and West Bengal was pivotal in expediting the land trade discussions. Conversely, the high political salience of border states' concerns about illegal migration do not appear to have seriously impacted on Indian foreign policy towards Bangladesh and Nepal, the sources of much of the migration problem. The issue of cross-border terrorism in the northeastern border states has been dealt with as a national priority rather than merely as a matter for the states themselves.

The same logic prevails on the issue of Jammu and Kashmir, which has been a central preoccupation of Indian foreign policy since Independence. Though the government of Jammu and Kashmir, by virtue of the provisions of Article 370 of the Constitution, has an implicit voice in the resolution of the issue and therefore in the formulation of the country's policy, in practice it has been largely sidelined, with the external dimensions of the Kashmir issue seen entirely as a national priority handled from New Delhi.

Apart from a handful of issues, therefore, of which Bangladesh and Sri Lanka remain the most striking examples, it remains difficult to see domestic politics, whether in Parliament or outside it, as a major constraint on Indian foreign policymaking. There is no doubt that demands in the political space have an impact on the foreign policy agenda, forcing the government to respond, but the extent of such impact is in most cases limited, except when the government finds it expedient to react to them. The seeming end of the coalition era with the BJP's absolute majority has also removed an important consideration in the Central government's policy formulation authority (though the story could again be different from 2019). I would conclude, therefore, that while states have become more assertive in recent years—the change in recent years from the practice of the first half-century means that the states cannot be completely ignored—the balance of authority in foreign policymaking still vests with the Centre. How that evolves will depend more on the nature of governmental majorities in New Delhi than on any other single factor.

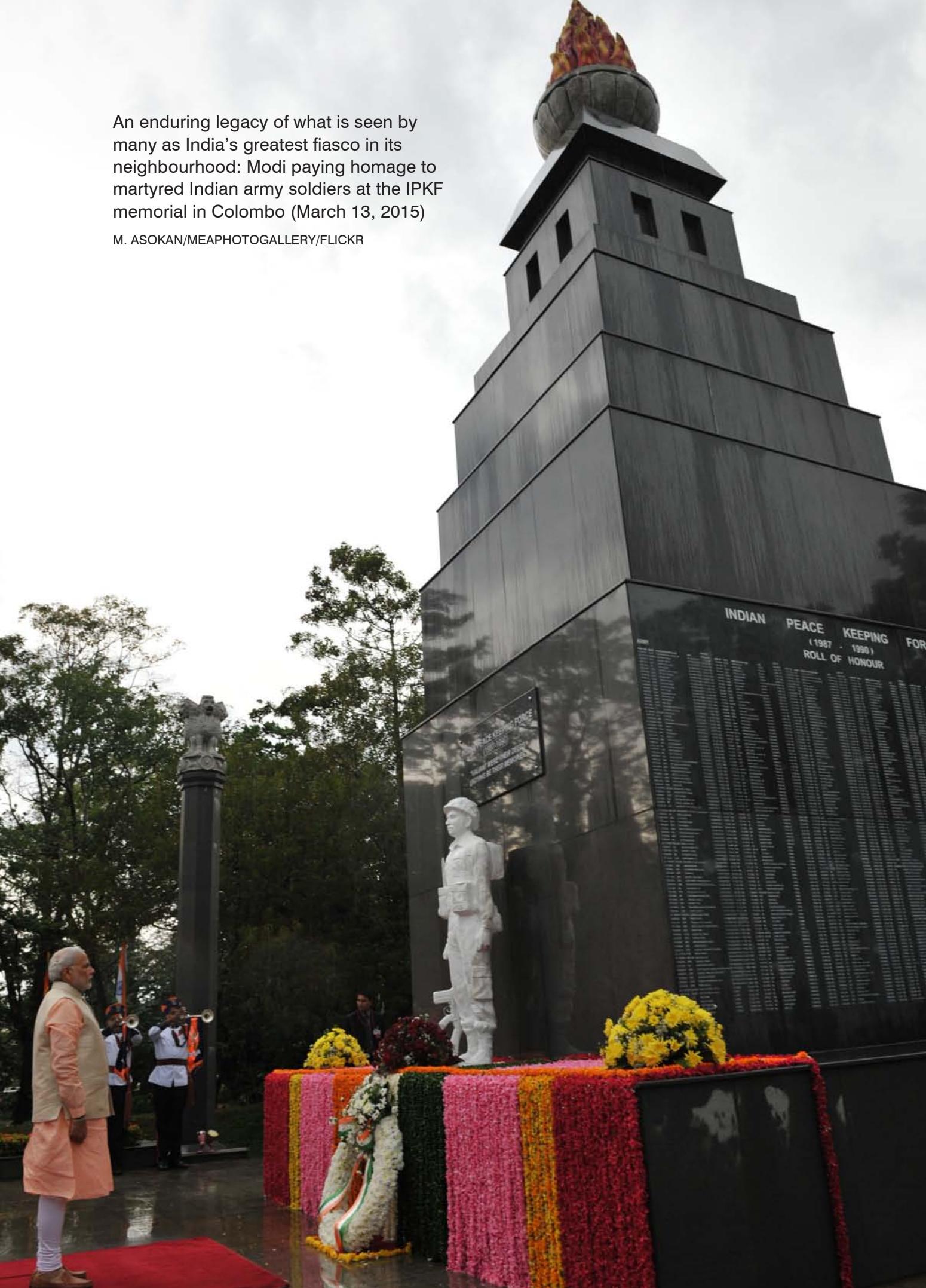


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An enduring legacy of what is seen by many as India's greatest fiasco in its neighbourhood: Modi paying homage to martyred Indian army soldiers at the IPKF memorial in Colombo (March 13, 2015)

M. ASOKAN/MEAPHOTOGALLERY/Flickr



# India-Sri Lanka Relations under Modi

RAJESWARI PILLAI RAJAGOPALAN

**W**

ith Maithripala Sirisena taking over as the president in Colombo in January 2015, there is hope for a new chapter in India-Sri Lanka relations. This change in dispensation, alongside a strong government in New Delhi, has helped in crafting a new Indian approach towards Colombo. There appears to be a more positive tone in the relations, at least going by optics. India's High Commissioner to Sri Lanka Yash Sinha was the first foreign envoy received by the new government. As is the tradition, the destination for the first foreign trip for the new leadership was India. India also reciprocated, with Prime Minister Narendra Modi being the first foreign leader to congratulate Sirisena on his victory.

Sirisena, during his meeting with Modi, stated that India-Sri Lanka ties are historical in nature, and declared that the philosophies of Buddhism and Hinduism have a very close relationship. He also underlined the signing of several important agreements, including one on civil nuclear cooperation, as a reflection of the confidence in each other and as a success of his visit.<sup>1</sup> Modi, too, was categorical in stating how Sri Lanka is India's closest neighbour and friend, and that their "destinies are interlinked."<sup>2</sup> Modi, during his visit to Colombo in March 2015, again emphasised the right cords of the relationship.<sup>3</sup> India-Sri Lanka relations had gone through a tumultuous phase under former President Mahinda Rajapaksa, who had developed a particularly close relationship with China.

While optics and symbolism are important, there are several underlying questions that need to be considered. China is one important contextualising factor. The assumption among a number of Indian strategic analysts that China will be neglected by the new leadership in Sri Lanka is farfetched. It is true that the earlier dispensation under Rajapaksa went a bit too far in embracing China, but Sirisena will find it hard to completely walk away from the Chinese for a variety of reasons. The fact that India is not yet in a position to match Chinese economic investments in Sri Lanka is a big factor. Therefore, India has to balance its expectations and aim to construct a more level playing field in Sri Lanka. Sirisena's victory clearly provides an opportunity, but India's ability to push his government to address half-a-century's worth of ethnic problems over issues of devolution of power and peace and reconciliation could test the relationship.

This chapter examines the changes and future prospects of India-Sri Lanka relations under the new leadership in both countries. This analysis will be undertaken by examining four key issues—the Tamil Nadu factor, devolution of power and Tamil interests, the fishermen quandary, and Indian Ocean and maritime security—that affect the India-Sri Lanka relationship. The chapter concludes with an overall impression of the bilateral ties and a few key recommendations to strengthen India-Sri Lanka relations.

## **India's Sri Lanka Policy**

While India's relations with Sri Lanka remain one of India's critical foreign policy engagements, particularly in its immediate neighbourhood, they have been marked by many compulsions and limitations. This has been the case because India has tried to approach the relationship through two objectives that often produce antithetical results. India's twin objectives are: one, guaranteeing the sovereignty and integrity of Sri Lanka while simultaneously seeking a long-lasting political solution to the ethnic conflict; and two, restricting the presence of foreign players in Sri Lanka that may reduce India's own manoeuvrability in the country. Pursuing these two objectives has not been easy.

### ***The Tamil Nadu factor***

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**INDIA'S APPROACH TOWARDS SRI LANKA HAS PRIMARILY REMAINED RESTRICTED DUE TO THE TAMIL NADU FACTOR.**

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emerged out of Tamil Nadu served India's interests better. Indeed, even as Sri Lanka has remained an important strategic player given its strategic location at the crossroads of every major maritime route in the Indian Ocean region, its economic and strategic significance was often lost to India due to the internal coalition political dynamics, with politicians willing to make short-term gains, sacrificing India's long-term goals vis-à-vis Sri Lanka.

India's approach towards Sri Lanka has primarily remained restricted due to the Tamil Nadu factor,<sup>4</sup> which has cast a disproportionate influence on how India conducts its relations with the island nation. India had made an erroneous assumption that Tamil Nadu understands Sri Lanka better and thus, a policy that

Moreover, a lack of understanding of the local dynamics of Sri Lanka led to India's political masters prescribing remedies that were far removed from realities and ones that had little legitimacy. The Sinhala aversion to the very word "federalism" is a case in point: Drilling the need to adopt federalism was seen as India being insensitive and interfering in Sri Lanka's internal matters. India could have repackaged federalism in such a manner that found takers for it within the broader political community in Sri Lanka and not just among the Tamils.

A concept of 'pan-Tamil' identity came about in the early 1960s, both out of the persecution of Tamils in Sri Lanka as well as the general political climate prevalent in Tamil Nadu at the time. This was the period when new linguistic identity (based on the prevailing caste consciousness) of 'Dravidanadu' was spreading, with the Dravida Munnetra Kazhagam (DMK) coming to power in 1967 and championing Dravidian nationalism. Despite this, India and Sri Lanka were able to maintain cordial and mutually respectful relations. However, the outbreak of large-scale anti-Tamil riots in Sri Lanka in May 1983 and the wave of Tamil refugees reaching Tamil Nadu called for a reappraisal of India's Sri Lanka policy. Recognising the potential implications for India and the bilateral relationship, along with the possibility of intervention by external powers, the then Indian Prime Minister Indira Gandhi laid out a doctrine of regional security and India's role in it, making a case against involvement of any external power in Sri Lanka.<sup>5</sup>

As the situation in Sri Lanka turned more violent and tense, India became more assertive and categorical in voicing concern about the Sri Lankan Tamils. The two Tamil political parties, DMK and All India Anna Dravida Munnetra Kazhagam (AIADMK), playing competitive Dravidian politics, did not lose this moment to display their solidarity with the Sri Lankan Tamils and thereafter pressuring the Centre to do more for them. However, Rajiv Gandhi's assassination by the Liberation Tigers of Tamil Eelam (LTTE) militants became a major turning point—the DMK met with a big electoral defeat in 1991, and except for the Marumalarchi Dravida Munnetra Kazhagam chief Vaiko, sympathy for Sri Lankan Tamils among Tamil Nadu's political parties waned. Tamil Nadu politics also started making a clear distinction between support for Sri Lankan Tamils and the LTTE.

Once the Sri Lankan civil war against the Tamil Tigers ended in 2009, Tamil sympathy began to take different forms. For example, the DMK took upon itself to become the informal interlocutor and facilitate talks between the Tamil National Alliance and New Delhi. Similarly, Tamil Nadu Chief Minister Jayalalitha wanted nothing to do with Rajapaksa when he visited India in June 2010, with her party maintaining its call for international investigation over the alleged war crimes in Sri Lanka.

While the salience of the Sri Lankan ethnic issue in Tamil Nadu politics has waned, it does figure somewhat in electoral politics. The national policy on Sri Lanka has also remained susceptible to the moods and vagaries of Tamil Nadu's political parties. Time and again, calling on the Central government to raise the issue of human rights violations by the Sri Lankan army during the final phase of the civil war is indicative of lingering sentiments. Both DMK and AIADMK were vocal in asking India to vote for the UN Human Rights Council resolution in Geneva that called for a comprehensive investigation into human rights violations and war crimes in Sri Lanka. India's primary consideration on the vote was always the potential reaction and backlash in Tamil Nadu. Many criticised India for losing its strategic vision and playing into coalition politics.<sup>6</sup> There have also been suggestions that India should have voted against the resolution while seeking assurances from Sri Lanka on an inclusive development

framework. In 2012 and 2013, India voted in favour of the resolution but abstained in 2014.<sup>7</sup> Some reports indicated that with DMK deserting the United Progressive Alliance (UPA) coalition by 2014, Congress had nothing to gain or lose by the stand it took. Congress was also not planning to stand in the 2014 Tamil Nadu elections. These again suggest that while the Tamil Nadu factor is becoming less of an issue, it still has an undue influence in national security issues with regard to Sri Lanka. Nevertheless, the situation is quite different under the Modi government—with a strong government on its own that is not subjected to the pressures of coalition politics, the Tamil Nadu factor is unlikely to have any significant impact on India's Sri Lanka policy.

The emotional element and empathy towards Sri Lankan Tamil brethren is only one part of the Tamil Nadu factor; the other is the additional burden of Tamil refugees fleeing to India and the consequent political and security implications. Between 1983 and 2009, refugees came to India in waves concomitant with the different phases in Sri Lanka's civil war: over 130,000 between 1983 and 1987; over 120,000 between 1990 and 1995; over 23,000 between 1995 and 2002.<sup>8</sup> There are reportedly 140,000 Tamil refugees across the world today, with almost 100,000 living in India. At present, close to 70,000 live in 112 refugee camps in Tamil Nadu whereas 30,000 live elsewhere in India.<sup>9</sup>

Many of the refugees continue to stay back for a variety of reasons, making repatriation of refugees a difficult process. These reasons include an absence of any viable source of employment and the poor economic conditions in the north and east, continued military occupation, slow de-mining and lack of basic infrastructure back home. Recently, there have been growing concerns about possible LTTE sleeper cells operating in Tamil Nadu and elsewhere. Growing resentment among the Sri Lankan Tamils—including among those who are currently refugees in India—over the lack of progress on devolution of power and reconciliation, along with support from Tamil nationalist groups in India, could fuel a new Tamil nationalist movement within Sri Lanka. The rising tide of Islamic fundamentalism and Wahhabism, particularly in eastern Sri Lanka, is also a growing concern for both countries. The possibility of a spillover of such developments into southern parts of India cannot be ignored by Indian policymakers and security agencies. The refugee issue with possible Islamic fundamentalist linkages is likely to be an important concern for the Modi government.

### ***Devolution of power and accommodation of Tamil interests<sup>10</sup>***

Devolution of power has remained a contested theme in Sri Lanka's political history since 1948, when it gained independence. The fact that development and devolution of power were interconnected with ethnic equations in Sri Lanka made progress on the issue challenging. The ethnic undertone has been a strong factor determining the future of many initiatives that sought to give space to districts and provinces. Sri Lanka's ethnic dynamics originally came about as a linguistic concern, with the Sri Lanka Freedom Party championing the "Sinhala Only" cause. S.W.R.D. Bandaranaike sweeping into power in the 1956 elections was an illustration of how powerful the ethnic dynamic had become in Sri Lanka.

The devolution of power to Sri Lanka's northern and eastern provinces has been a long-standing demand of the Tamil community and many governments have made promises to meet it. Prospects for progress on this front came in the wake of the Indian intervention in the late 1980s following the violent conflict that engulfed Sri Lanka in 1983. In fact, this was a key element of the India-Sri Lanka Peace Accord signed on 29 July 1987. As per the agreement, Sri Lankan President J.R. Jayawardene

agreed to the devolution of power to the provinces, cessation of hostilities within 48 hours of the signing of the accord, return of the Sri Lankan military to the barracks and the LTTE surrendering its arms.<sup>11</sup> Following the agreement, the Sri Lankan Parliament passed the 13th Amendment to the Constitution and the ancillary Provincial Councils Act, which established provincial councils and declared Sinhalese and Tamil as official languages (with English as the link language). The LTTE and other armed resistance groups were not particularly enthusiastic about the amendment provisions.<sup>12</sup> Fears of communalism and concerns for the unity and territorial integrity of Sri Lanka were expressed by Sinhala-chauvinist parties like Janatha Vimukthi Peramuna.

The demand for devolution surfaced again prominently after the war ended in 2009, but it went nowhere. Most recently, the new leadership in Colombo has shown all the right intentions to expedite the devolution process within the confines of the 13th Amendment.

India may have a responsibility under the Indo-Sri Lanka Accord to see that the amendment is implemented, but it cannot deliver it by forceful means. India, or Tamil Nadu, is no position to directly influence Sri Lankan internal dynamics because any such effort will be characterised as interference and will do more harm to India than further its interests. India managed to stay sensitive to Sri Lanka's needs, and thus played a minimal role (at least in the public domain) during the final phase and in the post-war phase; today, India can, at best, share the benefits of peace and stability that come with a more decentralised political framework and thus influence the Sri Lankan approach. Modi, during his visit to Colombo in early 2015, urged the implementation of this amendment in order to reach a more permanent solution to the Tamil problem.<sup>13</sup>

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### ***Fishermen issue***

Indian and Sri Lankan fishermen drifting into each other's territorial waters has become a point of contention between India and Sri Lanka. The border between the two sides intersects at three points: the Indian Ocean in the south, the Palk Bay and the Gulf of Mannar in the middle, and the Bay of Bengal in the north. Because of this overlap, the 12 nautical mile limit is often violated and there have been increasing number of incidents with Sri Lankan Navy personnel firing upon Indian fishermen in the Palk Strait.

Given the potential for conflict, Indian and Sri Lankan governments signed two agreements in 1974 and 1976 to resolve the maritime boundary line in the Gulf of Mannar, Palk Strait and Bay of Bengal. While these agreements brought certain clarity on the boundary, the 1974 agreement left it fairly open-ended for fishermen from both countries to fish in each other's waters.<sup>14</sup> However, the subsequent agreement in 1976 (Article 5) clarified the stand, essentially giving away the right of Indian fishermen to fish in the waters around Kachchaitivu in the Palk Bay.<sup>15</sup> Initially fishermen on both sides stuck to their respective territories, but weakening fish stocks in the Indian-controlled waters over the years has compelled Indian

fishermen to start fishing in the Palk Bay, causing trouble. Tamil Nadu political factions have challenged the ceding of Kachchaitivu because of the growing number of attacks on fishermen by the Sri Lankan Navy. Therefore, the recovery of Kachchaitivu island has become a political matter within the context of the India-Sri Lanka fishermen issue.

The increasing number of incidents involving fishermen, around 170 incidents in the last two decades, led the two governments to establish a Joint Working Group (JWG) in 2004 to work out a long-term solution.<sup>16</sup> In particular, the JWG was to develop a framework for licensed fishing in the Palk Strait. Till date, the JWG has met just four times with no progress on the matter. Indian fishermen have also been accused of using mechanised trawlers that allegedly deny Sri Lankan fishermen their catch and damage their fishing nets. India, however, has articulated the need to regulate such activity rather than ban the trawlers altogether.

In recent years, there have been a number of incidents of Indian fishermen being captured by Sri Lankan forces with the Sri Lankan government holding them in custody for more than a year. The Indian government has been articulating that these cases be treated from a humanitarian perspective. Modi, during his Colombo visit, reiterated the need to find an amicable solution at the earliest, suggesting a meeting of the fishermen's associations of both countries to this end, which can subsequently be taken up by the respective governments.<sup>17</sup>

### ***Indian Ocean and maritime security***

Sri Lanka's location at the heart of the Indian Ocean makes it significant from a commercial and strategic perspective. Keeping with India's predominant position in the Indian Ocean and the ensuing great power rivalry, New Delhi, from the early 1960s, had asked major powers to keep out of the region.<sup>18</sup> But with India embracing economic liberalism and globalisation in the early 1990s, Indira Gandhi's approach of keeping India militarily isolated was dropped in favour of greater integration with the global community. Nevertheless, because India has had a continental approach to its security for much of its post-independence history, fashioning an effective maritime strategy has been challenging. This challenge has extended to India's overall approach to Indian Ocean security as well.

India began to pay some attention to maritime issues in the early 2000s with the rise of China. The growing Chinese influence in the Indian Ocean region and Sri Lanka set alarm bells ringing in India. However, even with this pressure, the Indian response has been found lacking. For instance, the UPA government tried to bring to life the Indian Ocean Rim Association of the 1990s in an effort to strengthen regional cooperation among Indian Ocean littoral countries. India also launched a major initiative, the Indian Ocean Naval Symposium, which brought together top naval leadership from the Indian Ocean countries. This was intended to bring about greater professional interaction among the navies and encourage discussion on maritime security among these countries. These enterprises, thus far, have not been particularly effective in elucidating a coherent Indian maritime strategy.

Also of particular interest is a trilateral arrangement established between India, Sri Lanka and Maldives in 2011. This platform, established at the level of national security advisors, brought out the particular salience of Sri Lanka and Maldives in Indian Ocean and their inevitable inclusion in any maritime security calculus. While this forum has held a few rounds of dialogue, it has not gained any particular

traction for either trilateral cooperation or India's own maritime calculations.

India's concerns about China also come from the latter's increasing footprint in Sri Lanka. China's decision to construct the Hambantota port upped the ante for India. (It should be noted that Sri Lanka first approached India to construct the port, but the lack of a timely response from New Delhi pushed Colombo to approach Beijing.) Concerns about Hambantota have to do with the fact that Chinese warships will possibly gain access to the port, which will increase China's role and influence in the Indian Ocean. Dismissing Indian concerns, Sri Lanka allowed a Chinese nuclear submarine to dock in Colombo in September 2014, and another attack submarine in November 2014. While these can be defended as standard international practices, Colombo's disregard for Indian security concerns in permitting Chinese warships to dock across the Palk Bay was indicative of the state of bilateral relations. The fact that Sri Lanka gave no prior information to India in this regard also made India quite anxious. China, over the years, has become a trusted friend of Sri Lanka. Beijing used the last phase of the LTTE war to consolidate its relations with Colombo by becoming the most reliable and steady supplier of arms and ammunition at a time when India was hesitant to do so. China's footprint, however, goes beyond the military to include the Sri Lankan economy, including infrastructure.

The recent change in leadership in Sri Lanka has restored a certain balance to its equations with India and China. A change of government in India has also helped build fresh Indian focus on the Indian Ocean and maritime security. For the first time ever, there has been a clear policy articulation on the Indian Ocean on the occasion of Modi handing over the Indian-made offshore vessel Barracuda to Mauritius. He said India will "do everything to secure India's mainland and island territories and defend its maritime interests, deepen partnerships with friends and partners in the Indian Ocean, build multilateral cooperative maritime security in the Indian Ocean, and lastly discard the long standing Indian self-perception as a lone ranger in the Indian Ocean."<sup>19</sup> Modi's visit to Sri Lanka as part of his three-nation Indian Ocean trip in March 2015 was meant to substantiate this policy thinking. The fact that an Indian prime minister was visiting Sri Lanka after 28 years should embarrass India, but there now appears to be a new approach and a balanced foreign policy in the making in both New Delhi and Colombo that could push the two to a new level of partnership, particularly from a strategic perspective.

## Conclusion

With New Delhi and Colombo attempting a fresh start in bilateral relations, India has to be careful in balancing this relationship so that it does not drive Sri Lanka yet again into China's fold. There are economic compulsions that will see close China-Sri Lanka ties, because for all the goodwill that India enjoys with the Sirisena government, it does not have the same economic muscle as China to give Sri Lanka what it needs.<sup>20</sup> It is true that Sirisena suspended a few infrastructure projects with China, but the fact that he has endorsed the Chinese Maritime Silk Road suggests that Sri Lanka will try and balance between India and China to maximise gains. Still, it is in India's interests to play its card cautiously so that Sri Lanka aligns with India in strategic terms. India needs to walk a tight rope in balancing its strategic interests and resolving the ethnic Tamil issue. India will need to calibrate its policy in such a manner that its call for safeguarding the Tamil interests are not seen as interference in Sri Lanka's internal policy affairs. However, India must ensure that its Sri Lanka policy is not dictated by Tamil Nadu.

While Modi has not made a big departure in India's overall policy approach towards Sri Lanka, there appears to be a lot more clarity, focus and energy in the current government's outreach to Colombo. Implications of China's rise have been a running theme in much of Modi's foreign policy engagement, and this is evident in how Sri Lanka is treated as well. Moreover, Modi appears to be less constrained by the traditional Tamil Nadu factor and could thus be able to reach out to all the different constituencies in Sri Lanka and create a favourable outcome for India. Even as the Modi government raises the ethnic Tamil issue, it has been done so in a manner that is friendlier, and more cooperative and concerned, rather than preachy.

## Policy Recommendations

- a) India's Sri Lanka policy should not be guided by Tamil Nadu. This must be avoided if India has to make effective course correction in Sri Lanka. India playing into its domestic coalition politics calculation has meant that it has lost the strategic field to China to a great extent.
- b) While bringing ethnic Tamils to the national mainstream and peace and reconciliation in Sri Lanka are important goals, India should not be pursuing a Tamils-only agenda in its outreach to Sri Lanka. India must create different constituencies in Sri Lanka that will ensure a level playing field for India. Pursuing Buddhism and creating a stakeholder among the Sinhala community is something that will be attractive to all the different actors.
- c) Early settlement of the fishermen issue should be a priority. Exploring different means, including the establishment of a framework for licensed fishing in the Palk Strait, should be actively pursued. Joint management of the Strait may be a good confidence building measure.
- d) Bilateral and trilateral dialogues on maritime and Indian Ocean security have to be actively pursued. These must also be upgraded to the level of foreign ministers. Maritime exercises involving other Indian Ocean littorals, such as Mauritius and Seychelles, must be pursued proactively.
- e) India-Sri Lanka dialogue on counter-terrorism and intelligence cooperation should be enhanced. Conversations between intelligence agencies, including sharing of real-time and actionable intelligence, must be taken up.



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Engaging with governments in power, not just allies:  
Sushma Swaraj leading the Indian delegation to  
Malé, six months after Modi called off scheduled  
visit in protest of political developments in the  
Maldives (October 11, 2015)

MEAPHOTOGRALLERY/Flickr

# India-Maldives Relations: Solid Base, Shaky Structure\*

N. MANOHARAN

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oing by the Indian Ministry of External Affairs' (MEA) brief on India-Maldives Relations, "India and Maldives share ethnic, linguistic, cultural, religious and commercial links steeped in antiquity and enjoy close, cordial and multi-dimensional relations."<sup>1</sup> Prime Minister Narendra Modi called Maldives "a valued partner in the Indian Ocean neighbourhood" and India-Maldives "ties [as being] built on a very strong foundation."<sup>2</sup> Maldivian President Abdulla Yameen, during his last visit to India in January 2014, observed that "nothing will precede ties with India, which are...precious."<sup>3</sup> Going by these observations, it may look like India-Maldives relations are cordial, but in reality that is not the case. Despite Modi's proactive neighbourhood policy, there are irritants in the bilateral ties.

India's interests in the Maldives range from political stability in the neighbourhood, safety of its nationals working in the atoll state and protection of its investments and trade to the prevention of state and non-state forces inimical to Indian interests gaining a firm foothold in the Maldives. India's policy towards the atoll state is oriented towards addressing these national interests. The relationship straddles the economic, cultural and strategic fields, as the following paragraphs demonstrate.

Economically, it is difficult to discount India's contribution to the development of the Maldives. Some of the major projects executed by India include the construction of the Indira Gandhi Memorial Hospital,

Faculty of Engineering Technology, and Faculty of Hospitality and Tourism Studies as well as the establishment of the Technology Adoption Programme in Education Sector in Maldives. Through its leading public sector bank, the State Bank of India (SBI), India has been providing loan assistance to promote Maldivian island resorts, marine products exports, business enterprises and commercial projects.<sup>4</sup> India has also regularly helped the Indian Ocean island nation face foreign exchange crises, the latest instance being in December 2009 when India's SBI subscribed to the entire set of the \$100 million treasury bonds issued by the Maldivian Monetary Authority. Again in November 2011 India extended a Standby Credit Facility of \$100 million to help stabilise the Maldivian fiscal position. In January 2014, India released \$25 million to meet Maldives' import expenditure. This was done in the context of the Framework Agreement on Cooperation for Development of 2011.

Interestingly, the Indian private sector has also been involved in a number of projects in the atoll state. These include a 25 MW wind farm by Suzlon Energy of India in the southern province of the Maldives; a 24 MW solar power project by Bommidala Infrastructure; a 1,000 low-cost housing units in Malé by TATA Housing Development Co. Ltd; a Unique Global Knowledge, Medical & Tourist Hub in Gan in Laamu Atoll by Island Development Company Pvt. Ltd., and a waste management project in Malé by Tatva Global Renewable Energy.<sup>5</sup>

India and the Maldives share historic cultural links. Exchange of cultural troupes between the countries is a regular occurrence. Hindi commercial films, TV serials and music are immensely popular in the Maldives. Three historical mosques (Friday Mosque and Dharumavantha Rasgefaanu Mosque in Malé and the Fenfushi Mosque in the South Ari Atoll) were successfully restored by Indian experts. The India Cultural Centre that was inaugurated in July 2011 in Malé conducts courses in yoga, classical music and dance, which have become immensely popular.

In the education sector, India offers several scholarships to Maldivian students under the following schemes: Indian Council for Cultural Relations scholarships (37), SAARC Chair Fellowship (3), ITEC training & scholarships (25), Technical Cooperation Scheme of Colombo Plan (5) and Medical scholarships (5).<sup>6</sup> Significantly, around 25 percent of teachers in the Maldives are Indians, mostly at middle and senior levels.

Furthermore, Indians are the second largest expatriate community in the Maldives with an approximate strength of around 26,000. Apart from professionals like doctors, teachers, accountants, managers, engineers, nurses and technicians, a majority of the Indian expatriate community consists of semi/unskilled workers. Notably, of the country's approximately 400 doctors, over 125 are Indians.

In the defence and security sphere, India's assistance to the Maldives National Defence Force (MNDF) in training, supply of equipment, capacity building, joint patrolling, aerial and maritime surveillance, and medical treatment has been enormous. On an average, MNDF personnel avail of about 35 courses in India every year. Indian warships and Dornier reconnaissance aircrafts have been regularly helping the island nation in maritime patrolling and surveillance. India's Dhruv advanced light helicopters, radars and other equipment have been instrumental in enhancing the country's defence capabilities against any external threats. India has also been helping the Maldives in building the Composite Training Centre for the MNDF and the Maldives Police Academy.

## Policy Contours

India's policy contours towards the Maldives under Modi can be understood under three broad frames: political, economic and security.

### ***Political frame***

India's paramount concern has been that of the impact of instability in its neighbouring countries on its own security. The emphasis on 'democratic stability' in the neighbourhood policy is a continuing feature of the present National Democratic Alliance government as well. Time and again Modi has linked the importance of India's stability and growth to its neighbours and vice versa. It is with this understanding that internal political developments in the Maldives have been approached by India, even at the expense of getting drawn into the internal politics of the Maldives.

For instance, such a scenario played out on 13 February 2013 when former Maldivian President Mohamed Nasheed, fearing arrest, took refuge in the Indian High Commission in Malé. A high-profile political leader taking refuge in an Indian embassy was unprecedented. India consequently had to involve itself to mitigate the political crisis, such that Nasheed could contest the upcoming presidential elections in September 2013. To India, it was politically unjust to block a candidate from the largest political party from contesting elections. However, India's appeals went unheeded. The Maldives categorically told India "not to protect an individual [Nasheed] who stands charged with a serious crime." It went on to add that "[w]hat's happening now gives us an indication of the extent and level of interest some countries [are] prepared to take in our internal matters."<sup>7</sup>

The presidential elections did happen as scheduled and the Maldivian Democratic Party leader Nasheed was allowed to contest. However, the election process witnessed dramatic twists and turns in terms of postponements and annulments and dragged on for two months before final results were announced. The first round of polls on 7 September was called off by the country's Supreme Court despite the fact that all external poll observers from Transparency Maldives, India, the Commonwealth, the European Union and the United States had acknowledged the fairness of the way polls had been conducted. India's then External Affairs Minister Salman Khurshid noted: "We are deeply disappointed and distressed that this should have happened. Our understanding of the democratic system is that even if there are imperfections in the election system, those imperfections need to be addressed in a manner which is not destructive of the very process of elections." He went on to urge "all countries that care for democracy and who have a special cause of Maldives at heart to use their good offices to ensure that democracy is preserved."<sup>8</sup> New Delhi went beyond just making statements and leveraged political actors in the island state to ensure that the election process was completed and results announced. Though hardline forces in the atoll state called India "pro Nasheed," it maintained strict neutrality throughout.

Modi has also been confronted with political developments in the Maldives that are not conducive to Indian interests. He needs to maintain a delicate balance between pursuing India's interests without interfering in the Maldives' internal affairs, despite pressures to the contrary from various fronts. The arrest of opposition leader Nasheed in February 2015 on terrorism charges and the consequent political crisis, for instance, has posed a major diplomatic test for Modi. Expressing concern over "the arrest and manhandling of former President Nasheed," India urged "all concerned to calm the situation and resolve

their differences within the constitutional and legal framework of Maldives.”<sup>9</sup> The arrest of a former president on charges of terrorism and conviction for 13 years was seen as a serious undermining of the due process of law and an independent judiciary. As a result of the Yameen government’s intransigence in heeding to India’s appeal on Nasheed, Modi had to drop the Maldives from his four-nation Indian Ocean tour in March 2015. The move did send a conspicuous signal to the Maldives that New Delhi was disappointed with the developments that would undermine the political stability of the island country. However, the response from Malé was very clear: “India will adhere to the principle of Panchsheel and will not intervene in domestic politics of Maldives.” In diplomatic parlance, “Panchsheel” is generally used in Sino-Indian context, and its usage here was deliberate to highlight China’s stand on the issue: “We are committed to non-interference in others internal affairs.”<sup>10</sup>

### **Economic frame**

Highs and lows of diplomatic ties between the two countries have generally impinged on economic interactions as well. For instance, within months of Nasheed’s stepping down as president in February 2012, the Maldives announced the termination of a \$511 million project with the Indian infrastructure company GMR Infrastructure Limited. The Maldivian government under Mohamed Waheed justified the termination on grounds that “there were many legal, technical and economic issues.” However, going by the facts of the case, none of the grounds were valid. It was frustrating for India not only because of the unprofessionalism displayed by the Maldivian government under Waheed, but also because of the latter’s disregard to abide by international agreements due to local political considerations. Surprisingly, the Maldives rejected India’s suggestion to resolve the differences between Malé and GMR through a neutral international expert. Despite injunctive relief, Malé was adamant that its decision was “non-reversible and non-negotiable” and “no such injunction can be issued against a sovereign state.”<sup>11</sup>

Despite pending arbitration before the Singapore Court of Appeal, the Maldives unilaterally scrapped the deal with GMR and went on to award the airport contract to China. This clearly indicated the increasing influence of pro-China/anti-India groups like Adhaalath Party in the atoll and in turn dwindling leverage of India. Understanding the internal political dynamics and complexities, the Modi government has not made it an obstacle in bilateral ties. India has moved on, but not without expressing its concerns on how the issue has created a phobia among Indians investing in the Maldives.

New Delhi knows well and has conveyed so time and again to Malé that the only way to reverse the current trade balance in disfavour of the Maldives is to diversify the latter’s economy with more and more of Indian investments. During his meeting with Yameen at the time of his swearing-in ceremony in May 2015, Modi expressed India’s support for cooperation in the petroleum and natural gas sectors, particularly in oil exploration, as well as in the tourism and education sectors. They agreed to take

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measures to further strengthen investment and trade cooperation, and jointly undertake projects that would increase regional and sub-regional transport and connectivity to mutual advantage. Yameen's recent invitation to Indian companies to invest in the Maldives is a positive sign. However, for this to happen, a corresponding political climate has to be created.

### **Security frame**

On the security front, there are at least two security issues that impinge on India-Maldives bilateral ties.

***Islamic radicalisation:*** Maldives is a 100 percent Sunni-majority state. Yet, till recently, it was considered non-radical. However, in the past decade or so, the number of Maldivians drawn towards the Islamic State and Pakistan-based madrassas and jihadist groups has been increasing. At any point in time, a high number of Maldivian nationals pursue their religious studies in Pakistani madrassas controlled by various jihadist groups. Saudi Arabian madrassas are yet another source of such religious studies. These madrassa-educated are not only influenced to fight in places like Afghanistan, Iraq and Chechnya, but also help in the recruitment of Maldivians for jihad.

The Pakistan-based Lashkar-e-Tayyeba (LeT), through its charitable front organisation Idara Khidmat-e-Khalq, has established a foothold especially in the southern parts of the Maldives in the garb of relief operations after the 2004 tsunami. The first-ever terror attack in the Maldives took place in September 2007 at Sultan Park in Malé, in which 12 people were injured. Investigations pointed fingers at the Jamaat-ul-Muslimeen, which had links with LeT.

Events in the Middle East, Afghanistan and Pakistan have also influenced Maldivians towards radicalisation. Indeed, protests bearing the Islamic State flag have become a common sighting at political protests. About 200 Maldivian nationals have reportedly been fighting along the radical group in the Middle East. In terms of proportion to population, this number is quite high compared to other Muslim-majority South Asian countries. Political instability and socio-economic uncertainty are the main drivers of the rise of Islamic radicalism in the atoll state.

India has two specific worries. One, the possible exfiltration of members of Indian terror groups like the Students Islamic Movement of India and Indian Mujahideen to the Maldives after being cracked down upon in India. Two, the possibility of LeT using remote Maldivian islands as a launch pad for terror attacks against India and Indian interests. Overall, the concern for India is how Islamic radical forces have been gaining political influence in the neighbourhood.

***China's footprint:*** In the recent past, China's strategic footprints in India's neighbourhood have increased. In the case of the Maldives, the Chinese presence and influence has extended to the extent of opening an embassy in Malé in 2011. The Maldives has undoubtedly emerged as an important "pearl" in China's "String of Pearls" in South Asia. Given the island nation's strategic location in the Indian Ocean, Beijing has been vying for a maritime base in the atoll. The main motive is to ensure the security of its sea lanes, especially the unhindered flow of critically-needed energy supplies from Africa and West Asia through the Indian Ocean.

Consequently, the Chinese have remained among the top visitors to the Maldives. Beijing has evinced a keen interest in developing infrastructure in the Ihavandhoo, Marao and Maaranthoo islands of the Maldives. During Chinese President Xi Jinping's visit in 2014, the Maldives agreed to become a partner in China's Maritime Silk Road initiative. China has provided grant and loan assistance to the Maldives to build a bridge between the capital and the airport, known as the China-Maldives friendship bridge. Furthermore, Chinese companies are involved in airport development and have now been handed islands to develop as resorts.

It is thus not without reasons that the current dispensation in Malé holds the view that "it will be to the detriment of the Maldives to not engage with China." Recent amendments to the Maldivian constitution in July 2015 allow foreigners to own land, including investments of over \$1 billion for projects where 70 percent of the land has been reclaimed. Looking at these parameters, China will be the obvious beneficiary.

The growing Chinese footprint in the Maldives is regarded with concern by India. India's concern stems from the increasing Chinese strategic presence in the Indian Ocean region. Though the Maldivian government under Yameen has reassured India that the Chinese presence in its atolls is purely for economic reasons, New Delhi remains concerned about "places turning into bases." From an Indian point of view, because of Chinese largesse to the Maldives, India's economic leverage has been largely ineffective. It has become easy for the Maldives to play the China card against India.

## **The Way Forward: Opportunities**

India's stability lies in the stability of its neighbourhood. Modi has clearly understood and articulated this fact right from his swearing-in ceremony. The way forward for India therefore is to strengthen the democratic institutions of the Maldives, including its legislature, judiciary and executive. Former President Nasheed's inability to perform was mainly because of a lack of cooperation from these institutions, forcing him to resign prematurely. Comparatively, due to a favourable disposition especially of the judiciary and defence forces towards former President Maumoon Abdul Gayoom, the current president, his half-brother Yameen, is in a better position. However, in the long run, it is important to gradually get these democratic institutions to function constitutionally, with proper checks and balances. The democratic constitution of Maldives is too young; more time is required for it to take root. The constitution must also be strengthened to eliminate room to drift back towards authoritarianism. India, and not China, is in a better position to help Maldives in this regard, but it can only do so if it does not give the impression of interfering in its neighbour's national affairs. Pressure could be covertly exerted through multilateral forums like the Commonwealth, the South Asian Association for Regional Cooperation or even the United Nations.

Second, India must exercise its economic leverages prudently. Irrespective of China's economic activities in the atoll state, India should continue providing economic aid to its small neighbour in addition to the development projects that are already underway. Since a widening trade deficit with India is one of the major economic concerns the Maldives has, India could diversify bilateral trade, especially by enhancing its export basket from the atoll state. In the trade sphere, India should consider without delay the proposal from its neighbour regarding the import of diesel, petrol and aviation fuel from India. The

India-Maldives Trade Agreement signed in 1981 could be revisited in the light of current realities. The Indian private sector could be encouraged to deepen its engagement in the Maldivian economy. But for this, the Maldives will need to become more welcoming to investments made by India.

Third, increasing connectivity both by air and sea between the two countries is yet another opportunity the Modi government can look into. The existing Air Services Agreement requires a revisit. The government should consider starting direct flights between Mumbai/Delhi-Malé sectors at the earliest. India's offer to allow visa-free entry for medical purposes as well as the removal of restrictions on re-entry within two months are welcome steps, but things have to go beyond this to encourage people-to-people interactions. It will be this platform of connectivity that will form a strong basis for smooth diplomatic relations. In this regard, visas to Maldivian nationals could be further liberalised, depending on the purpose of the visit.

Lastly, on the security front, India's geographical proximity to Maldives is a big plus. As Indian External Affairs Minister Sushma Swaraj observed in her recent meeting with her Maldivian counterpart, "India has always been there for Maldives" in any moment of crisis. Indeed, India has been the net security provider to the Maldives by frequently extending its help in securing the sovereignty and territorial integrity of the atoll state. Operation Cactus, when India saved Gayoom's regime from a coup in 1984, is one such example. When the tsunami struck the island nation in 2004, India was the first country to rush relief and aid, apart from providing financial assistance of \$100 million to manage tidal surges. During last year's water crisis in the Maldives, India was the first country to reach out with sufficient water supplies within hours. Irrespective of the existing bonhomie, China cannot reach out on time in case of any emergency. This proximity is effectively an opportunity for New Delhi and Malé to strengthen security ties, as also to work towards greater understanding in their bilateral relationship.

## Conclusion

Irrespective of size, India's neighbours are important to its long-term stability, security and development. Given the traditional mould of good relations between India and the Maldives, India cannot afford to ignore its southwestern neighbour, especially for strategic reasons. The strategic location of the country has attracted extra-regional powers like China. Therefore, it is important for New Delhi not to allow the Maldives to slip from its sphere of influence. India should reach out to all governmental and non-governmental actors of the atoll in economic, socio-cultural and political arenas. Governmental dialogue mechanisms are not sufficient in themselves, which should in the first place be regularised. India is indeed a neutral actor in the atoll's politics, but such a perception needs to be efficiently conveyed. The visit of an Indian prime minister to the Maldives is long overdue. India had good reasons to call off Modi's visit last time citing political volatility, but a summit meeting in Malé will make a lot of difference in the bilateral rapport. Extensive people-to-people contacts will result in enhancing India's leverage in the island state. On its part, the Maldives needs to acknowledge the fact that it is only neighbours who come to rescue during emergencies; India has proved this maxim right several times.

*\*This chapter is based on an earlier publication by the author: "An Agenda for the New Government: Policy Options for India in Maldives," IPCS Issue Brief 248, March 2014, [http://www.ipcs.org/pdf\\_file/issue/IB250-Manoharan-Maldives.pdf](http://www.ipcs.org/pdf_file/issue/IB250-Manoharan-Maldives.pdf).*



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# The 18<sup>th</sup> SAARC Summit

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Leaders of the eight member countries at the  
18th SAARC summit in Kathmandu, Nepal  
(November 26, 2014)

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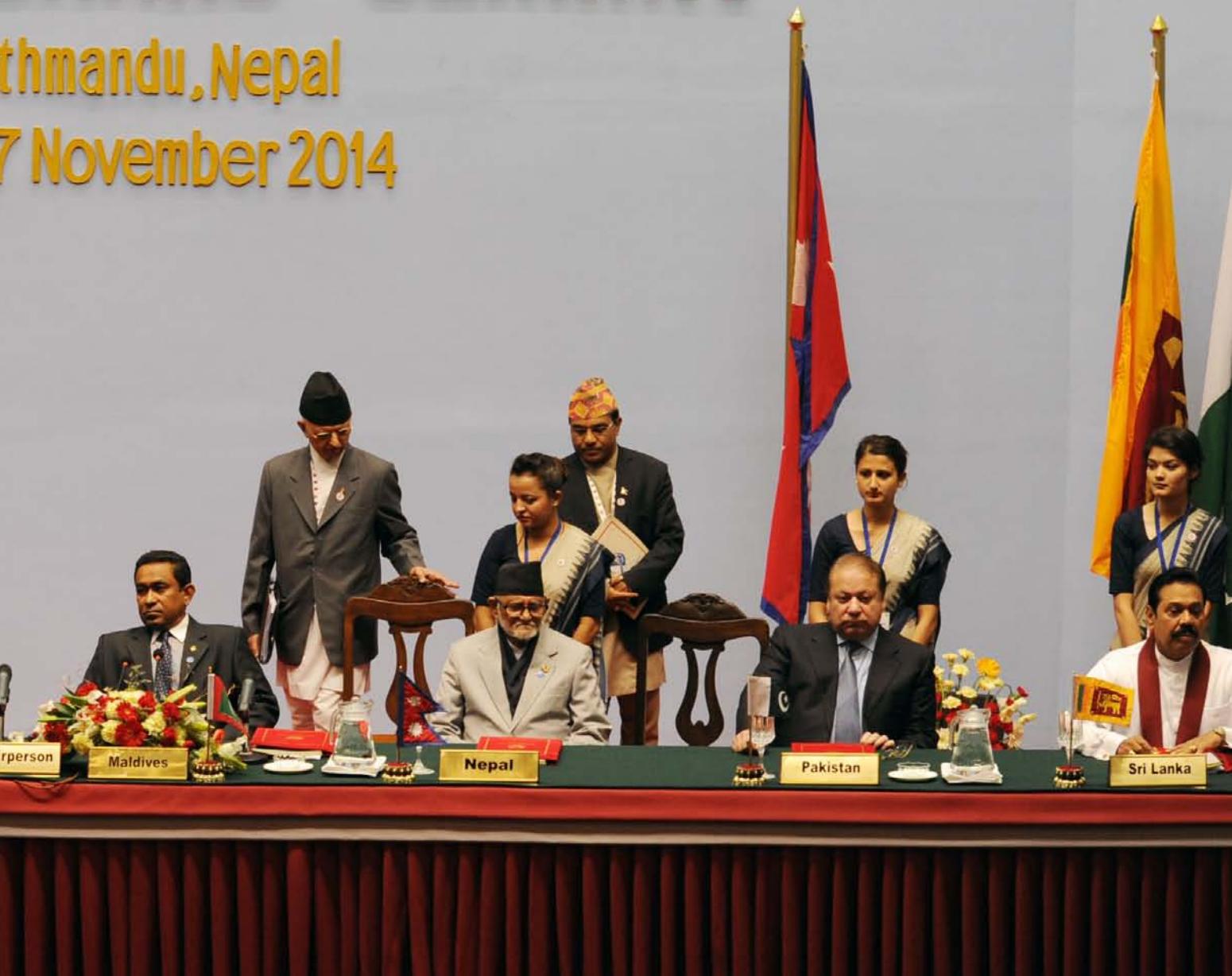


SAARC

# SAARC Summit

Kathmandu, Nepal

7 November 2014



# SAARC at Thirty: Integration by Parts

SHEEL KANT SHARMA

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he South Asian Association for Regional Cooperation (SAARC) completed thirty years in December 2015 as the sole official forum for regional cooperation in South Asia. Its membership today comprises eight countries, namely Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. Afghanistan joined as a member in 2007. SAARC's record in recent years has not been such that would inspire confidence in the success of a regional cooperation paradigm. Over the past decade plus, India has nonetheless been pushing the SAARC agenda in every possible way, devoting considerable energy, resources and high-level focus. This Indian endeavour received a boost after 2014 under Indian Prime Minister Narendra Modi's leadership, leading, *inter alia*, to the success of the 18th SAARC summit in Nepal in November 2014 and its follow-up since then. The momentum witnessed in the beginning of 2015, however, diminished in its closing months—conforming in some ways to a familiar pattern in SAARC's evolution.

This chapter assesses the state of play in regard to South Asian regionalism today, and ventures into how Indian perception may be shaping up in terms of cooperation with its immediate neighbours. The focus is on the Modi government's policy thrust in the backdrop of SAARC's record so far. The chapter visualises options before India, the challenges that persist in relation to SAARC, the possible vistas that can be charted and offers, finally, a set of recommendations for action.

Despite the huge potential for win-win cooperation among South Asian countries, as brought out by several studies,<sup>1</sup> the substantial negative bias on the ground has persisted over the decades. The zero-sum mentality rooted in the history of India-Pakistan relations dominates approaches to forwarding the SAARC agenda. Moreover, the Cold War had cast its spell during the initial years. Negativities of that period survived the historic global changes of 1989-91. Neighbours somehow retained a tendency to view India with apprehension, given a huge asymmetry in geographical size, economic influence, human resources, military power and international profile. Enormous commonalities among South Asians presaged contest rather than cooperation. This required considerable unilateral endeavour by New Delhi to assuage its smaller neighbours and put their doubts to rest. While India mounted such efforts in the mid-1990s, problems in bilateral relations cast their lingering shadow, not just vis-à-vis Pakistan, but also with Bangladesh, Sri Lanka and Nepal.

What began to make a difference in outlook was a sustained and concerted diplomatic offensive by India in sync with the success of the Indian growth story in the early years of the last decade. While Nepal, Bangladesh and Sri Lanka showed promise, the fruits of diplomacy with Pakistan were slow in coming and were sullied by mounting cross-border terrorism. Traction in SAARC cooperation—be it in trade agreements like the SAARC Free Trade Agreement (SAFTA) and all associated trade facilitation measures, cooperation in energy and electricity, or transport and people-to-people connectivity in the region—depended rather precariously on the vicissitudes of overall bilateral ties.

The absence of sustained mutual gains from the regional venture dented its profile and reduced SAARC to being more of a talk shop as well as a rostrum from time to time for<sup>2</sup> ‘competitive deception.’ A default SAARC has come to mean a process mostly comprising meetings at various levels, ranging from experts, officials and senior officials gatherings to ministerial meetings and summits. This process aims to transform the policy framework in order to recreate the common economic space that had prevailed in the region until the 1960s and to move forward. Its tangible results so far have been limited to SAFTA, a SAARC Development Fund (SDF), a food bank and the functioning of a few regional centres. Broad-based stakeholders for SAARC, however, have failed to step up in various fields covered by the SAARC agenda. Governments, therefore, are under little public accountability to deliver on regionalism—unlike the European Union and the Association of Southeast Asian Nations (ASEAN) in their formative years. This has led to a lackadaisical follow-up between summits that brought forth so many good ideas, initiatives and proposals.

SAARC is therefore lacking in coordination and implementation. The required policy thrust, which would have been critical to restoring even a modicum of the economic and social connectivity of pre-partition years, eludes this default SAARC process.

That said, an overlay of short promising phases of guarded optimism vis-à-vis this process has also characterised regionalism in South Asia. For instance, the period 2004-2009 can be characterised as promising,<sup>3</sup> when SAFTA entered into force (2006), the SDF was established with a \$300 million capital (2008) and nine observers accepted to further the regional cooperation agenda. 2014, after a lengthy bleak interval, also showed promise with a reasonably successful 18th summit in Nepal.

It is useful to briefly mention the positive elements that shaped 2014’s promising turn. The general elections in India gave a clear majority to Modi’s government. He infused, almost counter-intuitive

to the image that the media and his opponents had painted, a renewed spirit of ‘neighbourhood first’ in India’s foreign policy. Modi, in a manner of speaking, made a dramatic head start by inviting all SAARC heads of state/government to his swearing-in ceremony, and followed this by attaching high priority to India’s neighbourhood by paying overdue bilateral visits. Even with Pakistan, there was a good beginning with an initial dose of congenial optics. (The Maldives remained off radar due to its own internal problems.) Response to Modi’s initiatives was forthcoming from Nepal, Bhutan, Sri Lanka and Bangladesh. These countries saw promise in a dynamic and sincere outreach by a decisive Indian leader to clear the uncertainties and drift of previous years.

The 18th SAARC summit in Nepal also imparted a measure of optimism, contributed by the majority of SAARC leadership being well-disposed to furthering the agenda of cooperation and, as summit declarations go, agreeing to a more definitive commitment to the goal of a South Asian Economic Union. India’s unstinted support to Nepal contributed to revitalising SAARC’s default mechanisms in critical areas like trade and related measures, all-round connectivity, energy, as well as people-oriented projects. Modi’s unilateral initiatives,<sup>4</sup> such as launching a SAARC satellite by December 2016, were also appreciated.

The months since the summit found distinct interest on the part of India’s eastern and northern neighbours to progress sub-regional projects in power, road and railway connectivity, as also cooperation in water resources, disaster management and climate change. They appeared responsive to Indian initiatives to accelerate project-based cooperation, wherever possible, within or outside the SAARC auspices.

These recent positives rekindled hope for regionalism under the broad SAARC umbrella and beyond. There is a promise of reassertion of geoeconomics, at least sub-regionally, notwithstanding the backslide inherent given the regional political situation. Three broad areas that can be germane to revitalise the regional paradigm are as follows:

1. Geoeconomics: Harness synergies of unique contiguous geography, culture and history for mutual benefit of citizens;
2. A common ecosystem: Address unprecedented, common challenges of globalisation, pandemics, climate change and natural disasters; and
3. Demographics and youth bulge: Positively resolve commonalities inherent in an exploding regional demography by paying due and proper attention to tapping the youth dividend.

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### ***The lure of geo-economics***

There are several factors that show potential to engage and buttress possible reassertion of geo-economics in spite of the political turbulence in the region. The situation in sub-regions, if not in South Asia in its entirety, seems conducive to cooperation. In contrast with the downside of globalisation witnessed in the fall in global trade and stalling of exports-led growth of emerging economies, there are interesting counterfactuals. South Asian economies have displayed, in recent years, an ability to better cope with the lingering impact of the global financial crisis, diminishing foreign investments and the rise in commodity prices (until very recently). They have shown better than average macroeconomic data and higher growth rates than most other regions.<sup>5</sup> Furthermore, South Asian countries registered comparatively much higher annual inward remittances than any other region.<sup>6</sup> According to statistics compiled by the Indian Ministry of Commerce, intra-South Asian trade over the past five years registered greater annual rates of growth than generally realised.<sup>7</sup>

As regards regional geo-economics, trade and transport no doubt figure high on the agenda, since they have direct tangible gains for all. Several studies<sup>8</sup> have assessed the potential for regional trade, from the present low of \$22 billion which can grow up to \$120-\$180 billion in a fully functional free trade area in goods and services that is supported by connectivity and interrelated trade facilitation and investment measures.<sup>9</sup> These optimistic targets are not outlandish as can be demonstrated, for example, through the growth of India-ASEAN trade from less than \$3 billion in 1991 to \$75 billion today.<sup>10</sup> In South Asia the geographical closeness should have already been more conducive to trade expansion.

Note should be made in this connection of the 2015 report by Research and Information Systems (RIS), a New Delhi-based think tank, titled South Asia Development and Cooperation Report (SADCR). The report is strongly optimistic about regional cooperation in South Asia. It underlines factors that underpin the enhancing role of regionalism in promoting development cooperation. It provides copious data to validate its conclusions. Even regarding sub-regional options, SADCR's optimistic assessments gel with some of the recent developments that are particularly propitious.

SADCR has noted, quoting the World Bank estimates, that (i) led by India, the South Asian region now is the “fastest” region in terms of GDP growth rates, with average growth rate projections being 7.4 percent and 7.6 percent in 2016 and 2017; and (ii) that this region receives the highest level of inward remittances in the world.

### ***Compulsions of a common ecosystem***

While scepticism remains about such a growth-oriented vista, there are also compelling needs stemming from what forces peoples of the region together—that is, a shared ecosystem. The challenges of the common ecosystem transcend the temporal disputes and enmities governments and political leaders might think subsist. The imperative is to implore political leadership to focus on meeting jointly to address challenges of natural disasters and environmental catastrophes. The force of this imperative applies even if the cynics and zero-sum diehards refuse to see the gains of cooperative endeavours in trade, investment, energy, water, health, education, tourism and so forth.

According to a 2011 global database on disasters, over the past forty years, South Asia has faced as many as 1,333 disasters that have killed 980,000 people, affected 2.4 billion lives and damaged assets worth \$105 billion. These totals were, by far, the highest among the recorded disasters in various geographic regions.

Last summer's Nepal earthquake was a powerful reminder of the urgency of action. Such action ranges from risk assessment and preparedness to responding to actual disaster, from relief and rehabilitation to avoidance of mass suffering in the long run. Such action can be put into effect by human effort. It is a tall order but actionable no doubt, provided there is a coherence of will and determination to research, act and overcome obstacles as has been done, for example, in Japan. However, at present there is a gnawing sense of incapacity to do more than contributing, often without coordination, to relief organisations. A sense of shared destiny must spur the region to engineer mechanisms to cope better in future with the tyrannies of a common ecosystem.

### ***The youth dividend***

South Asia has the largest youth population in the world. Of its 1.65 billion, about two-thirds are in the age group below 35. Young people across borders are increasingly aware about each other through social and visual media, internet, and through a large diaspora. They are impressionable and can be easily misguided. Their needs are education and skill development, employment, entertainment, sports, and travel and tourism. Continuing inhibitions and blockades in any of these vital areas of their interest can be sources of tension and strife.

In addition, tapping their energies and shaping a positive outlook in their minds can be a valuable public good. The perverse narrative of conflict and dispute can work both ways: A sense of permanent hostility might flag over time, or it may, conversely, go out of hand and beyond control. A fledgling project, in contrast, to instill a harmonious regional paradigm of cooperation, engagement and interdependence has no malevolence even if it remains tepid. The youth bulge in South Asia can thus be either a huge asset or a daunting challenge—the latter especially if the youth are left to the wiles of extremism and preachers of hatred.

### **Managing Drawbacks through Multiple Forums**

To expand cooperation on these three broad drivers of potential convergence, it would also be useful to dissect and address the roots of negativity in SAARC's generally chequered record. The stumbling blocks, rooted in a defective approach, faulty methods and incompetence in implementation, can be turned around. The intractable problems of political distrust and a zero-sum mentality need to be put in perspective to allow geoeconomics and interdependence adequate space.

All said and done, it is the development process itself in South Asia that entails enormous challenges and demands Herculean efforts for the fruition of programmes. To address them properly, a plurality of forums by any reckoning is better, be they national, bilateral, UN-centred, regional/trans-regional or sub-regional, including those funded by global financial institutions.

SAARC figures as just one of these forums, albeit glazed by incrementalism thus far. Concerning the expectation from SAARC to deliver quickly on big-ticket items, one might as well examine the record of the bilateral processes in South Asia. Even these scarcely escape severe critique of meager results, despite much longer time horizons, better and high-priority backstopping by governments concerned, and commitment of far greater resources. Even richer international financial institutions manage rather modest delivery as a fraction of their total funding for desired goals. The Afghan President Ashraf Ghani explains this well in his book *Fixing Failed States: A Framework for Rebuilding a Fractured World* (2008). It is necessary to take on board the essence of how things happen in South Asia so as to discuss what can be done to make a forum responsive to regionalism in any version.

## **Integration by Parts**

The method of integration by parts is quite familiar to math students for effecting integrals of products of several factors. In regionalism, too, a complicated product of intractable factors needs to be broken up as a sum of parts that are amenable to solution. In due course, the sum of such parts can be bigger than the whole. The question is whether and how to supplement the incremental processes. What big steps are imperative? Who will lead, and how to attract and keep on board fellow travellers? How to build safeguards against factors likely to cause derailment?

### ***The way forward: Sub-regionalism under SAARC***

The sub-regional option essentially comprises pressing forward, with those ready to do so, on an item of cooperation on the agenda of the entire region. A very productive meeting in June 2014 of the Transport Ministers of Bangladesh, Bhutan, India and Nepal (BBIN) in Thimphu can be cited as exemplifying a major sub-regional cooperative undertaking. In their labour was a confluence of purposeful and tangible contributions towards graduating to the ‘how to’ of making development cooperation work, and to impart momentum to a roadmap for connectivity.

They emphasised that their four countries are part of a dynamic sub-region. They worked under the mandate of the 18th SAARC summit to “deepen regional integration for peace, stability and prosperity in South Asia,” and in that rubric decided “to carry out a six-month work plan from July to December 2015 for the implementation of the BBIN Motor Vehicles Agreement (MVA)” in accordance with well-defined agreed steps and milestones. A SAARC MVA was almost ready for adoption at the 18th summit but for the last minute insistence on a re-examination by a member state. High-level efforts managed a last-minute directive in the summit declaration to finalise the MVA within three months. Since even after almost seven months that finalisation was elusive, the initiative of the BBIN transport ministers made ample sense within this regional sub-set, albeit in the spirit of the summit. They thus met and spelled out an actual work plan and laid emphasis on its effective and efficient implementation. The text of their agreement reflects actual action points rather than declaratory rhetoric,<sup>11</sup> which has been the familiar drawback over the past three decades of SAARC.

They also “strongly encourage[d] key officials of relevant ministries and agencies concerned... to mainstream the relevant provisions of the BBIN MVA, and subsequent legal instruments into their operations” and instructed Nodal Officials or National Land Transport Facilitation Committees “to

monitor the work plan, *and bring to our immediate attention any issues that may arise in the course of its implementation*" (emphasis added).<sup>12</sup>

### **Specific pointers**

Taking cue from this promising development, even though limited to a motor vehicles agreement, replication of such a working method for a full range of agenda items should be explored to sustain and synergise the drivers of growth in South Asia. Trade augmentation is clearly a critical priority. This, in turn, is dependent on trade finance. Further down the road, sustainability of macroeconomic environment becomes a pre-condition for achieving development and peace. The outcome will be a win-win for all countries that join the process. Manifest dimensions of this process of replication of BBIN cover interconnected gains spanning not only trade, but also employment generation, creation of skill sets, sustainability of local markets all along the sub-regional transport corridor, and a spur to investment in small- and medium-scale ventures. It can spawn stakeholders throughout the way, who can be expected to beneficially influence apex decision-making. This can be a way forward towards benefiting from the current status-quo of geopolitics.

Furthermore, the BBIN sub-region may also be a tad more vulnerable in regard to the common (sub-) ecosystem. The idea of establishing a South Asian mechanism for rapid response to natural disasters has been present since the 15th SAARC summit in Colombo in 2008. Expert-level meetings have discussed various aspects of an agreement, including a half-hearted mechanism for disaster response. To set up

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such a system in the region, security, customs and immigration clearances are required. The road to actionable relief and assurance is far longer than the halting initial steps made so far. It requires personnel, training, equipment and engineering solutions for diverse contingencies, solutions that can be in the

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### **REGIONAL CAN BE BETTER THAN NATIONAL IF IT IS DESIGNED TO BE THE SUM OF PARTS BUT NOT A ZERO-SUM SEESAW.**

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form of modules ready to be activated in the shortest possible time. The BBIN Transport Ministers' meeting provides the cue for rapid forward moves on this front as well. Regional can be better than national if it is designed to be the sum of parts but not a zero-sum seesaw.

It is important to note that implementation, even for the BBIN grouping, will demand hard work, consistency and deftness to avoid pitfalls and constant high-level management. Secondly, the window for quick strides may also be limited in time. On the bright side, it may be less than four years for India at present and even less for Bangladesh, the two principal actors in a position, and well-disposed thus far, to giving requisite thrust. So, the spirit of the Thimphu Joint Statement ought to become pervasive, as this document forces deadlines and shows commitment from leadership to hold everyone accountable. On the other hand, accidental setbacks on the road cannot be ruled out given the imponderables that are the fate of developing countries in general and South Asia in particular. Therefore, setting realistic timelines and adhering to them is essential. Success within a given timeline can lend strength and durability to the entire process. It can also overcome vicissitudes of domestic politics if stakeholders taste the fruits of common endeavour and become a strong lobby.

Broader public involvement in support of action plans is also necessary and must be maintained. Media should come forward in the interest of good news for a change. To maintain the tempo of public involvement, the results, like that of BBIN transport ministers' meeting, need wide dissemination and attendant public scrutiny. An alert public can, for instance, enquire how the BBIN transport ministers' action plan is progressing compared to timelines set. Also, governments should agree to devise appropriate high-level mechanisms for monitoring progress, identifying obstacles, troubleshooting and review—all cohering to time-bound implementation.

An actionable agenda can be helped by a project-based approach. Efforts must be geared to secure and nurture greater common interests of all stakeholders, not just those of governments. Project-based cooperation must be focused on infrastructure development and related areas of economic development. External aid agencies are ready to give generous funding and other assistance in terms of planning, pre-feasibility studies and project formulation.

While a number of alternative options, both regional and sub-regional involving South Asia, are advanced and debated in think tanks and academia, the brutal fact is that their praxis may not extend much beyond that of SAARC. This is because it is invariably the same line ministries, chambers of commerce and industry, and personnel in national capitals who deal with new formats, and consequently, mostly the same ideas and initiatives resurface. The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is an example. Progress may have been less tepid in BIMSTEC, but only marginally so.

## **Internal National Development**

Appropriate internal development for infrastructure and economy is also necessary, as, for example, in setting up border management, banking, land customs stations and standards institutions to facilitate trade and trade-related investment, and internal road works to facilitate connectivity. Modi has been prescient in stressing national action in terms of infrastructure development to steer connectivity, which clearly figures high on regional and sub-regional agendas. It is a stupendous task to reassemble the pre-independence set-up of rail and road connectivity truncated during the difficult years of the 1960s. This task requires painstaking collaboration among political leaders, officials and experts involved. The European Commission has spent scores of thousands of man hours on such arduous labour. There are no short cuts. These tasks are also contingent on internal politics of member states. Protecting regional or sub-regional travails from the downward pulls of local or national politics will be crucial. Even trans-regional cooperation will not be able to bridge gaps that persist due to a lack of national and/or bilateral action.

**Modi has been prescient in stressing national action in terms of infrastructure development to steer connectivity, which clearly figures high on regional and sub-regional agendas. The task to reassemble pre-independence set-up of rail and road connectivity requires painstaking collaboration among political leaders, officials and experts involved.**

Ways must be devised to keep neighbours committed to pursuing initiatives on the anvil like BBIN or BIMSTEC. Likewise, efforts must be made to persuade everyone that goals for cooperation under these frameworks are not against anyone's interests. External powers and other interested parties need to be engaged in a coordinated long-term pursuit of a cohesive and peaceful, rather than divided, South Asian region. Going by past experience, Pakistan, as host and chair at the next SAARC summit, may have some of its own agenda preferences. It is very likely, for instance, that Pakistan pushes for China's entry as a full member of SAARC. This might be anathema to any praxis of South Asian regionalism under SAARC. As for China, encouraging divisive politics in such a populous and fractious region is likely to be inconsistent with, if not brutally counter-productive to, its own greater vision.

## Recommendations

- a) Pursue tenaciously the BBIN track in rail/road connectivity, land border management and energy grid to optimise distribution and power swap involving hydro and gas, river water management, communications, and regulated but freer movement of people.
- b) Enhance maritime cooperation with Sri Lanka and Maldives, address sea piracy, facilitate shipping, ports and overall maritime trade, tourism, investment, currency swap arrangements and counter-terrorism.
- c) Aim at registering early substantial gains that tie up broad-based stakeholders across borders and thus impart a self-sustaining momentum.
- d) Promote sub-regional projects in economy and infrastructure wherever feasible and involve external aid agencies/observers.
- e) Revitalise SAARC by example of successful sub-regional cooperation.



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- 1 See, for instance, Michael G. Plummer, "Toward Win-Win Regionalism in Asia: Issues and Challenges in Forming Efficient Trade Agreements," Asian Development Bank Work Paper Series on Regional Economic Integration No. 5, October 2006, <http://www.adb.org/sites/default/files/publication/28462/wp05-plummer.pdf> and Nagesh Kumar "South-South and Triangular Cooperation in Asia-Pacific: Towards a New Paradigm in Development Cooperation," Research and Information System for Developing Countries Discussion Paper 145, September 2008, [http://www.ris.org.in/images/RIS\\_images/pdf/dp145\\_pap.pdf](http://www.ris.org.in/images/RIS_images/pdf/dp145_pap.pdf).
- 2 Muchkund Dubey, "SAARC and South Asian Economic Integration," *Economic and Political Weekly* 42, no. 7 (April 7, 2007).
- 3 The push came from the Islamabad summit in January 2004 and subsequent easing of India-Pakistan tensions until the aftermath of the 26 November 2008 terror act in Mumbai.
- 4 "Text of Prime Minister's speech at 2014 SAARC Summit in Nepal," November 26, 2014, <http://www.narendramodi.in>.

- in/text-of-prime-ministers-speech-at-2014-saarc-summit-in-nepal-6941.
- 5 World Bank's World Development Report 2015, as analyzed by Research and Information System for Developing Countries, *South Asia Development and Cooperation Report 2015* (New Delhi: RIS, 2015), [http://ris.org.in/images/RIS\\_images/pdf/RIS%20SADCR-2015%20Executive%20Summary.pdf](http://ris.org.in/images/RIS_images/pdf/RIS%20SADCR-2015%20Executive%20Summary.pdf).
  - 6 Ibid.
  - 7 Ibid.
  - 8 These studies have continued over the past decade: Maurice Schiff and L. Alan Winters, *Regional Integration and Development* (Washington, D.C.: World Bank, 2003); Muchkund Dubey, "SAARC and South Asian Economic Integration," *Economic and Political Weekly* 42, no. 7 (April 7, 2007); Mahendar P. Lama, "SAFTA: Benefits to Business Community" (Keynote Paper presented at the SAARC Business Leaders Conference, FICCI, New Delhi, March 13, 2006).
  - 9 Nagesh Kumar and Ram Upendra Das, *2008 Potential for Trade in Services under SAFTA Agreement* (New Delhi: RIS and SAARC Secretariat, 2009).
  - 10 RIS, *ASEAN-India Development and Cooperation Report 2015* (New Delhi: Routledge, 2015).
  - 11 It is instructive to see excerpts from the Transport Ministers' Statement in this regard, as they spoke about:
    - Formalisation of the BBIN MVA, including the Protocols in Annexures 1 and 2, by August 2015;
    - Preparation of bilateral (and perhaps trilateral/quadrilateral) agreements/protocols for implementation of the BBIN MVA, by July 2015;
    - Negotiation and approval of bilateral (and perhaps trilateral/quadrilateral) agreements/ protocols, by September 2015;
    - Installation of the prerequisites for implementing the approved agreements (e.g., IT systems, infrastructure, tracking, regulatory systems), by December 2015; and
    - Staged implementation from October 2015.

"Joint Statement on the meeting of the Ministers of Transport of Bangladesh, Bhutan, India, and Nepal on the Motor Vehicles Agreement," Ministry of External Affairs, Government of India, June 15, 2015, [http://mea.gov.in/bilateral-documents.htm?dtl/25365/Joint\\_Statement\\_on\\_the\\_meeting\\_of\\_the\\_Ministers\\_of\\_Transport\\_of\\_Bangladesh\\_Bhutan\\_India\\_and\\_Nepal\\_on\\_the\\_Motor\\_Vehicles\\_Agreement](http://mea.gov.in/bilateral-documents.htm?dtl/25365/Joint_Statement_on_the_meeting_of_the_Ministers_of_Transport_of_Bangladesh_Bhutan_India_and_Nepal_on_the_Motor_Vehicles_Agreement).
  - 12 The latest status report on the action plan is that the MVA was signed on 15 June and a trial run of a cargo vehicle was made on 1 November from Kolkata to Agartala through Bangladesh, cutting the distance by a thousand kilometers. Samudra Gupta Kashyap, "Through Bangladesh, a development shortcut for Northeast," *The Indian Express*, November 30, 2015, <http://indianexpress.com/article/explained/through-bangla-a-development-shortcut-for-northeast/>.



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Prime Minister Narendra Modi continues to stress greater cooperation and better ties with India's neighbourhood almost two years into his tenure. While he made an impressive start in this direction from his very swearing-in ceremony in May 2014, his 'neighbourhood first' policy as yet has witnessed mixed results.

This publication brings to focus India's policy towards its immediate and extended neighbourhood—SAARC members, Iran, China and Myanmar—under Modi thus far. Four catalysts seem to now, more than ever before, influence India's outreach to its neighbours: the three-pronged impulses of geography, regional integration and geo-economics; development imperatives; security concerns; and Modi's prime-ministerialship. Each country-specific chapter describes bilateral ties, debates elements of continuity or change since the new government has come to power, and explores future prospects for ties under Modi given existing challenges and opportunities. Thematic chapters also intersperse this publication, which contextualise India's neighbourhood policy and its bilateral ties in the region.

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