

INDIA'S ASIA POLICY

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INTRODUCTION

The upshift in India's economic growth rates from the 1990s and a subsequent expansion of India's foreign policy interests has led to a more ambitious Asia policy for New Delhi. At the core, there is the goal of economically integrating smaller neighbours in return for their acceptance of India's security interests. A similar policy is being attempted in the Indian Ocean and its littoral states. India is also seeking to use its foreign policy with advanced countries further afield to fill in the many gaps it has in its economic and defence capabilities. The US and Japan feature prominently among these countries. Additionally, New Delhi has come to view the rise of Chinese influence in Asia in recent years as emerging at its expense and has softly braced against it, even while seeking a more stable bilateral relationship with Beijing.

While India may be the world's largest democracy, it has tended not to see its polity as a foreign policy tool. It has shown a preference for democratic polities in its neighbour, but this has been a recent development. New Delhi also believes that elected civilian political supremacy in Pakistan would be to its benefit, but has only indirectly sought to support democracy there.

New Delhi has demonstrated uncertainty about its role in multilateral diplomacy. During the Cold War, India used multilateral fora to develop a neutral sphere of global influence. Today, India tends to be slow in multilateral fora where its economic interests are involved, reflecting its broader lack of trade competitiveness. New Delhi has become more active in security arrangements in the Asia-Pacific, the ASEAN Regional Forum being one example. However, India remains too wary of diluting its sovereignty—a major concern of its rising middle class—to be a multilateral player of note.¹ The new Indian Prime Minister, Narendra Modi, has similar views and much prefers bilateral understandings to multilateral accords.

INDIA'S NEIGHBOURHOOD

A. Pakistan

Since 1947, India's policies regarding Pakistan have sought to negate Islamabad's attempts to undermine New Delhi's dominance of the South Asia region and to ensure that Islamabad cannot change the bilateral territorial status quo.

Until Pakistan's defeat in the War of 1971, this was largely done through diplomacy and conventional military means. Afterwards, Pakistan turned to non-conventional means to accomplish the same goals. These included the pursuit of nuclear weapons, the support of subnationalist insurgency groups inside India and, by the 1980s, the promotion of militant Islamic groups, which became increasingly terroristic in nature by the 1990s.

India's defeat of the Sikh insurgency in Punjab and, a few decades later, curbing of the Kashmir insurgency almost ended Islamabad's attempts to exploit India's internal secessionist problems in order to pursue its territorial claims.

However, while violence inside India has waned, political violence inside Pakistan has increased dramatically. Much of this violence is traced to spinoffs of the same militant Islamic groups tolerated by the Pakistan military. This, along with an increasing number of Islamist-leaning groups within Pakistan, has led part of the Indian establishment to add another issue of concern to its Pakistan policy: the future path of that country's society and state.

This school of thought argues that India's economic and political evolution has reached a point where Pakistan no longer poses a serious security threat to India. In addition, the development of India's relations with the US and even China means that Pakistan can no longer count on external players to balance against India. Therefore, the real threat to India is Pakistan becoming a "failed state," in which

¹ Rollic Lal, *Understanding China and India*, Praeger Security International, 2006. In her study, she notes that the difficulty in preserving India's decision-making sovereignty is the overriding concern of the Indian strategic community. Territorial integrity was the primary concern of the Chinese community.

case India would be threatened primarily by uncontrolled terrorist groups, militant strains of Islamic thinking and waves of refugees from across its western border.

While continuing to pursue a security-oriented policy on Pakistan, this school of thought argues that India's larger strategic goal should (a) delegitimize the political role of the Pakistani military or at least constrain its influence as much as possible,² and (b) seek a broad civil society engagement so that India can "heal" the damage Pakistan has done to itself.

A number of strategies support the achievement of these goals, including:

- isolating Pakistan from external players who are its primary weapons suppliers;
- developing an overriding Indian superiority at the economic and military level; and
- pushing for increased people-to-people contact—from tourism to trade—between the two countries.

This school of thought does not represent a consensus within the Indian system. It was an important one in the governments of Atal Bihari Vajpayee and Manmohan Singh, during the latter's second term. However, it was absent during the rule of P.V. Narasimha Rao and, so far, there is little evidence of it in the policies of current Prime Minister Narendra Modi, though Modi's Pakistan policy should be treated as still under construction.

POLICY GOALS OVER THE NEXT DECADE

Taming the Pakistani army. There is a consensus in the Indian system that Pakistan's civilian democratic parties are largely opposed to a policy of confrontation against India. Today, they argue for negotiated settlements rather than the use of terrorism or violence. The Pakistani military and a few militant Islamic groups are the only holdouts. During the rule of General Pervez Musharraf, India saw a military dictator slowly begin to accept that his country's use of terrorists was doing Pakistan more harm than it was doing India. Recreating the circumstances that led Musharraf to come to this conclusion or, conversely, discrediting those in the Pakistani military who still believe in using non-conventional warfare against India remains a key policy goal in New Delhi.³ Genuine civilian rule in Pakistan would mean both the end of Pakistani-derived terror attacks in India and a greater likelihood of success in the Indo-Pakistan peace process.

Another Afghan war. A key strategic desire for India in the medium term is to maintain an independent Afghan regime in Kabul. This means a regime that does not include the Taliban or any political group with close ties to the Pakistani military. New Delhi believes that financial backing to the tune of about three to four billion dollars a year and a supply of conventional arms would be enough to keep Kabul out of Pakistan's orbit. There is an acceptance that this would prolong the civil war in that country. However, this is seen as a small price to pay in return for overwhelming the Pakistani military, their possible de-legitimization at home and, at the very least, an increase in India's leverage against Pakistan. This goal will greatly depend on Indian diplomacy, as New Delhi lacks the resources to do this on its own, hence its attempts to create an alliance with countries that share similar concerns about the Taliban, namely Russia, Iran and the Central Asian nations. The idea would be to roughly recreate the alliance of foreign nations that supported the Northern Alliance against the first Taliban regime, with each partner providing arms and money to Kabul. India also continues to work with the US, confident in the knowledge that an American commitment to Afghanistan would still be the best possible state of affairs for Kabul, but opposes Washington's attempts at reconciliation with the Taliban.⁴

Response to terror. India is debating how to deal with what are likely to be continuing terrorist attacks supported by the Pakistani military and its terrorist affiliates. India has traditionally retaliated only in

² <http://www.theguardian.com/world/us-embassy-cables-documents/192309>. Private conversations with senior Indian foreign policy officials over the past dozen years.

³ Private conversations with the then Indian foreign and defence minister of the Vajpayee government and with the first national security advisor of the Singh government. A hint of it can be found in Pervez Musharraf's interview on the failed Kashmir deal: <http://ibnlive.in.com/news/exclusive-musharraf-on-missed-kashmir-deal/97374-2.html>.

⁴ While often said in public, this was iterated in back-to-back briefings in 2013 by the US National Security Council's Afghan point man, Peter Lavoy, and his Indian counterpart in the foreign ministry.

diplomatic or economic terms, both of which are largely symbolic. Politically, there is a sense that such a passive response is increasingly unsalable in India. New Delhi has stepped up its investment in homeland security over the past few years (e.g., working out an expansive domestic arrangement with Israel last year). It has also developed—and tested—graduated responses to a terrorist strike that would not result in military escalation with Pakistan.⁵ The rapid increase in defence and homeland security trade between India and Israel is a sign of where New Delhi is trying to go.

There is one aspect that can bring India peace of mind: there has been little evidence that India's sectarian tensions are worsening because of terrorist attacks. Indian Muslims have been remarkably resistant to the siren call of Al-Qaeda and similar Islamist outfits. The Indian Mujahideen terror group is the first homegrown Islamist group, and there have been only a few cases of Hindu extremists retaliating with their own terror attacks. Indian authorities are more nervous about a communal virus coming from the Shia–Sunni discord in the Persian Gulf than the fallout from a Pakistan-derived terror attack.

If the policy works. The de-legitimization of the Pakistani military's oversized domestic political and social role would be seen as a game-changer for India's South Asia policy. As mentioned, New Delhi does not foresee the same sort of problems with Pakistan's civilian leadership; the disputes would remain, but the sponsorship of terrorism or religious fundamentalism as a source of countervailing power would not. The more liberal school of Indian foreign policy would see this as an opportunity to develop a long-term partnership with Pakistan. The more conservative schools would see it as a chance to normalize a continuing rivalry between the two countries. Both schools would assume an ascendancy of diplomatic negotiations between the two countries, a reduction but not elimination of Chinese influence in Pakistan and, arguably most importantly of all, the removal of a major constraint to Indian strategic thinking beyond the subcontinent.

B. Small neighbours

The broad themes regarding India and its small neighbours—Bangladesh, Nepal, Sri Lanka, Bhutan and Myanmar—are described below.

Until the 2000s, India had pursued a carrot-and-stick policy with these countries, where it sought to promote pro-Indian elements and offered some economic and immigration incentives, but struggled with suspicion and antipathy towards New Delhi in many of them.

It received intermittent cooperation on security issues, especially through the use of these countries as either conduits for terrorism or even safe havens for militants or insurgents. This cooperation depended largely on the political constellation in power at the time: when the pro-India groups were in, things went smoothly, but when they were not, things did not. Occasionally, India intervened forcefully in the domestic politics of these countries or took punitive measures.

Nepal regularly experienced such intervention, including a crippling blockade. Sri Lanka saw the most overt intervention, with Indian troops intervening in the country's civil war, although this was partly done with the support of the regime in Colombo. However, the civil war itself, as Sri Lankans point out, was greatly aggravated by Indian covert activity that initially supported the rebels.⁶ Myanmar had a more equal partnership with India, agreeing after some back and forth to drop its support for pro-democracy activists in Myanmar in return for the latter's military cooperation against ethnic insurgents in India's Northeast.

After India's economic reforms began, India offered a slightly different equation to its neighbours: if a country was prepared to take care of India's security concerns, then India would be prepared to open up its economy to provide mutual benefit. The carrot would increasingly be used to supplant the stick.

⁵ NSA Shiv Shankar Menon, closed-door speech to Indian Foreign Service Mid-Career Training members, May 2011. The speech refers to the fact that India has used "controlled applications of force" across the Indo-Pakistan border. "We did not publicize it because they would have had no choice but to retaliate and escalate."

⁶ Private meetings with Sri Lankan foreign ministers and ambassadors, and confirmed by Indian intelligence officers over several years.

As outlined below, this has proven partially successful.⁷

More importantly, it has encouraged New Delhi to push for a political consensus in each of these countries to accept India as first among equals among external partners.

C. Bangladesh and Myanmar

POLICY PRIORITIES OVER THE NEXT DECADE

Northeast stability. The prime driver in current policy for both countries is the political stabilization of India's insurgency-prone Northeast. This is especially true for Myanmar, while other interests come into play in Bangladesh. The Northeast has seen the longest-standing insurgencies in India and, in terms of casualties among Indian security forces, the bloodiest. These have been curbed over the past several years through a combination of political developments and military action.

Myanmar played an important role in cooperating with the Indian military to bring the most powerful insurgency, the Nagas, to the negotiating table by taking military action and denying cross-border havens to insurgents.⁸

Bangladesh, especially in the past three years, has provided intelligence and military cooperation to India to help curb both Islamist terrorists and Assamese insurgents, who used to use Bangladesh as a haven and funding source.⁹

Today, the Northeast is experiencing relatively low levels of violence. India's policy of India is to consolidate this by trying to integrate the region into an economic network that encompasses Bangladesh, Bhutan and Myanmar. Building roads, rail links and power lines connecting these has already begun.

While Myanmar's price for this cooperation was, initially, for India to drop its support for the pro-democracy movement of Aung San Suu Kyi, this has since become irrelevant. Yangon is more interested in Indian investment and sees Northeast integration as being in its own interest.

Bangladesh, at least under the present regime of Sheikh Hasina Wajed, sought a comprehensive package that would include resolving a number of outstanding issues between India and Bangladesh. These included a land border agreement settling a number of territorial discrepancies, a river waters dispute settlement, trade and transit concerns, and immigration issues. The then Indian Prime Minister Singh flew to Bangladesh in September 2011 with the intention of signing the bulk of these agreements, but the package deal was vetoed by the West Bengal state government, whose territory and rivers were most affected.

Completing this initiative remains an overriding priority for the Indian government, irrespective of which national party is in power. One part of that package, the Land Border Agreement, was slated to be passed by the Indian Parliament in December 2014.

Reducing third-party influence. A related Indian goal is to curb the external influence of third-party countries, most notably China and Pakistan, in Bangladesh and Myanmar.

In Bangladesh, India has been seeking to engage all major political parties other than the Islamist party. It has also sought to maintain the primacy of the democratic parties because Bangladesh's bouts

⁷ Foreign Secretary Shyam Saran, 2005 speech. <http://mea.gov.in/Speeches-Statements.htm?dtl/2483/Foreign+Secretary+Mr+Shyam+Sarans+speech+on+India+and+its+Neighbours+at+the+India+International+Centre+IIC>

Partially repeated in his speech as a member of the National Security Advisory Board to the National Defence College, September 2011. "Current Indian strategy, though implemented in fits and starts, is to project its rapidly growing economy as an opportunity rather than a threat to its smaller neighbours...by playing the role of an economic engine for the development of our smaller neighbours, India may be able to gradually overcome the political divisions and conflicts which currently characterize the political landscape in South Asia."

⁸ Bertil Lintner, *Great Game East*, Harper Collins, 2012. Conversations with senior Indian military officers who served as liaisons to the Myanmar military as well as Indian intelligence officers who were involved with the Naga negotiations.

⁹ National Security Advisor Shiv Shankar Menon, closed-door speech to the K. Subrahmaniam Forum in October 2011 regarding the Sheikh Hasina government: "our concerns on security are being met and our ability to deliver on economic outcomes is being tested. This is a window that could close and an opportunity that must be seized."

of military rule have tended to see an increase in influence from Islamabad and Beijing. India has also liberalized trade between the two countries to allow a fledgling Bangladeshi entrepreneurial community to earn a stake in good relations with India.

In Myanmar, a similar theme holds, although India has much less influence both politically and economically. Seeking to rebuild the historical economic ties that existed between the two countries is a major goal and includes encouraging Indian investment in Myanmar. Building road and rail links between the two countries is a key element of that policy.

More recently, India has been speaking privately to the Yangon government about that government's treatment of its Muslim Arakan minority. New Delhi believes that the repression they face will lead to the radicalization of the community and has been urging Myanmar to provide them with protection.

However, in its pursuit of building greater physical connectivity between the Northeast and Myanmar/Bangladesh, New Delhi has sought the help of foreign partners and overseas aid providers. Japan is emerging as the most active player in this regard, presumably because it sees such an east-west linkage as undermining China's attempts to build largely north-south connectivity.¹⁰ The concern that China will benefit more than India from such connectivity is one reason that New Delhi has waxed and waned on such ideas as the Bangladesh-China-India-Myanmar (BCIM) corridor. This will continue so long as the Northeast's link to mainland India remains so poor.

D. Sri Lanka

POLICY PRIORITIES OVER THE NEXT DECADE

Resolution of the Tamil issue. This is the overriding Indian priority regarding Sri Lanka, dwarfing almost everything else. The ethnic confrontation between Sri Lanka's Tamil minority and its dominant Sinhalese population has drawn India into its worst ever overseas military intervention, poisoned the domestic politics of its largest southern state, Tamil Nadu, and led to the assassination of an Indian prime minister. The end of the Sri Lankan civil war with the defeat of the Tamil separatist group, the Liberation Tigers of Tamil Eelam, came as a great relief to New Delhi, and India has declined to criticize the nature of the military operation and the thousands of civilian lives lost. However, India is concerned that Sri Lankan President Mahinda Rajapaksa has held back on his own promises to follow the end of the war with a Tamil political settlement. He has argued that he cannot afford to do so until he demobilizes his 150,000 member army. India continues to put pressure on him, even if largely in private. But, New Delhi is nervous about the possibility of another outbreak of ethnic violence in Sri Lanka and about the Sri Lankan minority issue re-infecting domestic Indian politics. This is easily the single most troublesome foreign policy issue for India in terms of potential impact on domestic politics. Prime Minister Narendra Modi, in his private meeting with Rajapaksa during the former's inauguration, pushed strongly for a constitutional devolution of power for the Tamil province. So far, the evidence is that Rajapaksa is pushing back as hard as he can. The recent Sri Lankan decision to allow a nuclear-powered Chinese submarine to dock in the Port of Colombo is a sign of the geopolitical card he is prepared to play.¹¹

Security partnership. India has aggressively sought to bring its military closer to that of Sri Lanka. This is not merely because of the Tamil issue described earlier, but also because the Sri Lankan army is large and battle-trained. It is one of the most powerful political forces in the country, and operationally integrating the Sri Lankan navy into the Indian one is crucial to New Delhi's Indian Ocean strategy. India's recent tripartite naval agreement with Sri Lanka and the Maldives is part of this larger maritime policy.

E. Nepal and Bhutan

POLICY PRIORITIES OVER THE NEXT DECADE

¹⁰ US Assistant Secretary of State for East Asia, Kurt Campbell, background briefing in New Delhi, 2011.

¹¹ On Chinese submarine concerns, background briefing, Indian Ministry of External Affairs officials in December 2014. National Security Advisor Shiv Shankar Menon repeatedly said in briefings from 2011 to 2013 that India "must consider how to deal with a situation where there is no room for moderate politics in Sri Lanka, particularly on the ethnic issue."

Democratization. The relations that Nepal and Bhutan have with India almost give the two nations protectorate status. Both have open, porous borders with India. Nepalese citizens have the right of residency in India and are entitled to all the same benefits as any Indian citizen, aside from voting and holding high government office. Bhutan's defence and foreign policy is managed directly by New Delhi. Nonetheless, India is concerned about the political developments in both countries. Nepal has just emerged from a civil war and the new democratic polity includes Maoists—the anti-government force in the war and a constituent assembly that has been struggling to complete a new constitution. However, India can claim that the five largest democratic parties in Nepal are aligned with New Delhi, and even the two largest factions of the Maoist party have accepted India as Nepal's main strategic partner. Pushing the Nepalese to finish the constitution and allow the paralysis-prone political system to evolve in the right direction is now a major Indian policy goal, one Prime Minister Narendra Modi has personally raised with Kathmandu.¹² Bhutan, until recently an absolute monarchy, has begun democratizing. India, whose entire policy revolved around the king, is now having to adjust to the presence of political parties swayed by public opinion. This adjustment is ongoing.

Reducing China's footprint. Both Nepal and Bhutan have borders with China that are just as long as their borders with India. New Delhi is perpetually on the watch, sometimes too much so, for increased political and economic influence from China in these two countries. The economic footprint is inevitable especially in trade. However, India is struggling to balance the growing infrastructure links that China is building to Nepal and wants to build to Bhutan.

If the policies work. If the various small neighbour policies being rolled out by India gain irreversible traction over the next decade, the results for New Delhi would be remarkable. In the east, India would have, economically and physically integrated with its heartland, a swathe of territory running from Bangladesh to the Indian Northeast, including Myanmar. A long-standing source of low-level insurgency, terrorism and foreign power infringement would become a trading, tourism and energy hub for the Indian and Southeast Asian economies. The stabilization of Nepal and Bhutan would allow India to treat its border problems with China with more equanimity. Its southern island neighbours, if brought around to accept India as their primary strategic partner, would allow New Delhi to dominate the central Indian Ocean and to close the Sri Lankan Tamil chapter, which has been the only case of a foreign policy issue threatening the stability of India's domestic ethnic politics. It would also potentially help India to initiate a turnaround in the poverty belt that covers much of its eastern region.

SOUTH ASIA MULTILATERALISM

India was not historically a votary of South Asian regional cooperation and continues to underinvest in this area. Given its preponderant position in the subcontinent, New Delhi much preferred that regional issues be handled bilaterally with India. This was accentuated by a simple geographic fact: all the South Asian nations (this definition excludes Afghanistan) are separated from one another by Indian territory.

The smaller South Asian countries, however, saw interaction with India through a multilateral structure as a means to level the negotiating playing field with New Delhi.

Bangladesh and Sri Lanka were the main drivers behind the creation of the South Asian Association for Regional Cooperation (SAARC), with India acquiescing to SAARC's creation because it saw the organization as a way to persuade Pakistan to open its economy to Indian trade and investment. As India's own economic growth began to accelerate in the late 1990s, New Delhi began to accept that SAARC was useful for its own regional aspirations.

The strong protectionist sentiments among most South Asian nations has meant that SAARC remains among the least economically integrated regional groupings in the world, due to trade barriers and the lack of infrastructure connectivity. This could change over the next several years if India, in particular, becomes more confident in its overall competitiveness in exports, which would be almost entirely dependent on the success of its next generation of economic reforms.

SAARC's greatest political problem has been, unsurprisingly, the political fault line between India and Pakistan. One victim has been the South Asian Preferential Trading Agreement, a weak regional free

¹² Background briefing by senior Indian officials.

trade agreement negotiated in 1993 that remains theoretical because Pakistan has repeatedly avoided its implementation. This reflects the fears that Pakistan's manufacturing sector has about Indian imports, but is ultimately about the state of the larger relationship with India. Islamabad has yet to extend most favoured nation status to India, a basic requirement between World Trade Organization members.

In part because of SAARC's paralysis, India began pushing for subregional groupings like BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation), fruitlessly trying to loop together Bangladesh, Nepal and Bhutan. While India had regional integration and economic cooperation motives, putting these together to isolate Pakistan inside South Asia was also a driver. Pakistan was unmoved given its stronger economic links to the Persian Gulf and Central Asia.

Today, India has fragmented its regional economic integration policy. Its borders with Nepal and Bhutan are almost completely open, including as regards the movement of labour. It has a bilateral free trade agreement with Sri Lanka. Myanmar is covered by two free trade agreements with the Association of Southeast Asian Nations, which Thailand also has in addition to a bilateral agreement. Bangladesh remains a missing part, something that is under negotiation (see Small neighbours: Bangladesh above).

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Economic integration. India will appear to show support for SAARC and would like to see SAPTA implemented and broadened. However, a set of bilateral agreements with Bangladesh on both economic and security issues is seen as more useful and more likely. Pakistan remains elusive, but the current Modi government will not invest too much in winning MFN status in the immediate years.

Countering third-party influence. China has emerged as the number one trading partner for most of India's neighbouring countries, and New Delhi still hopes to use SAARC as a means of politically balancing this overwhelming economic clout. However, India's ability to match China on the economic front is limited.

If physical and economic connectivity with its neighbours does come to pass as India plans, it will be able to maintain a South Asia architecture in which it would dominate, even if China is the superior trade and investment partner.

INDIAN OCEAN

In light of the fact that its post-1991 economic growth rate more than doubled, India has sought to develop a maritime strategy that goes beyond coastal security and defending economic exclusion zones.

The idea of a blue-water Indian navy has been around since the 1970s, but only in the past decade has it been taken seriously as available funding has increased. Before fiscal problems saw a sharp drop in capital allocations from 2010 onwards, the Indian Navy increased warship construction to over 40 per year.

However, the greater interest also reflects concerns about a shrinking US naval presence in the Indian Ocean, the rise of non-state actors in the ocean—such as pirates and terrorist groups—and the potential expansion of the footprint of third parties like China in the ocean.

India is not powerful enough to dominate the Indian Ocean on its own. The US even now remains the most powerful player in the region. However, the littoral area has dozens of mid-size nations that do not follow India's security lead. New Delhi has sought to win them over diplomatically, with mixed results.¹³

It has not helped that India continues to have no comprehensive maritime security policy. What has emerged is a *de facto* three-pronged approach of (a) expanding blue-water capacity, as manifested through the purchase and deployment of aircraft carriers, (b) seeking a dominant military position with

¹³ David Brewster, *India's Ocean*, Routledge, 2014.

strategically placed island states in the Indian Ocean and a say in nearly a dozen key ocean chokepoints, and (c) developing strong politico-military relations with key mid-sized littoral countries.

POLICY PRIORITIES OVER THE NEXT DECADE

Protecting trade. The economic argument for a more vigorous Indian Ocean policy put forth by New Delhi has grown with the economy. Over 90% of India's trade by volume and 80% by value is seaborne. This maritime dependency is particularly acute when it comes to India's large imports of oil, gas and now coal, as the country has no cross-border pipelines and relatively few roads for such imports.

New Delhi's most telling limitation in all this is India's unwillingness to extend its military presence into the Persian Gulf, given its large Sunni and Shia populations, to become embroiled in the region's sectarian disputes. Yet, the Gulf is its primary source of seaborne energy imports and, regionally, a large trading partner.

Maritime security. India's most pressing maritime security concerns can be described as (a) seaborne terrorist or pirate attacks, (b) the degree and nature of foreign naval presence in the ocean, and (c) the ability to handle political instability in certain island nations in the Indian Ocean.

India has been building up a surveillance capability across the central Indian Ocean through either seabed or buoy-based sensor systems. It has also signed agreements to operate and build the shore radar systems of such island states as Mauritius, Seychelles and the Maldives. India has also begun purchasing a new generation of maritime surveillance aircraft.

An obstacle to India's naval diplomacy has been its reluctance to allow its navy to become interoperable with that of other countries. A 2011 naval understanding between India, Sri Lanka and the Maldives was supposed to have been the first step towards a broader acceptance of interoperability and was to alleviate India's sovereignty concerns in this area.¹⁴ However, although the understanding has been formalized and two more countries have been added, the depth of shared naval command remains shallow.

Littoral diplomacy. India is developing and will continue to develop close relationships with a number of larger Indian Ocean nations. Its primary goal has been to build a relationship that will make these countries see India as an important enough security partner to be consulted on any major policy decision relating to the Indian Ocean.

Many of the smaller island states used to repeat Indian interventions in their politics and have transferred much of their foreign and security policy to India. Medium-sized countries close to India, such as Sri Lanka, Bangladesh and some African states, have developed close ties with the Indian system. However, the larger states in the region—notably South Africa, Australia and Indonesia—have seen India as just one of a number of other maritime partners, not necessarily the most important one. The key reason behind this is the fact that the US has more to offer militarily than India, just as China has more to offer economically. Although India continues to push forward in developing such relations, it has had limited success with, for example, Australia. The strong backing that India has received from Washington and Paris in its efforts has certainly helped.

Indian Ocean multilateralism. With Indian capacities increasing and concerns about Chinese influence rising in tandem, New Delhi has conceded that it needs to strengthen multilateral structures in the Indian Ocean.

Indian officials admit that the sort of international agreements that are common in the Atlantic and Pacific Oceans on maintaining sea lanes of communication are less rigorous and plentiful in the Indian Ocean.

India has sought an engagement with key countries on this point but has had little success, especially with Beijing, which has argued that India is too weak to take a lead role. Indian officials have publicly spoken of the possibility of working with China given Beijing's concerns about sea lane security. However, China has shown no interest in such talks.

¹⁴ National Security Advisor Shiv Shankar Menon, closed-door speech to the K. Subrahmaniam Forum, October 2011. "We hope that our three countries [Sri Lanka, Maldives and India] will form the core of what may emerge on maritime security [in the Indian Ocean]."

India has resurrected the Indian Ocean Rim Association and developed a naval forum for the Association's members in the annual Indian Ocean Naval Symposium. The issues of piracy and the Asian tsunami prompted India to help boost other regional bodies involved in handling such issues, including the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia and the Indian Ocean Observation System.

Although India is still far from being first among equals when it comes to rule-setting and policy-making among the Indian Ocean states, this is a policy area in which New Delhi is seeking traction.

If the policy works. The successful promotion of South Asian multilateralism, in New Delhi's view, would be roughly equivalent to the successful institutionalization of its small neighbour policies (see above) and potentially its Pakistan policy. India's successful position as first among equals in the Indian Ocean would be a continuation of the same, with a maritime security domain and a greater diplomatic footprint being added to the economic integration interests. While it is difficult to see it being carried out in a decade, a maritime strategy would mean that India would secure key energy and resource supply lines, would have a stranglehold over similar lines for China, and would build up the sort of diplomatic and political links in West Asia and Africa that only the US has done so far. A more likely decade-long yardstick would be whether India had established understandings regarding the centrality of the Indian role with key external naval powers, such as the US, France and perhaps China, and whether it had established itself as a primary or near-primary player with key littoral states, such as Mozambique, Indonesia and Australia. The conversion of the Indian Ocean into India's Ocean would be irreversible if India succeeded in most of these goals in the coming decade.

INDIA AND EAST ASIA

A. China

While New Delhi has assumed that it cannot have a genuinely close relationship with Beijing, it has sought to develop a *modus vivendi* with China on the basis of a mutual understanding of "red lines" — policy actions that neither side will cross.¹⁵ Examples of this include India not shifting its policy on Tibetan and Taiwanese independence, Beijing keeping a neutral stance on the Indo-Pakistan Kashmir dispute, and both sides agreeing to solve the border dispute through non-violent means. There remain new areas of disagreement that could also fall into this category, the most notable being China's new territorial claims in the South China Sea.

The strategic gap between the two is still wide. Issues include the continuing border dispute, Chinese support for Pakistan's nuclear and military capabilities, India's perception that China is not prepared to treat it as an equal partner and, finally, a remarkable degree of ignorance on both sides about each other.

Attempts at developing a working relationship seemed to be progressing up to 2007. In India's view, however, Beijing began to take a more assertive position on a number of issues in the period from 2008 to 2010. One, it introduced a policy that Indian Kashmiris would be given only stapled visas for China, changing a long-standing Beijing view on Kashmir. Two, China increased its rhetoric on territorial claims on the Indian state of Arunachal Pradesh. India retaliated in a number of ways, but ultimately and successfully warned that it would change its Tibet policy if China did not revoke the visa policy.

While Beijing acceded, India's conclusion was that China was becoming both more aggressive and more unpredictable.¹⁶ This was a consequence of the rising Chinese power, a perception of US weakness and Beijing's attempts to use foreign policy to shore up flagging legitimacy of the ruling party on the home front.

There are many reported examples of Sino-Indian rivalry that nonetheless do not affect official policy

¹⁵ National Security Advisor Shiv Shankar Menon defined what India hoped for in the Sino-Indian relationship as follows: "whether we can contain or manage the elements of competition within an agreed strategic framework which permits both of us to pursue our core interests."

¹⁶ "Unpredictable" and "more assertive/aggressive" became standard adjectives used to describe China within the Indian government at the foreign ministry, national security secretariat and defence ministry from about 2010 onwards.

because they have little basis in reality. These include (a) the Sino-Indian battle for natural resource ownership in places like Africa, (b) claims that China has systematically begun setting up bases and other strategic points of influence in the Indian Ocean, (c) Chinese attempts to dam or divert rivers in Tibet, and (d) an increase in military confrontations along the border. The last is a perpetually changing dynamic and, even when there are spikes in such incidents, India remains uncertain as to whether this is a consequence of orders from a higher authority.

India and China have cooperated at the multilateral level in specific areas like climate change, where they were part of the so-called BASIC (Brazil, South Africa, India and China) lobby of emerging economies. They are part of the similar BRICS (Brazil, Russia, India, China and South Africa) bloc, although this grouping's agenda remains unclear. However, these have proven to be temporary cases of converged interests with minimal impact on bilateral ties.

POLICY PRIORITIES OVER THE COMING DECADE

Countering Chinese assertiveness. The Kashmir visa experience prompted New Delhi to conclude that Beijing's policy transgressions need to be countered with strong responses. Thus, a border intrusion in April 2014 was met with an equally large Indian military deployment and a threat to cancel a scheduled state visit by the Chinese premier. New Delhi is also debating whether to invest in a multi-billion dollar military strike corps designed to penetrate into Chinese territory. Simultaneously, India continues to negotiate new border protocols to minimize accidental confrontations.

Greater economic engagement. New Delhi, especially under the Modi government, accepts that it needs to allow a greater Chinese economic stake in India. Though Sino-Indian trade is large, the amount of bilateral investment is less than a billion dollars. Opening up to a greater amount of Chinese investment—and seeking reciprocal openness for Indian services—will be a major shift in Indian policy in the coming decade.

New Delhi's decision to provide funding for a new set of multilateral financial institutions likely to be dominated by China, including the BRICS bank, the Contingency Reserve Arrangement and the Asian Infrastructure Investment Bank, indicates a willingness to provide some backing to China's global economic ambitions. This is partly a hedging strategy against a further drop in the West's economic fortunes and reflects India's continuing need for such development funding.

Playing foreign cards. Indian diplomats believe that they have been most successful with China when India has seemed to have aligned with third parties whose power Beijing respects. Thus, India's best border negotiations with China took place in 2006 when New Delhi and Washington were strategically close. When India seeks closer ties with countries in East or Southeast Asia, one reason is to help improve its negotiating posture with China.¹⁷ However, such a policy also requires (a) avoidance of a direct alliance against China and (b) recognition that India has limited strategic cards to play. Of these Asian countries, Japan is proving by far the most important. However, India is exploring relations with Vietnam as well. But, New Delhi is wary of being used by other countries as a card against China for temporary gains.

If the policy works. As mentioned, India seeks neither containment nor a full partnership with China. It seeks a stable relationship where Beijing and New Delhi accept a set of parameters within which the relationship functions. There are some in India, the Modi government included, that would include a border settlement with China as part of those parameters, but the mainstream view is that managing the border so that military violence is avoided is sufficient.

However, a stable relationship would allow India to presume that its northern border is stable, and Chinese attempts to strategically intrude in South Asia would be limited. Beijing is unlikely to change its policy of support for Pakistan, but it might consider pressing Islamabad on issues like nuclear weapons safety and terrorism if China sees less utility in using Pakistan as a constraint on Indian power. At the same time, India and China could benefit from a greater flow of Chinese investment into the Indian economy.

¹⁷ NSA Shiv Shankar Menon, closed-door speech to Indian Foreign Service Mid-Career Training members, May 2011: "China's strategic culture is hierarchical, ranking states and individuals and expecting them to behave accordingly." On the utility of a US relationship in Chinese border talks, private conversation with Shyam Saran, then foreign secretary.

B. Japan

India and Japan had a distant strategic relationship and a weak economic one during the Cold War. With India's economic reforms, Japanese investment jumped since the mid-2000s, but Japanese firms found India's business environment for manufacturing daunting.

After the Indo-US nuclear deal and deterioration in Sino-Japanese relations, Tokyo took a more strategic view on India. At the heart of this was a belief that (a) helping India's economic rise would provide some geopolitical ballast to a rising China, (b) the lack of a competitive manufacturing sector in India's economy was preventing a more rapid rise, and (c) Japan would have to help build modern infrastructure in India as a first step towards the first two goals.

The Manmohan Singh and Modi governments were supportive of this Japanese vision. India, in turn, offered a degree of legitimacy to Tokyo's attempts to shed their post-war pacifism. Putting this together has not been easy because much of Japan's strategy requires shifting Japanese private investment away from China towards India, and this continues to be strongly coloured by commercial considerations.¹⁸

POLICY PRIORITIES IN THE COMING DECADE

Implementing infrastructure plans. India has long understood that infrastructure is its economic Achilles' heel. There is much political support at the top for Japan's offer to plan and partly finance such infrastructure. Given the barriers in India's laws, regulations and state-level politics, implementation remains difficult. However, building the 1400-kilometer Delhi-Mumbai Industrial Corridor and its sister corridors will be a major test of India's ability to deliver on what Japan is offering.

Exploring strategic relations. India is expanding its agenda with Japan to include many other areas, such as energy, green technology and even cooperation on military technology. New Delhi is unused to dealing with Northeast Asia and Japan in general. Tokyo is unused to playing geopolitics of any variety. Carefully taking down the barriers that face this relationship will be difficult. India, for example, is testing Japan's commitment with a civil nuclear agreement, one of the trickiest policy decisions for a Tokyo government to make.

If the policy works. In the next decade or two, if Tokyo's plan starts to unfold, India would experience a remarkable economic transformation. Building industrial corridors and transferring Japanese manufacturing centres to India would endow the country with a globally competitive industrial sector, end its chronic current account deficits, help negate its lack of a military industrial base and boost India's growth rate for decades to come.

ASEAN

Soon after independence, India had point blank refused requests from Singapore and others to take up the security role left vacant by the departing British military. It was only after economic reforms in 1991 that India launched a "Look East" policy that sought stronger trade and investment ties with the booming ASEAN economies. Between 2000 and 2008, India increased the scope of the Look East policy to incorporate an arc from Japan to Australia. However, it also added a military dimension to the policy by projecting its navy into the South China Sea, allowing Singapore's air force and army to train on Indian soil, and holding exercises with a range of ASEAN countries. The opening up of Myanmar helped buttress the ASEAN relationship. The deterioration in Sino-Indian ties as of 2008 also made Southeast Asia of greater interest to India in military terms.

However, India has struggled because of its lack of competitiveness in goods, and a two-phase trade agreement with ASEAN on goods and services was only reached in 2014. The country has also had

¹⁸ In December 2013, Indian foreign ministry officials said that the then Japanese Foreign Minister had told his Indian counterpart that "Japan will play the same role in India as the IMF and Japan played in building up China in the 1970s." A Japanese foreign ministry official in charge of South Asia said, in a private session during a conference at Ditchley Park in February 2014, that "[t]here has been an increasing convergence of interests between India and Japan since 2002. The policy is now non-partisan, investment-driven and, while China is part of it, it is not the only element."

difficulties on the strategic front because of ASEAN's internal problems regarding its response to China's territorial claims in the South China Sea and doubts about the US commitment to the region's defence.

POLICY PRIORITIES IN THE COMING DECADE

Economic. India and ASEAN signed a free trade agreement on both goods and services. India has also signed bilateral agreements with Singapore and Thailand. With the new Modi government focusing on reviving India's manufacturing sector, the highest Indian priority will be to use these agreements to embed its manufacturing in the component supply chains that drive trade between ASEAN, China, South Korea and Japan.

Strategic. India is increasingly doubtful that ASEAN can function as a coherent strategic entity. A number of its members have drifted too close to China. Some, like Thailand, are domestically paralyzed. Thus, New Delhi has focused on a handful of key bilateral relations. It has a strong relationship with Singapore, which has sought to encourage India to project itself into the region as part of the island nation's own balance of power strategies. It is developing a closer relationship with Vietnam because of common concerns about China. New Delhi has long sought to expand its relations with Indonesia, but has struggled with Jakarta's intermittent interest.

If the policy works. In a perfect world, India would accomplish two main things with ASEAN. One would be to develop a genuine degree of economic integration with at least some of these countries, which would include high levels of bilateral investment and supply chain linkages. Two would be a strong military relationship with (a) Indian Ocean littoral states like Thailand, which would fit in with its larger Indian Ocean strategy (above), and (b) South China Sea littoral states like Vietnam, in which they would be prepared to serve as India's pressure points in response to Chinese naval activity in the Indian Ocean.

OTHER GREAT POWERS

A. United States

India and the US have blown hot and cold over the past 60 years, largely over geopolitics. The relationship has never been hostile enough for them to perceive one another as enemies, but has so far fallen short of any sustained affection. This may be about to change.

India and the US have had three periods of relative warmth. The first ran from 1958 to 1965, from the late Eisenhower administration to the early Lyndon Johnson years, and arose from common Indo-US concerns about Maoist China. Another thaw took place in Ronald Reagan's time as India sought to broaden its foreign policy and economic options. The most recent rapprochement started in the last few years of the Clinton administration, but was formalized under George W. Bush with an Indo-US civil nuclear understanding. Bush was and continues to be extremely popular in New Delhi. However, underlying the Bush policy was a shared geopolitical vision on Islamist terror, China and a US desire for democratic India to take up a greater global role.¹⁹ Needless to say, the economic growth India experienced from 1991 was a prerequisite for all of this.

New Delhi has been less pleased with Barack Obama. It has strongly criticized both the US withdrawal of troops from Afghanistan and the nature of the withdrawal, which it believed gave undue advantage to Pakistan. India was critical of Obama's attempts to reach a global accommodation with China. The US, for its part, was put off by the policy paralysis that afflicted the Manmohan Singh government. The relationship has begun to see a revival with the Modi government, although skepticism remains in New Delhi about the worth of investing in an Obama presidency.

POLICY PRIORITIES IN THE NEXT DECADE

¹⁹ Private conversations with the then US Deputy Secretary of State Nick Burns, Secretary of State Advisor Philip Zelikow and a number of other members of the George W. Bush administration over several years.

Geopolitical understanding. India has understood that a steady relationship with the US is only possible when there is sufficient geopolitical convergence between the two sides. Rebuilding that convergence in the Afghanistan-Pakistan region and as it pertains to the management of China's rise would be a key desire for New Delhi. There is a sense in India that this is more likely to happen with a post-Obama administration, but a convergence of sorts seems to be taking place even now where China is concerned.

Trade and investment. Taken as a whole, including remittances, the US is by far India's largest economic partner. However, the US private corporate sector has struggled with the recent deterioration in India's business environment. Trade disputes have proliferated, and the two nations are on different sides in most multilateral trade venues. Modi has promised to repair the business environment and has sought to find means to funnel US investment into his infrastructure and manufacturing plans. New Delhi recognizes that its larger strategic ties with the US will be easier if it has a stronger economic relationship and a supportive corporate lobby in the US.

Services and technology. India's competitive strength lies in higher-end manufacturing and services. The US is its largest single market for many of these sorts of sectors, including IT-enabled services and pharmaceuticals. Maintaining such firms in the US market has become a greater challenge owing to tighter immigrant policies and patent disputes. Finding long-term solutions to these and similar problems is a key challenge for New Delhi.

Defence partnership. A subset of the geopolitical relationship is (a) the degree to which the Indian and US militaries will work together in the maritime sphere and (b) the extent to which the US will provide India with top-end weapons and, more importantly, help India develop its own military-industrial complex. While India has become a major purchaser of US weapons, it sees Washington as too undependable for key offensive platforms like fighter aircraft. Reaching this comfort level is something both governments are seeking.

If the policy works. There are myriad different things that could happen between India and the US if sufficient confidence were to develop in their relations. However, New Delhi's tangible goal would be to have a stable basis on which the two countries could work together on the foreign and defence policy fronts, stable in that it would not require redefinition every half-decade. New Delhi's experience has been that when this sort of convergence takes place, the considerable clout that the US has helps India accomplish strategic and economic goals that it would otherwise have assumed to be out of its reach. But, New Delhi is also aware that a superpower has multiple interests that can interfere with a bilateral relationship, depending on the events. Eradicating that uncertainty is what India would seek.

B. Russia and Central Asia

After the collapse of the Soviet Union, India turned to the US, Israel and a number of other countries to compensate for the now lacking geopolitical and defence support that it had come to expect from Moscow as of the late 1960s. Under Vladimir Putin, some of that old relationship was restored. Russia became the most dependable UN Security Council vote for India. India resumed buying Russian weapons and Indian state-owned firms invested in Russian oil and gas. Perhaps most crucial has been the fact that Moscow is the sole country prepared to help India develop its nuclear deterrent. The "leasing" of a nuclear ballistic submarine from Russia will be followed by five or six more such acquisitions, completing the third leg of India's nuclear triad.²⁰ However, there have been crucial gaps. The Indian private corporate sector has largely stayed away from Russia. There is minimal civil society engagement. The two sides have an increasingly transactional relationship, especially as Russia's sphere of interest has contracted to the areas on its borders. What has really begun to erode ties, however, is the increasing Russian dependence on China's market when it comes to weapons sales and energy investment.

India has interests in Central Asia that remain largely theoretical. With its physical access to these countries completely cut off by Pakistani and Chinese territory, India's trade ties are limited to air cargo. Attempts to build a so-called North-South corridor via Iran have yet to succeed. New Delhi is an

²⁰ Private conversation with a senior Indian diplomat who mentioned the number of nuclear ballistic submarines India plans to "lease" from Russia.

observer in the Shanghai Cooperation Organisation (SCO), but its hopes to gain full membership are unlikely to be fulfilled in the near future. India's membership is tied to those of Pakistan and Iran, and there is no SCO consensus on all three joining. During Xi Jinping's September 2014 state visit to India, the latter added a further complication: China would support India's full membership in the SCO if, in turn, India allowed China to become a full member of SAARC. At present, New Delhi has no desire to give China a seat in India's most important regional organization.

POLICY PRIORITIES OVER THE COMING DECADE

Defence relations. India is beginning to accept that its defence ties with Russia will shift to a lower level, given Russia's inability to provide the sort of high-tech weaponry India needs and the fact that Moscow can no longer guarantee that the same arms it sells to India will not also be sold to China. However, India remains highly dependent on Russian defence support because of legacy issues and would generally prefer not to reduce its arms options.

Energy ties. India's state-owned energy firms have become minority stakeholders in a number of Russian oil and gas fields. These are largely sleeping partnerships, with the Indian side providing little more than capital. However, given the ever-increasing amount of oil and gas that India imports and the perception in New Delhi that ownership of such assets contributes to energy security, Russia will remain a key but not dominant fixture in India's overseas energy policy.

Holding up Russia. In recent years, India has become worried about Moscow's increasing dependence on China. These worries have obviously been exacerbated by the Ukraine dispute between the West and Russia. However, New Delhi cannot act as a balance to China on this front and lacks the diplomatic influence to try to patch things up between the old Cold War enemies. It nonetheless remains concerned that this new divide will benefit China.

If the policy works. India would like to slow down or halt the negative trends in the two countries' bilateral ties, something that will not be easy. The defence relationship has already slipped to a point where India will probably never again buy a fighter jet or major naval warship from Russia. Seeking to keep Russia as an independent pole in the international system would be its strategic goal, but India lacks the ability to do much about this on its own.

India continues to hope that Iranian concerns over Afghanistan will one day lead to the completion of the North-South corridor. Its investments in Iran's Port of Chabahar are slowly taking shape but its ambitions for Central Asia remain limited.

CONCLUSION

If India were to accomplish its primary strategic goals for the next one or two decades, the strategic contours of much of South Asia would be dramatically different. India would have transformed its relationship with almost all of its small neighbours into one of close economic integration and security cooperation. It would have come much closer to establishing itself as the main player in the Indian Ocean. It would also have put restraints on its potentially damaging relations with China, even while enticing Japan to help drive the Indian economy toward a higher growth trajectory. Indian officials are clear about one thing, however: Asia's broader geopolitics will be a tricky business in the coming years.²¹ The most difficult task in ending military rule in Pakistan is also the most unlikely, and India's influence on that front is minimal. Yet, of all these goals, only this one is in the realm of the improbable for India's Asia policy.

²¹ National Security Advisor Shiv Shankar Menon, P.C. Lal Memorial Lecture, Air Force Association, April 2, 2012. "Today, the larger region in which we are situated is also that part of the world where the balance of power is shifting most rapidly. In Asia, there are several rising and established powers in a crowded geopolitical space. Asia is in the midst of one of the most impressive arms races in history, though, in the Asian manner, we are too polite to say so in public."