

Cautious optimism? What to expect from Modi's India by Patrick Bratton

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India's May 2014 election received far less attention from the US media than it deserved. The landslide victory of Narendra Modi and the BJP is significant for both India and the Indo-Pacific region. Notwithstanding important achievements – like the Indo-US nuclear deal – the previous Congress-led coalition government of Manmohan Singh, seemed to the electorate like a decade of missed opportunities and drift. Internationally, many of India's friends and partners often found it too cautious. In contrast, Modi will have an increased focus on Asia, leveraging Indian diplomacy to increase Asian investment in India.

Internal Focus

Modi's priorities are internal and focus on returning to high growth. In recent years, the economy has grown just 5-6 percent annually instead of the 8-9 percent of a decade ago. The view in Delhi is that India needs 7-8 percent growth rates. Voters were concerned about issues like high commodity prices, job creation, corruption, and inadequate infrastructure. To achieve this growth, Modi seeks to develop infrastructure, build transit corridors, and increase the effectiveness of the Indian bureaucracy.

Internal security will be a priority for the government, as seen by the selection of veteran counter-terrorism intelligence chief, Ajit Doval, as National Security Advisor. In its election manifesto, the BJP stressed that it will have a "zero tolerance" policy toward terrorism, indicating that in the event of another terrorist attack, this government will take action unlike the passive response of Singh's government to the 2008 Mumbai attacks. Beyond responding to the domestic call for a more hawkish stance, this emphasis on domestic security is necessary for growth. It will prove difficult to attract needed investment if foreign investors feel India is unstable. In the 2000s, India was one of the countries most often struck by terrorist attacks, just after Iraq and Afghanistan.

Southern Asia

During his inauguration ceremony, Modi took the unprecedented step of inviting the heads of government from South Asia, including controversial guests like Nawaz Sharif of Pakistan, Mahindra Rajapaksa of Sri Lanka, and Tibetan Prime Minister-in-exile Lobsang Sangay. His first foreign visit was to Bhutan. Modi wants to be seen as the "leader of South Asia" to increase his status and expand regional economic ties. This will prove difficult: South Asia is one of the world's least economically integrated regions and the regional organization, SAARC, one of the most ineffective. In

addition, China has invested heavily in both infrastructure development and military assistance to several of these states (in particular Sri Lanka and Bangladesh) so Modi will be playing catch up to balance Chinese influence in the region.

China

The most delicate relationship that the new government will have to manage is with China. Although bilateral trade has grown 30 percent annually in recent years, the trade imbalance (favoring China) is a source of irritation. China is India's largest trading partner, but India is only China's 10th largest. Modi's government would like to increase India's access to the Chinese market for its IT and pharmaceutical industries, and increase Chinese capital and capital goods investment in Indian infrastructure. The recent visit by Chinese Foreign Minister Wang Yi focused on economic issues, in particular getting increased Chinese investment in India's industrial parks and railways. Beyond economics, there have been murmurs of India becoming a full member of the Shanghai Cooperation Organization (which is unlikely).

Potential spoilers remain, however, such as the border dispute (last April there was another confrontation), Chinese support for Pakistan, and other issues. Modi's government has indicated to China that while improved economic ties are important, India will remain firm against Chinese assertiveness. Among these signals are: inclusion in the government of several figures known for their harder stance on China (VK Singh, Kiran Rejjju, etc.), Modi's invitation of the Tibetan prime minister-in-exile to his inauguration, and plans to develop infrastructure in border areas in Arunachal Pradesh (parts of which are claimed by China as "South Tibet"). When campaigning in Arunachal Pradesh, Modi criticized China's "expansionist mindset."

ASEAN

Modi will also look to resuscitate India's "Look East Policy" (LEP) of economic and security engagement with Southeast Asia. The Singh government delayed initiatives for increased trade because of domestic politics. Since one of Modi's priorities is to develop Arunachal Pradesh and other northeastern states, the LEP seeks to bring trade and investment to one of India's least developed areas. For decades, Delhi has lost great sums of money and suffered many casualties in attempting to prop up these states in the face of violent insurgencies, minimal infrastructure, and poor economies. Promoting economic ties between Northeast and Southeast Asia is part of a long-term strategy for developing (and bringing peace) to this region of India.

India has also sought to engage Southeast Asia through military exercises (like the *Milan* exercises it hosts), and involvement in soft security issues like humanitarian assistance and disaster response. It has positioned itself as a

benign regional power in contrast with China's more assertive posture. As India becomes more interconnected with Southeast Asia, it risks upsetting Chinese sensibilities, however. In particular, India's cooperation with longtime friend, Vietnam, both in terms of oil exploration in the South China Sea and defense cooperation could be a spoiler for Sino-Indian relations in the future.

Japan

Much has been made of similarities and close ties between Modi and Japanese Prime Minister Abe Shinzo (Abe is supposedly one of only three people Modi follows on Twitter). Abe was the guest of honor in January's Republic Day parade (a traditional method of signaling Indian priorities for the coming year) and Modi's second international visit will be to Japan (it is speculated that the delayed Indo-Japan nuclear deal will be finalized during the visit). And while Japanese funds were used to finance Delhi's metro system and the Delhi-Mumbai Industrial Corridor, India needs Chinese as well as Japanese investment.

The burgeoning trilateral security cooperation between India, Japan, and the US will continue and likely strengthen under Modi. India and Japan regularly have joint military exercises and high-level defense dialogues. It was announced that Japan will participate in the Indo-US *Malabar* exercises in the future. Moreover, an Indo-Japanese arms relationship seems to be developing with Japan's new openness to arms sales and India's new policy on 100 percent FDI in the arms industry. As the world's largest arms buyer, India is an attractive market (the Japanese *US-2* amphibious aircraft is high on India's list).

US

Modi has been careful to send positive signals that he is ready to do business with the US. There were several reasons why the new government could have started with a cooler US relationship. First, Modi was chief minister of Gujarat during the 2002 sectarian riots and the US had refused to give him a tourist visa since 2005, making Modi the only person ever denied a visa under an obscure law denying visas to people linked to "severe violations of religious freedom." Second, last winter, law enforcement officials in New York arrested an Indian diplomat on charges of visa fraud. What should have been a minor incident became a major diplomatic spat between the two nations. Yet, even before the election, Modi sent signals that relations between the countries could not be adversely affected by individuals and his government is ready to rebuild Indo-US relations. The visit by Assistant Secretary of State Nisha Biswal in June, plans for Modi's state visit to the US in September, the upcoming *Yudh Agyas* exercises in India, and prospective arms sales (likely to include helicopters and artillery) indicate movement in a positive direction.

In sum, there is a case to be made for cautious optimism. Modi will be more decisive, and less risk averse than the previous government. Modi intends to leverage diplomacy to encourage investment from China and Japan, and deepen economic ties with the US. India will retain its traditional stance of "strategic autonomy," however, and remain inward looking initially. While Modi won a clear mandate, he is under great pressure to deliver quickly on issues like

economic growth, corruption, high commodity prices, and infrastructure. Modi's government will give priority to economic growth and domestic politics to meet the electorate's high expectations. There was a sense that the Singh government had invested too heavily in foreign affairs at the expense of domestic reforms. Modi's government will seek to avoid a similar fate. So while India will actively seek economic ties, it will retain its traditional hesitation to get too enmeshed into Asian security dynamics. The difficult part will be courting all major players in the region for investment, and maintaining good relations if a crisis erupts and India is forced to pick a side.

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