

ISAS Working Paper

No. 25– Date: 25 September 2007

469A Bukit Timah Road
#07-01, Tower Block, Singapore 259770
Tel: 6516 6179 / 6516 4239
Fax: 6776 7505 / 6314 5447
Email: isasijie@nus.edu.sg
Website: www.isas.nus.edu.sg



INDIA'S FOREIGN POLICY PRIORITIES IN THE COMING DECADE

Rajiv Sikri

Consultant, Institute of South Asian Studies, and
Former Secretary (East), Ministry of External Affairs, India

CONTENTS

Introduction	1
India's Neighbourhood	4
China	16
'Look East' Policy	21
West Asia and the Gulf Region	25
Russia	29
Central Asia	33
United States of America	36
Other Partnerships	41
Conclusion	45

INDIA'S FOREIGN POLICY PRIORITIES IN THE COMING DECADE

Rajiv Sikri¹

INTRODUCTION

India's foreign policy priorities in the coming decade will depend, in the first instance, on India's assessment of the likely evolution of the world order. Predictions are fraught with uncertainty. A study of history reveals that events often follow a non-linear path and that present realities and trends are, at best, a rough guide to the future.

The world has been in flux for nearly two decades. The fall of the Berlin Wall in 1989 signaled the end of the post-World War II era. This momentous event, full of symbolism, signaled the defeat of the Soviet Union in the Cold War, triggered off the disintegration of sovereign states and emboldened the United States (US) towards triumphal and unilateral behaviour. A decade and a half later, it is clear that there has been no 'end of history'. Nor is the rest of the world prepared to accept perpetual US global dominance. However, the casualness and arrogance with which long-established principles of international relations have been cast aside have saddled the world with the disastrous situations in Afghanistan and Iraq, and the global spread of terrorism.

The old order is slowly but surely dying out but a new balance of power and a new pattern of inter-state relations have not yet emerged. It is a remarkable coincidence that the global situation is so similar to what the European situation was exactly two centuries ago. The French Revolution of 1789 led to considerable disorder, instability, wars and even chaos before a new European order emerged a quarter century later at the Congress of Vienna in 1815. Similarly, in an uncanny re-run of the past, it looks as if it may take another decade or so for the pieces of the new global kaleidoscope to fall in place.

Whatever its exact pattern, one can be confident that the world in the second decade of the 21st century will be more open, increasingly integrated, inter-dependent and technology-driven. This will pose foreign policy challenges that are radically different from

¹ The author is a Consultant at the Institute of South Asian Studies. He was formerly Secretary (East) at the Ministry of External Affairs, India. He can be contacted at rajivsikri@hotmail.com.

those of the 20th century. Unfortunately, there is a worrying mismatch between the mindset, structures and the institutions currently in place that were fashioned in the mid-20th century after the Second World War, and the complexity, dynamism and volatility of the contemporary world. A troubling paradox remains. New states, acutely conscious and protective of their sense of national identity and sovereignty, continue to mushroom, even as many states, both old and new, are losing control of their destinies, even their identities. However, as the nation-state retains its legitimacy as the basic political unit in the world, the cooperation of small, even seemingly insignificant states is crucial to tackle global threats like terrorism and key issues of human survival and development such as water, energy, food and the environment. These contradictions will have to be squarely addressed while crafting a stable new world order.

A second important trend under way that is likely to gather momentum is the shift of the fulcrum of global politics and economics towards Asia, particularly if India makes good on its promise and potential, China manages to sustain its economic growth, and the Japanese economy picks up. South Asia, Southeast Asia and East Asia together account for half the world's population, include many of the world's largest and most dynamic economies, which account for a significant proportion of global trade, and control the bulk of global foreign exchange reserves. To the west, the growing weight of the 'arc of energy' starting from the Gulf region, going through the Caspian Sea and on to Siberia and Russia's Far East as the major source of the world's oil and gas make the Eurasian landmass and the northern Indian Ocean a key strategic arena where major global powers' interests will intersect, and perhaps clash. Given its geographical location, India will be at the vortex of these anticipated trends and developments and will need maximum strategic flexibility to ensure its military, economic, energy and environmental security.

Many uncertainties will nevertheless remain. When will the US acknowledge, even as it remains the preponderant, uniquely global, power, that its influence has probably reached a plateau? China is growing impressively and seemingly inexorably but is its growth model sustainable in the long run? Will Russia, which has regained its stability and appetite to be a global player, especially as an energy superpower, be able to retain its internal cohesion and stability that would permit it to play an assertive international role? Will Japan use its economic clout to play a correspondingly important and independent political role that may bring it into conflict with China? Will ASEAN manage to form a credible ASEAN

Community? What is the future of the European Union (EU)? With such a multiplicity of festering wounds in the region, how stable is the Gulf-West Asia region? Last, but not least, will India manage to rise above its contradictions and weaknesses and become an influential global player?

INDIA'S NEIGHBOURHOOD

India can emerge as an influential regional and global player only if its relations with its immediate neighbours are harmonious and cooperative. This should be the natural state of affairs since the whole of South Asia has a distinctive character arising out of its intertwined history. But South Asia emerged divided from colonial rule, and has remained so over the last six decades as the modern nations of South Asia acquired new personalities and took separate paths of political, economic and social development.

The root of the problem is that the modern nations of South Asia whose borders are colonial, not natural, are often attempting to create an exclusive identity and culture, where none exists, within these borders. Although today's South Asian nation-states are neither mono-religious, nor ethnically and linguistically homogenous, the smaller South Asian countries have wrapped their national flag around an exclusivist, somewhat artificial, identity based on religion or ethnicity. Many of the so-called 'failed states' are in South Asia. It is worth reflecting whether this is because the concept of nationhood in South Asia is flawed. South Asia remains one of the poorest regions in the world because South Asians have tended to over-emphasise their identity as citizens of a particular country while underplaying their interdependence and commonalities. It is important to note, however, that in all these countries whereas people want an all-inclusive cultural identity, this frequently does not suit the political establishments.

This state of affairs has worked to divide and retard the development and progress of South Asia. Instead of working together, taking advantage of their many complementarities and collectively playing their rightful role in the world, the South Asian nations are a divided lot. Instead of using their common traditions as a factor that would increase their collective strength and bargaining power, South Asians have become enfeebled by internal rivalries. The challenge before the region is to see how South Asia's common cultural heritage and natural synergies can become a factor for unity, harmony and mutually beneficial development.

Here the lead must inevitably be taken by India. The challenges before India are formidable. India's neighbours, fearful of India's overwhelmingly larger size, power and hence influence within their own respective countries as well as in the region as a whole, have traditionally sought some countervailing force to balance India's domination. This has

taken the form of using available leverages in order to hurt India (for example, Bangladesh's refusal to give transit access to the Northeast or Nepal's reluctance to more effectively harness its hydropower potential), and by allowing outside powers to exercise a degree of influence on their policies that makes India uncomfortable. India's neighbours have shied away from too close a relationship with India since that could blur their essential identity of projecting themselves as *not* Indian. But there is a conundrum: while its neighbours see India as a threat to their identity, all of them (with the exception of Pakistan and, to some extent, Bangladesh) also view it as the ultimate guarantor of their security.

India's policies towards its immediate neighbours over the last six decades have not proved terribly successful. A change in India's approach is called for. India's hard-nosed self-interest itself dictates the need for fresh thinking. Even though India has managed 8-9 percent annual rate of economic growth in recent years, its ability to take along its smaller neighbours will be a key determinant in sustaining, over the long term, India's current impressive growth story. India cannot hope to remain prosperous if its neighbours continue to languish. Growing economic opportunities in India will inevitably generate cross-border illegal flows of economic migrants across porous and laxly policed borders from the poorer regions in South Asia to the relatively more prosperous parts of India. Nor can India remain insulated from the social and political turbulences in its neighbourhood. Terrorism cannot be controlled, much less eliminated, without the whole-hearted cooperation of all South Asian countries. Despite ongoing attempts to erect border fences with Pakistan and Bangladesh, India has to be realistic in recognising that it cannot create an effective *cordon sanitaire* around itself.

It was entirely appropriate and long overdue that India should have taken a major 'leap of faith' in dealing with its neighbours through its initiative at the recent South Asian Association for Regional Cooperation (SAARC) Summit in New Delhi to offer duty free access to the Least Developed Countries within SAARC and by accepting the principle of "asymmetrical responsibilities" towards its immediate neighbours. From a commercial perspective, grant of unilateral trade concessions to India's neighbours would not greatly harm India's commercial interests, though there would be some impact on a few sectors like textiles, ready-made garments, tea and rubber. However, the potential of non-economic gains, particularly a change in the psychology of the ruling elites and even more so of the ordinary people in India's neighbouring countries, would far outweigh the commercial losses. These

welcomed initiatives need to be followed up. As the current Chairman of SAARC and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), India has a unique opportunity to give SAARC a truly new direction.

As part of a policy of fostering greater mutual confidence and trust between India and its neighbours, India has to devote much more time and attention to its neighbours, including, through much more frequent interaction at all levels, regular formal and informal high-level contacts, and a more open dialogue on regional and global issues. It only exacerbates their apprehensions and frustrations if India's neighbours feel ignored or marginalised by India.

India also has to be generous and magnanimous in stimulating the economic development of its neighbours. The steps taken so far can be supplemented by giving generous technical and economic assistance to India's neighbouring countries to build up their infrastructure. Secondly, the government must encourage, through tax and other incentives similar to those given within India for certain regions and States, Indian private sector investments in these countries to promote their industrial development. This should help in creating local jobs and producing value-added products for export to India and elsewhere. Finally, India needs to put in place more liberal and streamlined border trade arrangements.

Ultimately, India's objective should be maximum possible integration of its neighbouring countries with India which would tie their destinies with India, regardless of the political predilections of the regimes in power and the possible machinations of outside powers to exploit existing tensions and create fresh differences between India and its neighbours. Economic inter-dependence leading to economic integration may also create a better appreciation by India's immediate neighbours of India's security concerns. It is only if its neighbours appreciate India's concerns and cooperate with India that India can hope to promote regional peace and stability. In the long-term, India might look for regional integration within an EU-type framework (open borders and free movement of peoples, goods and capital), undoing the artificial South Asian political order established following the partition of undivided India. It is significant that, at the New Delhi SAARC Summit, the countries managed to agree on the ambitious goals of achieving in a planned and phased manner a South Asian Customs Union, a South Asian Economic Union, and a South Asian community. Perhaps SAARC is indeed an idea whose time has come. If all its members

genuinely share this belief, on an optimistic view, SAARC could well be transformed into a “Partnership for Prosperity.”

Critical to the success of this vision is the establishment of better intra-SAARC physical connectivity which is woefully lagging behind intra-regional connectivity elsewhere. The South Asian countries have denied themselves the economic advantages of large-scale cross-border trade and economic activity like tourism. Moreover, in the absence of wide-ranging people-people interaction within the region, misunderstandings and apprehensions are unlikely to go away, nor would it be realistic to expect any meaningful regional cooperation. Establishing direct air flights between the SAARC capitals, as proposed by Indian Prime Minister Manmohan Singh at the New Delhi SAARC Summit, is a good start but it is overland connectivity that is crucial. Fortunately, some small steps have been taken between India and both Pakistan and Bangladesh in recent months. The real challenges will be in establishing transit facilities from India across Pakistan to Afghanistan and across Bangladesh to Northeast India.

Connectivity has a significance that goes beyond the intra-SAARC dimension. India needs the cooperation of Pakistan and Bangladesh to establish overland connectivity with the rest of the world. If India is to be a credible global player, its reach and influence must extend beyond the South Asian subcontinent. Dr Manmohan Singh’s vision, articulated a couple of years ago, of an integrated Asia from the Himalayas to the Pacific, was expanded by him at the New Delhi SAARC Summit to include all the nations of South Asia. This would have reassured other SAARC countries that they would not be left behind as India increasingly integrates with East Asia and the rest of the world.

India recognises that the optimal success of its ‘Look East’ policy requires Bangladesh’s cooperation. Is Bangladesh willing to be India’s partner in this endeavour? If Bangladesh so desires, it can easily come on board India’s ‘Look East’ train and take full advantage of India’s strategic opening to the east. Similarly, Pakistan can work with India and Afghanistan in re-establishing South Asia’s traditionally strong but now considerably weakened links with Central Asia. With Iran becoming an observer in SAARC, the proposed Iran-Pakistan-India pipeline could potentially become a SAARC project for the benefit of all SAARC countries.

Thus, there is a challenge for India's neighbours too. When distant countries are planning long-term strategies to plug into India's impressive growth, logic dictates that India's neighbours too should be thinking along similar lines. Sharing many complementarities with India, they can become globally competitive if they take full advantage of their geographical proximity to India. All of them have a deep understanding of India and are well networked with key players in India. But they have to honestly answer some hard questions. Do they want to ride on the back of India's success and weight in the world? Or do they believe that their growth, development and prosperity could be autonomously generated? The smaller neighbours like Bhutan, Nepal, Maldives and Sri Lanka, probably because they are aware that they may have fewer options, have shown greater interest in economic integration with India than the larger ones like Pakistan and Bangladesh.

Even as it must be visionary, large-hearted and sensitive to its neighbours, India needs to firmly and unambiguously define for its neighbours the goalposts of India's non-negotiable interests and concerns. India should make it clear that it will be uncompromising in protecting its security interests and expects its neighbours not to compromise India's security interests. There can be no room for appeasement or vacillation in this respect. India has a legitimate right to expect its neighbours to be sensitive to its security concerns by cooperating with it in combating terrorism, by not giving shelter to extremist and separatist elements from India, and by not permitting outside powers to conduct anti-India operations from their territory.

India will always remain an unspoken factor in the domestic politics of its neighbours (and, to a lesser extent, vice versa). One of the problems is that while India is a well established and vibrant secular democracy, its neighbours do not have a similar political system. The Indian model of democracy exerts a powerful influence, even if it is unintended, on politics in its neighbouring countries, more in some than in others. Ongoing political developments in Nepal, Bangladesh and Pakistan bring out the strong yearnings of the people for genuinely democratic regimes and underscore the link between democracy and long-term stability in all three countries. Sensing the changing winds, Bhutan is also moving towards a constitutional monarchy and a multiparty democratic system. India does not use democracy as an ideological stick with which to beat its neighbours. It is not in the business of 'export' of democracy and has been perfectly willing to deal with all kinds of regimes in its

neighbourhood and around the world. Such a pragmatic policy is likely to be maintained. At the same time, India must speak out more in favour of the desirability of democracy in its neighbourhood.

South Asian stability depends in large measure on the presence of democratic regimes in neighbouring countries. It is only within a genuinely democratic framework that the multi-ethnic and multi-religious South Asian countries will be able to live in harmony and peace, both internally and with one another. Without democracy, an essential element of which is a respectful and tolerant approach towards all religions and cultures, minority religions and cultures are likely to suffer discrimination. This invariably creates resentment, stokes tensions and frequently leads to clashes. Pakistan broke up over the inability of the system to accommodate Bengali nationalism. Punjabi Sunni political, economic and cultural domination in Pakistan has continued to provoke widespread Shia-Sunni violence and separatist movements in Baluchistan and Sind. Sri Lanka has been wracked by a debilitating ethnic violence over the Tamil issue for over two decades. In Nepal, the recent violence in the Terai is also ethno-cultural in nature, representing the resentment of the Madhesis over the continuing domination of the hill people in all aspects of Nepal's life. Bhutan's expulsion of people of Nepali origin has led to tens of thousands of refugees holed up in makeshift camps in Nepal. Bangladesh's Hindus have sought to escape the discrimination they face in Bangladesh by migrating to India in large numbers. Moreover, when governments abdicate their responsibility to equally respect all religions and cultures, and fail to educate the people in this regard, a void is created that is readily filled by obscurantist and extremist purveyors of religion. Democracy is the only effective long-term way to tackle secessionism, communal violence and sectarian conflict, and to ensure peace, prosperity and stability in South Asia.

Domestic strife in India's neighbours inevitably has a fall-out on India, particularly on contiguous states where the population shares deep emotional, cultural and family links across the border. Some noteworthy examples are the millions of Bangladeshi citizens who sought refuge in India in 1971 and those who have illegally migrated into Assam and various other parts of India; the periodic migration of persecuted Tamils in Sri Lanka; and, most recently, the problems that Nepali-origin people expelled from Bhutan have created for West Bengal. If the Madhesis in Nepal's Terai do not find political satisfaction for their grievances within the framework of Nepal's new constitution, the problem will spill over into India.

Thus, India cannot abdicate its responsibility to facilitate the resolution of such problems in its neighbouring countries. It has no alternative but to deeply analyse political trends and discreetly influence the domestic political debate within these countries. Over the last six decades, India has been on many occasions the decisive factor in the resolution of domestic political crises in Bangladesh, Sri Lanka, Nepal and Maldives. The challenge for India lies in not getting drawn into situations from which there may be no safe and honourable exit but, at the same time, pushing for national consensus that involves all the principal political actors in the country.

Pakistan is India's most difficult neighbour and cannot be dealt with like India's other South Asian neighbours. Even six decades after its independence, Pakistan continues to search for a durable and credible identity, other than it being 'not Indian'. Pakistan's rulers constantly strive to show how Pakistan is equal to, if not better than, India in all respects. The complex psychology of the Pakistani ruling elite, dominated by the military, is seen in a small but telling illustration – some of Pakistan's missiles are curiously named after various foreign invaders who ravaged India, including the territory of present-day Pakistan, centuries ago. In particular, even after more than three and a half decades, the Indian role in the creation of Bangladesh continues to rankle and the Pakistani military is seeking revenge for its humiliating defeat in 1971. The mindset of the ruling elite is a cocktail of arrogance and brashness, at times bordering on cockiness, which has of late become even more potent with the addition of a measure of fundamentalism. This has led to a policy of unremitting hostility towards India that occasionally breaks out into conflict. Regrettably, outside powers have, for their own reasons, encouraged and abetted Pakistan by providing it the money, arms and technology to sustain its aggressive posture towards India.

A Pakistan dominated by the military is not likely to give up its compulsive hostility to India. Normal relations with India would remove the Indian threat perception that provides justification for its continued rule, either directly or from behind the scenes. The people of Pakistan would then be even more vocal in questioning the need for Pakistan's huge military budget and the military's enormous perks. Over the years, including as a result of the recent political developments in Pakistan, the Pakistani army has lost its sheen but not its power, and Pakistan is still some way from having a genuinely democratic government.

India's policy towards Pakistan has oscillated like a pendulum. The two countries have fought military battles on the ground in South Asia, diplomatic battles throughout the

world and cricket battles on the playing fields. Diplomatic, transport and other links have been disrupted from time to time. At the same time, Indian Prime Ministers, from Rajiv Gandhi and Inder Kumar Gujral to Atal Bihari Vajpayee and Manmohan Singh, have frequently given in to romanticised sentimentalism about Pakistan. India has never sought to clinch a decisive military victory against Pakistan, whether it was the 1947-48 war in Kashmir which resulted in the matter being referred to the United Nations Security Council (UNSC), the 1965 conflict which led to an uneasy peace brokered in Tashkent in 1966, or the 1971 war which led to the inconclusive 1972 Simla Agreement. In 2002, after fully mobilising its forces, India held back from attacking Pakistan.

While India's intention in all these cases was probably not to aggravate the situation, India's postures of reasonableness has invariably been misinterpreted as a sign of weakness and only served to reinforce the traditional Pakistani military stereotype of India as a flabby ineffective giant. Under these circumstances, there is little likelihood of Pakistan being an effective partner in resolving outstanding problems, leave alone the knotty and emotive issue of Jammu and Kashmir. Even after both sides have been assiduously trying for the last three years to find a solution somewhere between the formal positions of the two sides, success remains elusive. India should be patient. There are no quick fixes that will resolve problems with Pakistan. The most realistic hope is that the two countries can manage them. Even if the ongoing backchannel discussions on Jammu and Kashmir produce a mutually acceptable compromise, India should strike such a deal with a popularly-elected civilian Pakistani government rather than a discredited military regime. At least that would enable the civilian government to take some political credit and thereby consolidate its political position vis-à-vis the military.

Whether India and Pakistan are fated to live forever in a state of confrontation and hostility depends in large measure on whether there will ever be an end to military rule in Pakistan. It is primarily the people of Pakistan who will decide this. The present is probably the most hopeful moment in a long time for the restoration of genuine democracy. There is no logical reason for India to support the present discredited military regime which has continued to support terrorism directed against India and has made only tactical adjustments to its overall strategy of weakening and hurting India. India's real friends in Pakistan are the people of Pakistan, who would probably be dismayed if India were to throw its weight, even if tacitly, behind the military regime. If India can persuade the US to change its current

approach of supporting the military regime in Pakistan, this would multiply manifold the domestic pressures on the military regime.

As this is unlikely, India has to follow an autonomous policy and not be guided by US preferences on Pakistan. What can India do? Over time, a widening economic gulf between India and Pakistan may generate public pressures on the Pakistani ruling elite to re-assess its domestic priorities and the country's policies towards India. Indian Prime Minister Manmohan Singh's recent suggestion for joint use of the land and waters of Jammu and Kashmir presages a possible, perfectly logical, Indian demand that would have wholehearted support across the political spectrum in Jammu and Kashmir, to renegotiate the 1960 Indus Waters Treaty. India agreed to that somewhat one-sided accord in the expectation that this would reassure Pakistan about possible disruptions in the waters of the rivers flowing into Pakistan from Jammu and Kashmir and, thereby, facilitate a lasting solution to the Kashmir dispute. As this has not happened, there are strong grounds for India to seek a renegotiation of the Indus Waters Treaty. This is a card up India's sleeve that it should carefully play. In any case, as a first step, India should fully utilise its entitlement to the waters of the three Eastern Rivers of the Indus basin (as defined in the Indus Waters Treaty), viz. Sutlej, Beas and Ravi, a substantial quantity of whose waters continue to flow into Pakistan. A serious move by India in this direction would also be a useful psy-ops tactic that should do much to bring about a change in the Pakistani mindset. India needs to drive home to the Pakistani military regime that India is not a toothless tiger and that Pakistan cannot continue with its policy of compulsive hostility towards India, including fomenting terrorism, without paying a heavy price.

Afghanistan and India are naturally drawn closer together since both countries have an inimical relationship with Pakistan. After the Taliban were overthrown in 2001, India has provided generous assistance for Afghanistan's reconstruction and nation-building in diverse sectors. India has a presence in all parts of Afghanistan. It has a strong interest in ensuring that Afghanistan remains sovereign, stable and united, without excessive outside influence. The revival of the Taliban who are strongly linked to and influenced by Pakistan remains a matter of deep concern for India. Nor is it in India's interest to have a long-term presence of North Atlantic Treaty Organization (NATO) forces so close to its borders. With dim prospects of an early return of stability to Afghanistan, India's interests in Afghanistan will have to be essentially security-oriented in the foreseeable future. The prospects of any

breakthrough in India's economic engagement with Afghanistan are bleak as long as Pakistan does not give India transit access to and from Afghanistan; the alternative route that India is trying to develop via Iran is sub-optimal and tenuous.

Bangladesh is not just another neighbour of India. Geography dictates that destinies of India and Bangladesh are inextricably intertwined. Bangladesh is a neighbour that India simply cannot afford to ignore. Its geographical location and relative size vis-à-vis India creates an understandable feeling within Bangladesh of being 'India-locked'. It is true that Bangladesh is dependent on India in many respects. Similarly, India needs Bangladesh' cooperation to ensure the development and security of India's Northeast region (which considers itself 'Bangladesh-locked'), to harness the water resources, to tackle illegal migration and to combat terrorism. In pre-independence India, the region comprising present-day eastern India, Bangladesh and northeastern India was always an integrated political, economic and cultural space. Thanks to its natural wealth and human resources, it played a leading role in national life – in politics, economic development and intellectual debate. Yet today this region has a lower level of development than even the already low South Asian level. If this region is to regain its earlier competitiveness and prosperity, both India and Bangladesh must be sincerely committed and determined to take advantage of the numerous similarities, complementarities and synergies in the fields of economy, culture, history, language and society to unlock this region's synergies.

It is only over the last 15 years or so that India has begun to give **Myanmar** the importance it deserves in its foreign policy priorities. Myanmar's cooperation is critical for the security and the development of India's northeast. Of late, as India's 'Look East' policy has gathered momentum, Myanmar has assumed additional importance as the unavoidable geographical link for greater overland connectivity between India and Southeast Asia. India also needs to protect its oil and gas investments in Myanmar. That is why India has been following a pragmatic policy of engaging the military regime in Myanmar and has toned down its rhetoric over Aung San Suu Kyi. India has also invested in many infrastructure projects in Myanmar. But even though India is on the right track, it needs to do much more to secure its interests in Myanmar. India must give Myanmar a comparable level of attention and generous assistance as it does to Afghanistan. India's Myanmar policy has to be crafted taking into account the potential long-term dangers for India should Myanmar get irreversibly locked in China's tight economic and strategic embrace.

India has huge stakes in the unity and stability of **Sri Lanka**. A Tamil *Eelam* in Sri Lanka has the potential of stoking Tamil regional sentiments within India. Moreover, any independent Tamil state in Sri Lanka is likely to become highly dependent on outside powers for its survival. India would see such a development as a threat to its security. It was to prevent outside powers from establishing their physical presence and spreading their influence in Sri Lanka that India intervened in Sri Lanka in 1987. Today, India merely keeps a close and watchful eye on developments in Sri Lanka but is deliberately not playing a direct role there. This has left the field free for other powers like Norway, Japan, EU, China, Pakistan and the US to be much more active and influential in Sri Lanka than India would like, not just in steering the talks between the Sri Lanka government and the LTTE, but also in the military and economic field. The cautious approach of Indian Governments to Sri Lanka is dictated as much by not wanting to have its fingers burnt again after the Indian Peace Keeping Force fiasco and Rajiv Gandhi's assassination as by political compulsions. While no government in New Delhi can avoid pandering to the wishes of powerful coalition partners in Tamil Nadu, where there is considerable public sympathy for the Tamil cause in Sri Lanka, it has to tackle this problem firmly, instead of hoping that it will go away.

Nepal poses a formidable challenge to Indian diplomacy. Many factors make the relationship with Nepal vitally important to India and give it a domestic as well as a foreign policy dimension. These include the open border and resultant security problems for India; free Indian currency convertibility in Nepal; the presence of Gorkhas in the Indian army; the presence of millions of Nepalis living and working in India; and the flow of major rivers from Nepal to India. Closing or regulating the traditionally open border would be difficult since there are no natural geographical frontiers, and extensive cross-border people-to-people and economic ties. It would also be expensive as India would have to beef up its policing and military expenditure on this front. The emasculation, or possibly even the end, of the monarchy in Nepal will have huge implications for the new balance of political power in Nepal. The Maoists in Nepal are an influential political force that will have to be accommodated in any future political set-up in Nepal. However, India is wary of them because of the links they are perceived to have with Indian insurgent groups. Once the political situation in Nepal settles down, it is quite likely that the Indo-Nepal Treaty of 1950 will have to be revised.

From India's point of view, the relationship with **Bhutan** is a model one, with both sides describing it as "exemplary." India has invested heavily in Bhutan's infrastructure, especially for power generation. The revenues that Bhutan earns from sale of surplus electricity to India have given Bhutan the highest per capita income in South Asia, and enabled it to reduce its budgetary dependence on India. Bhutan has cooperated with India in clearing out United Liberation Front of Asom bases from its territory. India looks after Bhutan's defence, with Bhutan in turn undertaking not to do anything that may pose a danger to India. Till recently, Bhutan was bound by the 1949 India-Bhutan Treaty to be "guided" by India's advice in its external relations but this provision has been dropped in the updated 2007 India-Bhutan Friendship Treaty. However, the earlier provisions regarding free trade and movement of people remain in force.

CHINA

Relations with China have steadily improved during the last couple of decades, especially over the last five years or so. Two-way trade and tourism have sharply increased. India and China have developed a regular pattern of exchanges and visits in diverse fields. Regular high-level meetings take place. Military confidence-building measures have been initiated. The two countries have been cooperating in international forums like the World Trade Organization (WTO), on the margins of the G-8, and within the India-China-Russia trilateral framework. India and China have become observers in regional organisations that the other dominates viz. the Shanghai Cooperation Organization and SAARC respectively. Both are members of the East Asia Summit (EAS). China has begun to show Sikkim as part of India in its maps and the traditional trade route between India and Tibet via Nathu-la pass in Sikkim has recently re-opened.

Since 2003, border talks are being held through Special Representatives of the leaders to find an early “political solution” to the boundary question based on agreed political parameters and guiding principles, rather than going only by the legal and historical claims of the two sides. During Chinese Prime Minister Wen Jiao Bao’s visit to India in 2005, the Prime Ministers of the two countries agreed upon a “Strategic and Cooperative Partnership” between India and China.

In this way, over time, popular perceptions in India about China began to change. China was increasingly seen as a rapidly growing and influential world power, and an essentially benign neighbour from which India could learn much. The younger generation of Indians does not have unpleasant memories of the decades when China was viewed with hostility and, therefore, does not suffer from the fears and complexes of older Indians who grew up in the second half of the 20th century.

Against this background of rapidly developing overall bilateral relations over the last few years, the strong and blunt public reiteration of the Chinese position on the Indian state of Arunachal Pradesh (on which China has territorial claims) has triggered off a widespread wave of public indignation across India. The latent mistrust of China, that was well entrenched among the security agencies but of late had been missing in the public perceptions and within the strategic community, has now resurfaced at a popular level.

Since China no doubt realises that India will not accept humiliating terms, the implication of China's aggressive posture on Arunachal Pradesh is that China is in no hurry to conclude a boundary settlement with India. China's position has put India under psychological pressure and created fresh uncertainties in the minds of the Indian political and military leadership about China's long-term intentions towards India.

It is necessary to re-assess India's policy approach towards China in the light of the recent aggressive Chinese posture and the lack of progress in the boundary negotiations with China. Without being in a hurry to settle the boundary question, India should keep China engaged, let the negotiations continue, but remain patient, firm and confident. If India considers itself as a serious regional and global player, it must also behave in a more dignified manner worthy of a great power, particularly in relation to a country like China. The eagerness, perhaps at times even anxiety, which India has, at times, tended to project to the Chinese about reaching an early settlement of the boundary question, sends a regrettable signal of weakness. Nor is there any need to make syrupy references to China as India's "greatest" neighbour, as Indian Prime Minister Manmohan Singh did during his meeting with Chinese President Hu Jintao in Germany in June 2007. That is not the right approach when dealing with a growing power that has traditionally looked at the world with a sense of superiority and, in the case of India, additionally with condescension.

Although the unsettled frontiers do remain a source of tension, they are likely to remain quiet since it does not suit China's larger interests to agitate the border issue in the near future. It is important to press for an early clarification and confirmation of the Line of Actual Control pending a mutually acceptable resolution of the boundary issue. Meanwhile, India has started to build up its logistics and infrastructure in the border areas to secure them. This is a much-needed, even if a delayed, step in the right direction. At the same time, India would be wise to develop leverages vis-à-vis China on the border issue. As a negotiating tactic, India's claim lines must extend beyond what it may eventually agree upon in a final settlement. By not reiterating the Parliament Resolution of 1962, India has regrettably signaled its willingness to compromise on its principled position whereas there is no similar Chinese signal being sent out. If China can lay claim to Tawang in Arunachal Pradesh on the grounds of its cultural, historical and spiritual links with Tibet, the case for India's possible claim to Kailash-Mansarovar on similar reasoning is probably more substantive. India should bring up the Shaksgam Valley that was transferred from Pakistan to China in 1963, and

reassert its concern over the Karakoram Highway linking Pakistan-occupied Kashmir with Xinjiang that is now likely to be upgraded and converted into an energy corridor.

Indian leaders also need to have a better feel of the pulse of the nation and not keep the public and the strategic community completely in the dark about what is going on in the negotiations on the boundary question. Otherwise, any boundary settlement with China that entails compromises on India's part may not be acceptable to the public.

Tibet is the key to understanding China's policy on the India-China boundary question. As China appears to believe that a settlement of the India-China border has implications for the status of Tibet, China is unlikely to be keen on any settlement of the boundary question with India unless it has definitively resolved the question of Tibet on its terms and Tibet comes firmly under its control. China has already extracted significant concessions from India on Tibet through India's acceptance that China is a legitimate negotiating partner for conducting negotiations to settle the India-Tibet border, and that the "territory of the Tibetan Autonomous Region is a part of the People's Republic of China." But China remains uncertain about India's Tibet policy and is highly suspicious of India's motives in providing a base for the Dalai Lama's activities. It would seem that the Chinese leaders, under the direction of Hu Jintao who was the Chinese Communist Party Secretary in Tibet for many years, have made up their minds that a satisfactory solution to Tibet, from China's point of view, is unlikely while the Dalai Lama is still alive and that China's interests are better served by waiting till the Dalai Lama has passed away.

India needs to give a clearer strategic direction to India's Tibet policy and skillfully play this important card in India's hand. For example, it may be worth India's while to suitably signal to the Chinese that India would be prepared to remove the ambiguities in its Tibet policy as a quid pro quo for China doing the same in its Kashmir policy.

Prudence dictates that India should not have a relationship of perpetual conflict with a large and powerful neighbour like China. There is much to be gained from a peaceful cooperative relationship with China. Thus, India must seek areas of cooperation with China to the extent possible, without any illusions that there can be any return to the so-called fraternal relationship of the 1950s. Taking a leaf out of its script for dealing with Pakistan, where India has established links across the Line of Control in Jammu and Kashmir, India should explore the possibility of establishing trans-border transport and economic linkages

with China for mutual benefit even though there is a territorial dispute between the two countries. A hard-wired economic relationship across the Line of Actual Control (the task of clarifying which must remain an important priority) will create greater mutual confidence and stakes in a stable, peaceful relationship between India and China. Both countries must pursue sub-regional co-operation to build mutual stakes in the other country's growth and stability. As India and China are both energy-deficient, this can be among the areas for mutually beneficial economic co-operation that will lead to interdependence and, as major buyers, enable them to get better bargains from oil suppliers.

Traditionally, China has never looked at India as an equal but merely as an upstart wannabe. India's place, in Chinese eyes, is in South Asia only, not as an influential Asian, much less a global, player. While the 1998 Pokharan II nuclear weapons tests did make China sit up and take notice, it was not something over which the Chinese lost too much sleep. However, what appears to be bothering China is India's impressive and consistent economic performance over the last few years that has transformed India into an attractive economic partner for a large number of countries which are beginning to look at India seriously as an alternative to China. Today, India has an economy that is less than half the size of China's but if India keeps growing at 8-9 percent per year and China cannot indefinitely sustain its current economic growth rate, the gap between India and China will narrow. India is the only other Asian country with the size, resources, demographic profile and all-round capabilities to pose a credible challenge to China's dominance over Asia in the long term. From China's point of view, therefore, it makes sense to keep India unsure about China's intentions. That will make it difficult for Indian security planners to recommend to the government that resources can be freed up from military to developmental expenditure. In this way, China probably hopes that over time the gap between India and China may increase, and that China may be able to drive a better bargain with India on the boundary question later rather than sooner.

For more than four and a half decades, China has used its 'all-weather' relationship with Pakistan very effectively to keep India in check. It is attempting to do the same with India's other immediate neighbours. The Indian security establishment is concerned about China's railway network reaching Kashgar and Lhasa and its proposed further extension towards the Indian border; the rapid development of infrastructure in Tibet; China's activism in Myanmar; its entrenched position in Pakistan, including the development of Gwadar port;

and its success in developing a military relationship with Bangladesh and Sri Lanka. If India remains bogged down in relationships of suspicion and mistrust with its South Asian neighbours, India will not be able to achieve optimal economic growth and spread its wings on the global stage. That suits China. In order to develop its comprehensive national strength that would narrow, if not close, the existing gap with China, India needs to improve relations with its South Asian neighbours.

The US has made no secret of its desire to see India develop as a stronger country, one that would be its close strategic partner, as a counter-weight to China's present and future dominance of Asia. The public statements emanating from Washington on the significance of the India-US nuclear deal are hardly likely to reassure China that India will not somehow join the US camp. The growing warmth in India-Japan relations is being warily watched by China. India should not allow itself to become a pawn in US strategic plans. At the same time, realpolitik dictates that India should continue to develop these relationships as well as US-Japan-Australia-India strategic dialogue and cooperation to exert counter psychological pressure on China.

‘LOOK EAST’ POLICY

Relations with Southeast Asia and the countries of East Asia constitute an increasingly important dimension of India’s foreign policy priorities. Trade, economic and defence ties have been surging ahead. High-level visits are regularly and frequently exchanged. Air links, tourism and people-to-people ties have developed rapidly. Overall, there is unprecedented mutual trust and confidence. Both sides are poised to take full advantage of the fact that relations today are not burdened with any negative baggage from the past, and that there are no psychological barriers to reviving the traditional peaceful mutually beneficial interaction through the flow of trade, the movement of people, and the intermingling of cultures and ideas.

After decades of neglect, India’s opening to the east started in 1992. There were strong economic imperatives for India’s initiative. As India embarked on its economic reforms in the early 1990s under many pressures (including the collapse of its valued economic partner, the Soviet Union, the financial crisis that hit India in the early nineties and the ineluctable logic of globalisation), India was keen to plug into the dynamic Association of Southeast Asian Nations (ASEAN) economies. In recent years, the faltering of the Doha Round of global trade negotiations and the proliferation of regional trading arrangements in Asia has added urgency to this quest. The fact that India has the largest number of Free Trade Agreements (FTAs) or Comprehensive Economic Cooperation/Partnership Agreements, either operative or under negotiation, with the countries of ASEAN and East Asia brings out the importance that this region will continue to have for India’s economic engagement with the world in the future.

At a geo-strategic level, after the end of the Cold War, it became increasingly untenable, illogical and detrimental to India’s long-term national interests to continue to regard South Asia and Southeast Asia as separate strategic theatres. As frozen frontiers thawed and peace returned to Indo-China, rapidly developing new transport and other economic arteries around India created new linkages and interdependencies among Asian countries. As these left out India, the latter was faced the prospect of being strategically and economically boxed up in South Asia, mired in dealings with its fractious neighbours. In order to realise its aspirations of playing a greater regional and global role, India looked at ASEAN as an attractive extended strategic space, particularly since there are limited economic opportunities for India in its immediate neighbourhood and the region to India’s

west remains full of imponderables, challenges and troubles. Later, an important domestic dimension emerged in India's 'Look East' policy. India understood that, in a long-term perspective, a successful 'Look East' policy could potentially convert the Northeast into the fulcrum of a thriving and integrated economic space linking India and Southeast Asia. All these considerations remain relevant today.

India's engagement with **ASEAN** is central to India's 'Look East' policy. Relations with ASEAN, as a whole, and with individual ASEAN countries, have rapidly developed, especially after 2002 when India and ASEAN became summit-level Dialogue Partners. However, India's 'Look East' policy has gradually evolved in geographic scope. In addition to ASEAN, India has an unprecedented level of all-round engagement with the countries of East Asia and the Pacific. On the substantive side, whereas the initial engagement was primarily economic, military cooperation has now emerged as a growing area of cooperation between India and its eastern neighbours. India is now generally perceived as a more serious and credible player in the regional and global balance of power. It is also seen as a potentially important economic partner that could provide a useful balance and a hedge against China's current economic dominance and future uncertainties. Smaller countries in the region, fearing unilateralism by the big powers, see India as a potential security provider. Steadily, but inexorably, India's 'Look East' policy has opened the doors to India's membership of important regional organisations such as the ASEAN Regional Forum (ARF), the EAS, and the Asia-Europe Meeting.

Much better infrastructure, including air, road, rail, and sea connectivity, will be needed to sustain the anticipated accelerated all-round growth in relations between India and its eastern neighbours. Air connectivity has vastly improved over the last three to four years and it is likely that India and ASEAN will soon go for an 'open skies' arrangement. In addition to the many cross-border road links India is developing with Myanmar for facilitating trade, an India-Myanmar-Thailand Highway project is under consideration, although progress is much slower than originally envisaged. Preliminary steps have been taken to establish a Delhi-Hanoi rail link via Myanmar, Thailand and Cambodia. Over time, these road and rail links could connect with the various north-south transport arteries being developed between China and Southeast Asia, thereby providing not only a cheap means of transport of goods, tourists and pilgrims between India and the Indo-China countries but also overland connectivity between the heartlands of India and China via Southeast Asia.

From a geo-political perspective, the strategic horizons of many of India's eastern neighbours converge with those of India in the eastern Indian Ocean. India's Tri-service Command in the Andaman & Nicobar Islands enables the Indian navy to keep a close watch on the northern approaches to the Malacca Straits. India's prompt dispatch of assistance for tsunami relief in 2004; its escort of high-value cargo through the Malacca Straits in 2002; its successful interdiction of a hijacked Japanese ship, the 'Alondra Rainbow', in 1999 – give credibility to India's regional naval capabilities and posture. Thus, it is natural that India's military, especially naval, cooperation that includes joint exercises and coordinated patrolling, should have dramatically grown in the last few years with many countries in East and Southeast Asia. India will however have to decide whether it should maintain an independent maritime policy in Asia or whether it would be preferable to bandwagon with countries like Japan, Australia and the US, with the attendant political implications of such a move vis-à-vis both China and ASEAN.

Things have finally begun to change in India's relations with **Japan** and **South Korea**. Till lately, these relationships were relatively undeveloped in all respects, be it trade, investments, tourism or just mutual awareness. The relationship with Japan is steadily evolving into a 'strategic and global partnership.' The proposed Comprehensive Economic Partnership Agreement is an important initiative with considerable long-term economic and strategic significance. India hopes to attract Japanese investments into India and access Japan's enormous technological strengths while Japan wishes to gain access to India's large market and tap India's talent pool. Similarly, South Korean companies are aggressively establishing themselves in Indian markets and many have decided to use India as a global manufacturing hub. Indian companies are also buying into South Korean companies. Economic relations are expected to get a qualitative jump once the Comprehensive Economic Partnership Agreement currently being negotiated is concluded. This would also be the first such agreement that India would sign with an Organisation for Economic Co-operation and Development country, thereby creating new challenges and benchmarks for India's economic reforms. The interdependencies that are being forged today are likely to be long-term ones. However, an important question that India will have to consider is whether any contradictions are likely to develop between India's relations with China, on the one hand, and its relations with Japan and South Korea, on the other.

India is giving more attention to tapping resource-rich Australia, which in turn sees India as an attractive market. The large and rapidly growing Indian community in **Australia**

and **New Zealand** will continue to act as a valuable bridge, as in the case of other English-speaking countries like the United Kingdom, US and Canada to bring India closer to these two countries.

India's becoming a founding member of the **East Asia Summit** (EAS) symbolises the success and credibility of India's 'Look East' policy. India's leaders have articulated a bold long-term vision of a community of nations from the Himalayas to the Pacific, with the largest Asian economies of Japan, China, South Korea, ASEAN and India at its core which could constitute a new driver of growth for the global economy and be an anchor of stability and development in Asia. The preferential and free trading arrangements currently in place or being negotiated among the major Asian countries are seen as building blocks that could gradually develop into a region-wide trade and investment architecture that would provide optimal benefits, stronger synergies and deeper complementarities for all participants.

Translating such a vision into reality will not be easy. Sustained and skillful diplomacy will be needed to build a consensus for a more inclusive approach to community building around the EAS, since some countries continue to prefer the ASEAN Plus Three as an alternate framework for the evolving regional architecture. Moreover, if the EAS shows signs of evolving into a serious organisation, the US will not want to be excluded. But if the US becomes a member, the EAS cannot provide the framework for a pan-Asian entity having an independent standing and influence. How will the EAS reconcile its community-building goals with the interests of the US, which has multiple points of leverage against many EAS members, including India?

India faces some other difficulties as well. Without an India-ASEAN FTA, which has already been delayed by three years, India's engagement with ASEAN could lose some momentum and its long-term vision of an Asian regional architecture will be less credible. Yet, India's domestic compulsions do not permit it to accede to all of ASEAN's demands. India will also need to devise means to take along its South Asian neighbours in the larger Asian integration process.

WEST ASIA AND THE GULF REGION

The **Arab world** is indeed very special for India, and has historically always figured very high in India's external ties because it is a neighbouring region with very close ties to India. The Arabian Sea has linked, rather than divided, the Arab world and India. Trade, culture, religion, language, philosophy, and science and technology have bound the people of India and the Arab world over many centuries. This peaceful interaction with the Arab world, which resulted in the confluence of ideas, of art, of literature and much else, has left an indelible imprint on India's history, culture and civilisation. The Arab world, home to Islam's holiest shrines, has always had a special pull for the more than 150 million Indian Muslims.

India and the Arab world together fought the battles against colonialism and imperialism. India has always supported the establishment of a sovereign, independent, viable State of Palestine, within well-defined and recognised borders, through a negotiated and comprehensive solution that takes into account the legitimate interests and grievances of all the parties concerned. India's support for the Palestinian cause predates Palestine's formation and enjoys across-the-board political consensus in India, reflected in the unanimous Parliamentary Resolution adopted in 2006 on Israel's invasion of Lebanon.

India's policy towards this region has to proceed from the clear understanding that the destinies of India and the Arab world will remain considerably intertwined. In recent decades, the Arab world has become an important source of India's oil and gas imports, a significant and growing market for Indian products, an important destination for Indian investments and a region that provides livelihood to about 5 million Indians. Despite attempts to diversify its energy sources, there is no alternative to India remaining heavily dependent on Arab oil in the long term. More importantly, any upheaval in the Gulf region would displace millions of Indians living and working there, creating enormous social and economic disruptions, with unpleasant political consequences, within India. For the Gulf countries too, Indians workers and professionals constitute a large and trouble-free human resource that has proved critical for their development and continued prosperity. India is similarly keen that the Arabs invest their wealth in India and develop long-term stakes in India's economic growth. Such enduring linkages between India and the Arab world will create greater mutual interest in ensuring the stability, development and prosperity of both sides. Despite the fact that the politics of Islam, exploited by Pakistan through the Organization of Islamic Conference, have

tended to work against India's interests, India has managed to make a significant breakthrough in changing perceptions about India among the Gulf countries. A key move that facilitated this change was the highly successful landmark visit by the Saudi King to India in 2006 as Chief Guest for India's Republic Day celebrations.

India has developed its relations with **Israel** while keeping an eye out for the impact these would have on India-Arab relations. While India recognised the state of Israel in 1948, Israel was permitted only a consular presence in Mumbai for many decades and it was not till 1992 that India felt emboldened to exchange diplomatic missions with Israel. In the decade and a half since then, however, relations have rapidly grown in all fields, especially in the military field. The large volume of trade and the valuable political support that the Jewish lobby provides in the US make Israel a valuable partner for India. But most of all, Israel has emerged as a significant and reliable source of defence supplies and technologies to India, second only to Russia. However, the military relationship is deliberately underplayed by India. It is politically difficult for any Government to ignore negative public perceptions within India, especially among Muslims, about Israel's harsh and unjust treatment of the Palestinians. Thus, India cannot be seen as being too close to Israel. That is why there are relatively few high profile political-level exchanges between India and Israel. No Indian Defence Minister or any Indian Head of State/Government has ever visited Israel. In the future, the challenge will be to sustain the high level of India's mutually beneficial relationship with Israel without upsetting influential domestic constituencies or the Arab world. Having close ties and credibility with both sides, India could explore the possibility of playing a more active role in the resolution of Arab-Israeli differences.

Iran matters greatly to India from a strategic perspective. It makes eminent strategic sense for India to have a good understanding with Iran which is Pakistan's neighbour and a very influential actor in the Gulf, where India has enormous stakes. Iran is the key country for India's access to strategically important Afghanistan and Central Asia. After the destruction of Iraq, Iran is the only country to India's west that stands in the way of complete US domination of the region from South Asia to the Mediterranean, which cannot be in India's long-term interest. Holding the world's second largest oil and gas reserves, Iran is and will also remain important for India's long-term energy security. It is in recognition of this reality that India took the significant step of de-linking the Iran-Pakistan-India gas pipeline project from the overall relationship with Pakistan. Finally, as Iran remains influential

among India's large Shia population, India's relations with Iran have a domestic political dimension too.

India's vote at the International Atomic Energy Agency (IAEA) in September 2005 referring Iran's case to the UNSC was a foreign policy disaster from many angles. It polarised political and public opinion in India and destroyed the traditional foreign policy consensus in India. It generated resentment and mistrust against India in Iran, jeopardised the future of already-concluded liquefied natural gas contracts between India and Iran, and probably led Iran to conclude that India is neither a serious nor a reliable strategic partner. It confirmed the US' opinion of India as a soft state which could be arm-twisted even when it concerned India's interests in its own neighbourhood. It signaled to China that it is weak-willed and susceptible to US influence, which may have been a factor that prompted China to harden its stance on the boundary negotiations with India. It encouraged Pakistan in its traditional belief that the US could be counted upon to put effective pressure on India whenever required. It has dented India's image among the developing countries and created doubts whether India would be willing and able to protect the interests of the developing countries if it were to ever become a UNSC permanent member. With the US Administration and Congress continuing to put pressure on India over its Iran policy, it will be a formidable challenge for India to keep its relations with Iran on an even keel.

West Asia and the Gulf is very much part of India's extended and strategic neighbourhood. What happens here directly affects India's security and other vital interests. Some of the most crucial and complex contemporary global problems and issues such as energy security, Palestine, Iraq, Iran, Afghanistan, and terrorism are in this part of the world. Since India has enormous stakes separately with the Arab world, Israel and Iran, India needs to evolve a policy framework and a security paradigm for this region that would protect its national interests by managing the contradictions and hostilities among the principal players of the region, including the US.

There is an important disconnect in India's presence in the region. On the one hand, this region will always remain tremendously important to India for all the reasons mentioned earlier. On the other hand, as India has a minimal security presence in the Gulf, it lacks the levers to protect its interests in a crisis situation. India has to seek to expand its security ties with the countries of the Gulf region and actively look for ways and means to ensure that they

remain secure and stable. In a long-term perspective, India, which enjoys a degree of trust among all the players in this region, is perhaps uniquely placed to play a role in trying to develop a regional security structure like the ARF that brings together all the key players from within and outside the region. Such a framework could provide a forum for dialogue, confidence-building and preventive diplomacy that would promote stability in the region from India to the Mediterranean.

RUSSIA

With the focus of public attention on the foreign policy front in recent years having been on India's relations with the US, it is easy to miss the value of India's ties with Russia which remains India's trusted friend and strategic partner. There is a consensus across the entire Indian political establishment about the importance of Russia for India. Over the years, successive Indian leaders have taken special care to nurture this relationship which has survived political vicissitudes, neglect and drift during the Yeltsin era, pressures and attempts by outside powers to create rifts and occasional misunderstandings over Pakistan. At the same time, in the absence of widespread people-to-people contacts (trade, economic projects in the private sector, flow of tourists and students, and a large and influential Indian diaspora), and given the handicaps of language, Russia does not affect most ordinary Indians lives as does, say, the US or the Gulf region. Thus, the general public remains somewhat ignorant about the significance of this relationship.

The close India-Russia understanding has deep roots. India has received, earlier from the Soviet Union and, thereafter, from its successor state Russia, valuable political, diplomatic and strategic support, bilaterally as well as in international forums, on vital issues affecting India's national interests. It was Soviet diplomatic backing and material support, and the confidence provided by the Indo-Soviet Treaty of Peace, Friendship and Cooperation, which enabled India to successfully undertake the operations in 1971 that led to the creation of Bangladesh.

This political understanding was underpinned by a strong economic and strategic relationship. Beginning in the fifties, India received from the Soviet Union generous assistance for its industrialisation as well as in the sensitive areas of defence, space and atomic energy. India appreciated that it received cheap economic credits for infrastructure projects, repayable in rupees since India was short of capital, foreign exchange and technology; reliable, affordable and good quality military supplies, also on credit; and large-scale supply of crucial products like oil (mostly via a swap deal with Iraq), fertilizers, metals, etc. Some of today's globally competitive public sector companies like BHEL, ONGC and HAL, not to speak of the steel industry in India, were set up with Soviet cooperation. In Soviet times it was a truly strategic, if somewhat unequal, partnership that helped India become more self-reliant.

As the Soviet Union broke up, the whole edifice of trade and economic relations built up over decades came crashing down. Both sides scrambled to adjust to the new realities. While Russia struggled to cope with the wrenching shift from a state-controlled economy to a free market economy and from a centralised authoritarian regime to a multi-party democracy, India too embarked on a process of economic reforms. The business communities in both Russia and India focused their energy and attention on the West which was seen as the source of technology, capital and management. Neither Russia nor India could devote much time to learning how to deal with the other in the vastly changed circumstances. A decade or so was lost in this period of transition and re-adjustment.

Political relations too reached a nadir during the Yeltsin era because the Russian leadership was too obsessed with the West and did not consider relations with India a sufficiently important priority. At a time when India-Russia relations were at an important crossroads, Putin's arrival on the scene helped to revive the staggering relationship and steer it in the right direction.

The relationship is today a more equal one since Russia is no longer a superpower and India no longer a mere developing country. The days of cheap credits are over, oil flows have stopped, and rupee trade is sputtering to its end. Russia and India have changed enormously over the last decade and a half since the breakup of the Soviet Union. After going through a difficult period in the early nineties, both India and Russia have acquired a new self-confidence arising out of their rapid economic growth, large foreign exchange reserves, their respective strengths – among others, of Russia as an “energy superpower” and India as a “knowledge superpower” – and their sense of destiny.

What is the mutual interest that sustains the India-Russia relationship today? A strategic partnership cannot survive on nostalgia; it needs substance. The relationship survives and thrives because both Russia and India see the other as relevant to their respective national priorities. Both recognise that, as rising powers likely to play an increasingly larger role on the world stage in the coming decades, there is mutual gain in strengthening a mutually beneficial partnership that has survived the turbulence of the nineties. There is a shared goal in creating a multipolar world. There is reciprocal support and understanding for each other's priorities and policies in their respective strategic neighbourhoods – South Asia in the case of India, and the former Soviet Union in the case of Russia. India's and Russia's interests are complementary in important fields of cooperation

such as oil and gas, defence, nuclear, space, and science and technology. All these are areas that represent Russia's core strengths and in which it is globally competitive, and are also areas where India needs foreign assistance and collaboration.

Military cooperation remains at a high level but it is not without its problems. Price negotiations are tough and the era of “friendship prices” is over. Product support and supply of spares is inadequate. Yet, Russian military equipment remains competitive and reliable. India also appreciates Russia’s willingness to sell state-of-the-art equipment and engage in joint research and development of new products. Considering the large volume of business and India’s record of timely payments and scrupulously settled Soviet-era debts, India is a valuable customer for Russia in military hardware which Russia would be loath to lose to rising competition from new sources like Israel, France and the US.

With synergies arising out of the fact that India is an energy-deficient country and Russia an energy-surplus one, energy is an increasingly important area of cooperation for the future. Following up on the success of the Indian investment in the Sakhalin-I project (which itself would not have fructified without a strong political push at the highest level on both sides), India seeks more investments in Russia in the upstream oil and gas sector to ensure reliable long-term energy security while Russia regards India as an important and growing market for Russian exports of oil and gas and wants a share in the downstream oil and gas business in India. Russia, which is already helping India build the Kudankulam nuclear power plant and has recently supplied fuel for Tarapur, is also looking to set up additional nuclear energy projects in India if the Nuclear Suppliers Group guidelines are revised to accommodate India.

However, India-Russia relations will not have a sound foundation and long-term stability unless trade and economic cooperation, which is currently at a worryingly low level, increases and diversifies. This is a formidable task because, in both countries, business is now mostly private sector-driven. Governments can nudge and persuade but cannot compel or direct their respective business communities which remain largely oriented towards the West. Bureaucratic indifference and rigidities on both sides are additional hurdles that will have to be overcome.

At the strategic level, Russia has been very enthusiastic about trilateral cooperation between Russia, India and China. As NATO has steadily crept eastwards to the very borders

of Russia and the US has succeeded in getting a foothold in Russia's periphery, especially Ukraine and Georgia, Russia's security fears have been heightened. Since Russia, on its own, is not strong enough to challenge the US, it has turned to India and China, the only countries that are large enough players and sufficiently independent-minded, as potential partners in this strategic balancing act. Russia may also have felt that a triangular relationship involving Russia could facilitate better understanding between India and China. This would minimise possible contradictions in Russia's ties with two of its most important partners, and thereby ward off unpleasant choices for Russia. After initial hesitations, India has gone along with trilateral cooperation, but it will have little future if India enters into a true long-term strategic relationship with the US.

It is evident that both countries are making efforts to bring back the vigour and dynamism in the relationship that has been missing for some time. Russian President Putin's visit to India in January 2007 as Chief Guest for India's Republic Day celebrations gave a certain impetus to it. Leaders on both sides understand the importance of creating wider public interest and understanding for the relationship particularly among the increasingly influential younger generation. Without such public support, it will be difficult to provide greater depth and long-term stability to this mutually beneficial strategic partnership that has served both countries well for a long time. India would do well to take steps to guard against possible uncertainties in the post-Putin era when India may have to deal with a new generation of Russian leaders who are not so familiar with India. Russia too needs to be aware that it is dealing with a new India.

CENTRAL ASIA

The swathe of land, extending from Turkey to Xinjiang and from the Siberian steppes to the Persian Gulf and the Arabian Sea, needs to be viewed in its totality rather than through the simplistic prism of the Cold War era. Considering that the most dramatic manifestation of the end of the Cold War was the break-up of the Soviet Union, it is important to grasp the significance of the far-reaching geo-strategic transformation that is taking place in the ex-Soviet space, including the Central Asian countries.

Over the centuries, the neighbouring region of Central Asia was India's door to the outside world and has had a deep influence on India's history, culture and polity. While the region south of the Himalayas has largely shaped the mainstream features of Indian civilisation, Central Asia has also had an important and enduring influence on India. From a geopolitical and security perspective too, the Himalayas have never been India's frontier. As in the past, Central Asia continues to play an important role in India's security even today.

India has many advantages in Central Asia. It is neither handicapped by any negative historical legacy, nor does it pose any direct contemporary threat, whether ideological, demographic or territorial, to Central Asia. On the other hand, India has always had a romance and mystique for the people of this region. India's 'soft power' has captivated Central Asia in the past and has the potential to do so in the future as well. India's technical-economic assistance programmes like the Indian Technical and Economic Cooperation (ITEC), particularly in areas like information technology, are seen as very relevant and useful for Central Asia. India is also the nearest large market for products of the region. In addition, Central Asia's rich cultural heritage and natural beauty could attract large numbers of tourists from India and thereby give a welcome boost to the local economies.

India's interests in Central Asia are fundamentally strategic and, to some extent, economic. India would like to see a stable and secular Central Asia. Weak, unstable states with centrifugal tendencies could become a haven for terrorists, separatists and fundamentalists who could link up with counterparts in Afghanistan and Pakistan. Moreover, instability and chaos in the region carries the danger of a 'domino effect' that could affect the entire region. Central Asia also needs to be watched since developments in Xinjiang, which shares a border with India, would have a direct bearing on India's security. Thus, India's approach to Central Asia cannot be passive. India must work actively to get a firm foothold

in this strategically located region. Among other things, India must track any military presence in the region that could potentially threaten India. On the economic side, the Central Asian market is relatively small. However, India would very much like to gain access to the rich natural resources of the region such as oil and gas, uranium, rare earths and minerals, copper, gold, diamonds, and to acquire, if possible, some specialised defence technologies and defence production facilities.

When the Central Asian Republics attained independence, they expected India to be a major partner in all fields. Unfortunately India has been unable to convert the traditional goodwill into contemporary influence. Although the position has somewhat improved, India's presence and visibility in Central Asia still remains extremely poor. Economic ties have woefully lagged behind political relations, principally because neither the Indian government has given sufficient high-level attention to Central Asia, nor have India's businessmen, industrialists and bankers shown great interest in Central Asia.

From the perspective of the Central Asian countries, India has not demonstrated that it is relevant to their immediate priorities viz. their search for national identity, their security and, more recently, regime survival. Nor have they received any large-scale assistance from India for their economic development. Thus, India figures somewhat low at least in the short-term priorities of the Central Asian countries.

The Central Asian countries would nevertheless like India to play a much larger role in Central Asia. They are seeking, as an expression of their sovereignty and independent identity, to distance themselves from a Russia they can neither ignore nor do without. They remain wary of a traditionally expansionist and dominating China, and suspicious of the US which they feel is actively working for regime change. Albeit somewhat vaguely, they consider India as a potential balancing factor to the other major players in the region. However, India's good relations with Russia and the fact that it is a relatively minor player in Central Asia impose limits on India's ability to play such a role. Another major dilemma and constraint for India is how to access Central Asia. India's traditional access route via Afghanistan is blocked for the foreseeable future in view of the situation in Afghanistan and Pakistan's unwillingness to give transit facilities to India. Access via Iran is neither reliable nor optimal, even less so in view of international pressures on Iran today. The only alternative access route to Central Asia from India is the traditional trading route between

Leh in Ladakh and Kashgar in Xinjiang. India could explore the possibility of resurrecting this route.

As a geographical area that abuts on the borders of major powers in Asia, Central Asia will always attract foreign presences. It is what may be called a 'negative security space', in the sense that major powers around the region would not like this space to be dominated by hostile powers or even geopolitical competitors. In order to protect its vital national interests in Central Asia, India has to be a player, on an equal footing with the other major players like the United States, Russia and China, in the unfolding 'Great Game' in Central Asia. Thus India must remain integral to Eurasian energy politics. It needs to not only make significant oil and gas investments in Eurasia but also leverage its position as a major and growing energy consumer. Greater Indian involvement in Eurasian energy projects would give India both energy security and significant strategic benefits. Eurasian oil and gas pipelines and power transmission lines from Central Asia to India, if they are technically and economically feasible, would give India the much-needed meaningful economic links with Central Asia and forge an overland access route to these countries. Were this to happen, the exciting prospect opens up that Central Asia could be transformed into a strategic space that unites, rather than divides, the major Asian continental powers and energy producers and consumers, plus the omnipresent superpower, in a web of interdependence, not rivalry. India must actively encourage bold and creative thinking by all the major players with a view to ensuring that Central Asia remains stable, peaceful and prosperous.

UNITED STATES OF AMERICA

For India, the nurturing of the relationship with the US has been a very high foreign policy priority in recent years. This has not been a wasted effort. India-US relations have been on a steady upward trajectory, and have probably never been better. The Indo-US nuclear deal constitutes the centerpiece of a determined attempt by President George Bush and Prime Minister Manmohan Singh to forge a new strategic relationship between India and the US that is unencumbered by the disappointments and suspicions of the past.

The protracted and difficult negotiations on the 123 Agreement on the India-US nuclear deal are finally over. The leaders of both India and the US gave them a decisive political push and showed extraordinary keenness and doggedness to somehow reach an agreement. But one still cannot be sure that the Indo-US nuclear deal will actually fructify. The provisions of the Hyde Act passed by the US Congress in December 2006 set out the legal framework for this deal on the US side. India has in the past expressed its concern over some of its provisions, and the Indian bottom line is contained in the assurances given by Prime Minister Manmohan Singh to the Indian Parliament in August 2006. The negotiators have done some semantic jugglery to bridge the seemingly irreconcilable gaps between the Hyde Act and the Indian Prime Minister's assurances to Parliament. India still has to negotiate an India-specific safeguards agreement with the IAEA, and get the approval of the Nuclear Suppliers' Group before the 123 Agreement goes back to the US Congress for its approval. A Democrat-controlled US Congress is likely to reject a 123 Agreement that it regards as violating the letter and spirit of the Hyde Act. On the other hand, the determination of the Indian government to sign a deal on terms that are seen as compromising India's strategic autonomy has already set off a violent and potentially destabilising political storm in India.

Never before has the Indian establishment and public been so divided on a foreign policy issue. This unprecedented divisiveness, which has engendered heated political and public debate in India for over two years, has destroyed the traditional national consensus on India's foreign policy. Indian official statements, including at the highest level, have taken the line that this deal is all about civilian nuclear energy, not about India's nuclear weapons programme. But getting US support for India's civilian nuclear energy programme is merely one element and not the most important one, in this deal. Its real significance is that it represents a major foreign policy shift for both India and the US. It is completely

unprecedented for any US Administration to have exerted so much effort with Congress or lobbied so hard in India on any issue. Similarly, it is remarkable that the Prime Minister of India should remain so adamant on the nuclear deal in the face of widespread opposition to the nuclear deal in Parliament and outside. Obviously, both leaders have a lot at stake, including their own prestige and considerations of 'legacy'.

The essence of the problem and, hence, the controversy, is that the US and India are seeking to achieve different objectives from this deal. The Hyde Act, numerous US policy documents and various statements by US leaders and senior officials clearly bring out two principal US policy objectives in its relations with India. The first is to ensure that India's foreign policy is "congruent" to that of the US, with this deal expected to induce greater political and material support to the achievement of US foreign policy goals viz. the retention of all-round US global domination. India's growing economic and political role in the world is seen as a new and significant strategic opportunity to advance US goals. The US objective is to see if India can be integrated as a "constructive actor and shareholder" in a US-led international system.

This US objective cannot be reconciled with India's own foreign policy traditions and its legitimate aspirations to have a greater say in global affairs in the coming decades. Whereas the US wants the current so-called unipolar world order to continue, India believes that the world should be multipolar, with India itself as one of the poles. The recent sharp riposte by India to US Secretary of State Rice's gratuitous remarks about the irrelevance of Non-Aligned Movement brought out the contradiction between US and Indian long-term foreign policy objectives.

A second objective that the US has pursued for decades is to bring India into the non-proliferation framework and to curb India's nuclear weapons capability. It was to preserve its strategic autonomy that India refused to sign the NPT or the CTBT, and in 1998 became a declared nuclear weapons power. Although India has acted most responsibly, it is not recognised as a nuclear weapons power under the NPT. India wants to be recognised as a nuclear weapons power that would enable it to enjoy the privileges enjoyed by the nuclear weapons powers that are signatories to the NPT. It would like to be recognised as a partner in non-proliferation activity, not a country against which non-proliferation measures are directed. Many in India fear that by signing the 123 Agreement, India will be accepting implicit curbs on its strategic autonomy.

A major factor that has kept India and the US estranged for so many decades is the consistent US military, political and economic support to Pakistan which flows from the important role that Pakistan occupies in US long-term strategic plans for the Gulf, South Asia and Central Asia. The US continues to indulge Musharraf as a so-called ally in the 'war against terror' and has received India's acquiescence to its policy of de-hyphenating its relations with India and Pakistan, thereby obviating the need for the US to make difficult choices between India and Pakistan, each important in its own way to the US. In seeking to ensure a military balance in South Asia, the US approach disregards India's larger security requirements.

While Pakistan is a very special case, India appears to have unwisely ceded strategic space to the US even in the rest of South Asia. India has been pressurised into coordinating its policies in South Asia with those of the US. India can hardly have a true strategic relationship with the US when US policies do not coincide with India's priorities in its immediate neighbourhood.

India has a problem with US policies in India's wider strategic neighbourhood too. In the Gulf, there are dangers for India in identifying itself too closely with the US which is looked upon with mistrust and suspicion by the local population. India and the US also have differing views on handling Iran which will always remain important for India. Indian strategic planners cannot be sanguine about the massive US military presence which will be a long-term one in the northern Indian Ocean, the Gulf region, Afghanistan, Pakistan and Central Asia. To the east, while Myanmar is a crucial country for India that impinges on the security and development of India's Northeast region as well as to ensure the optimal success of India's 'Look East' policy, US policy of isolating and sanctioning Myanmar does not correspond with India's interests.

It is difficult to see how India, with the world's second largest Muslim population, can share the US goals and strategy in the so-called 'war on terror' which seems to not only provide a cover for US unilateral action and arbitrary behaviour in its quest for extending its reach to all corners of the world but, worryingly, is widely regarded by Muslims around the world as having an anti-Islamic character. India also needs to bear in mind the growing anti-Americanism around the world, and consider whether it is really in its interest to jettison its traditional constituency among the developing countries and be so closely identified with the US. After all, India will have to turn to the developing countries to get not only the resources

to fuel its economic development but also their political support for a possible permanent seat on the UNSC.

There is no doubt that better India-US ties serve India's short-term interests. It is highly desirable to have a strong and stable relationship with the US which is the pre-eminent power in the world. The US is the largest investor in India, an important technology provider and India's largest market, including for India's skilled personnel who now constitute a bridge for bilateral relations. India and the US share many values. For the Indian elite, the US remains the most attractive emigration destination for engineers and other professionals.

It is not coincidental that the majority of current India-US initiatives are knowledge-based. By tapping into India's enormous talent pool, the US hopes to ensure that it remains the global centre of scientific research and development, and technological innovation. Given that a shortage of talented people is already being felt in several sectors in India, greater migration of India's most talented young people to the US, even as it benefits individuals, will hardly help India realise its potential to be a knowledge superpower in the 21st century.

Since there is much that brings together India and the US, it would be unwise to hinge the future of the India-US relationship on a controversial nuclear deal. Not only is this unnecessary, but there are definite risks in doing so. The uncertainties and ambiguities in the 123 Agreement (and the primacy of the Hyde Act) could mean that in its implementation the 123 Agreement could become a major irritant rather than a catalyst for promoting India-US relations. It would be prudent to keep expectations low and avoid hyperbole. Instead, India needs to put in place a strategy that would ensure that even if the deal does not fructify the overall positive trajectory in Indo-US relations remains unaffected.

Nations, Palmerston had perceptively noted, have no permanent friends or enemies, only permanent interests. Notwithstanding platitudes about common values binding the US and India, India has to be cautious in anticipating a fundamental change in its relations with the US. There are, and always will remain, limits to the Indo-US partnership, which cannot yet be characterised as a true strategic relationship. The US has its own interests to pursue. So does India. India is too large and independent to be a reliable US ally, and the long-term strategic interests of the two countries will diverge. The US's professed good intentions towards India remain untested. Indian policy-makers presumably do realise that if India were

to threaten the US dominance in any way, India would become a country of concern that the US will seek to contain, just as is being done with China today. That is why the US will always keep all options open on India, including the time-tested one of using Pakistan to keep up the pressure on India.

India too should think of reciprocally developing points of pressure on the US. This could involve working out policies that impose restrictions on military purchases from countries like the US if such countries continue to supply weapons to Pakistan; creating global pressures on the drug-consuming countries too; diversifying India's foreign exchange holdings away from the weakening dollar; and introducing policies that would discourage the outflow of talent from India to the US.

OTHER PARTNERSHIPS

For countries beyond India's immediate and strategic neighbourhood, India's foreign policy goals are primarily economic. India's strategy for developing partnerships with the rest of the world has evolved in response to the changes in the global environment and India's own changing developmental needs. In the past, India's approach used to be defensive and protectionist. As India is integrating with the global economy, it sees more opportunities than challenges overseas. It is a reflection of India's changed mindset that India is cutting back on its reliance on foreign aid for budgetary support and economic growth. Through its diplomacy, India needs to create favourable external circumstances for Indian business and industry. Indian companies have become globally competitive and outward looking, and the new generation of Indians is much more ambitious and self-confident. Within India, there have been fundamental and irreversible changes in the economy, government policies as well as in the outlook of business and industry.

In addition to export promotion, India's new priorities are how to attract more foreign direct investment (preferably for greenfield infrastructure projects) in India, and foreign institutional investment in India's stock markets; how to facilitate Indian investment and joint ventures abroad for profit as well as to gain access to much needed resources, raw materials and technologies; and how to protect and promote India's economic and commercial interests in multilateral and regional trading arrangements.

Europe will always remain a very valuable economic partner. India's need for capitals, markets and technology necessitate closer ties with the affluent and developed European countries. Geographical distance has been a major obstacle in building ties with **Latin America** even though these countries hold tremendous potential because of their large urban and literate population, rich natural resources, and considerable popular and political goodwill for India. But as a result of India's closer engagement with Brazil (bilaterally, in the framework of India-Brazil-South Africa Dialogue Forum, and on WTO matters), as well as the preferential trading arrangements that India has concluded with MERCOSUR and Chile, there is now much more awareness within Indian business circles about Latin America.

Sharing with other developing countries India's own capabilities, and assisting and cooperating with them in developing their own economies has been an integral part of Indian foreign policy from its very inception. India's independence was an inspiration and a catalyst

for many other peoples under colonial rule. India gave other countries considerable political, moral, and diplomatic support in their struggle for independence. South-South cooperation represents the economic face of India's political support to the anti-colonial struggle. As a developing country with a predominantly rural population, India offers an alternative model of governance, development and world order, one imbued with social justice and inclusive growth, to the one being advocated by the West as a so-called 'universal' one.

Technical and economic cooperation with foreign countries takes up a substantial part of the budget of the Indian Ministry of External Affairs. A large chunk of this is spent on infrastructural and other projects for economic development in India's neighbouring countries, especially Nepal and Bhutan. India has also been giving grants or soft lines of credit to many developing countries. In addition, more than 150 countries benefit from the ITEC programme as well as other specialised training programmes in areas like agriculture and science and technology. All these are strategic tools to showcase India's technical strengths and achievements and harness them for India's political and economic interests. In absolute terms, however, the aid programme has been quite modest and has not lived up to its promise and potential. It has generated goodwill, but lacks a strategic, focused direction that dovetails with India's foreign policy goals. India needs to leverage its core competencies more effectively and optimally.

Foreign assistance is a valuable foreign policy tool in India's hands. But it has been blunted and needs to be sharpened. India will have to spend significantly larger sums of money on development assistance in pursuit of its larger national interests. India's immediate and strategic neighbourhood of South Asia, ASEAN, the Gulf region and Central Asia obviously are priority regions for technical and economic assistance, without losing sight of Africa, which was the earliest beneficiary of Indian assistance. Special attention will have to be given to countries with large populations of persons of Indian origin. India will have to evolve its own model of development assistance that matches India's strengths with the changing needs of the beneficiary countries. Handled properly, Indian foreign aid would not only generate goodwill but also bring economic dividends for India and build Indian brand equity. The fact that the Indian government is considering setting up an autonomous entity for this purpose is a welcome sign of the growing realisation that India's foreign assistance programme will acquire greater importance in the coming years.

There are many problems in the system currently being followed for extending large concessional lines of credit to developing countries. Earlier, the government of India gave lines of credit directly to foreign governments. But there was a problem in that approach since Indian companies simply availed of cheap governmental lines of credit to subsidise their exports, without this having the intended catalytic effect on overall economic relations. India's experience was that it frequently had to write off loans as many governments did not repay them in full, or not at all. Therefore, a few years ago, India thought that a more practicable approach would be to authorise the Exim Bank and other banks to give concessional Lines of Credit. That didn't work either. As they have to follow prudential lending norms laid down by the Reserve Bank of India if their own credit rating is not to be adversely affected, Indian banks on their own cannot lend to the heavily indebted poor countries or the least developed countries, the categories of countries which are not creditworthy but most in need of such credits. The government tried to solve the problem by providing bridging finance and repayment guarantees to the authorised lending banks in case of any default by the user of credit. But there is a limit to which the Government can provide such guarantees as this creates a budgetary liability on the government. Another reason why India cannot be too generous in giving assistance is that as India itself gets development assistance from various countries, extending too many lines of credit would prejudice its own case for concessional funding from multilateral bodies and bilateral donors. India, therefore, needs to evolve, in collaboration with the private sector, a suitable financing mechanism for concessional lending to developing countries.

Energy security is emerging as another exceedingly important area of foreign policy concern. As India is energy-deficient and is likely to become even more so in the coming years, it has to evolve a strategy to ensure efficient and reliable long-term energy supplies. It is a measure of the importance that India attaches to this matter that both state-owned as well as private Indian companies have made over the last few years unprecedented large overseas investments in oil and gas projects and that, overcoming its traditional reservations about Pakistan, is negotiating the Iran-Pakistan-India pipeline project. Increasing the share of nuclear energy in India's overall energy basket is also the ostensible reason behind the Indo-US nuclear deal.

In addition to energy, Indian companies need to be aggressive in pursuing opportunities for investing in other natural resources abroad. As foreign exchange reserves

have accumulated and restrictions lifted on Indian companies making overseas investments, and the mentality of Indian entrepreneurs has changed, Indian companies have begun to set up joint ventures abroad for fertilizers and raw materials.

Non-resident Indians and persons of Indian origin settled abroad play an important role in shaping foreign perceptions about India and in furthering economic and cultural cooperation. As can be seen in the case of the US, persons of Indian origin played a crucial role in getting US Congressional support for the Indo-US nuclear deal. To tap this great asset, there should be schemes attractive enough to encourage them to strengthen linkages with India and to use their skills, talent and resources to create capabilities in India. Separately, India will need to clarify its attitude and policy to deal with besieged communities of people of Indian origin who have been settled for many decades in countries like Sri Lanka, Fiji and Malaysia. In situations of crisis, their plight, which evokes sympathy in India, could create strains in relations between India and the country concerned. Indian workers in the Gulf constitute a particularly sensitive section of Indians living abroad and India will need to be constantly alert to the need to protect their interests and promote their welfare.

A most valuable, but an under-utilised, asset is India's 'soft power.' For centuries, Indian culture, religion and philosophy have attracted millions abroad which is why India is often called a 'cultural superpower.' But it is not only the traditional Indian culture that is attracting the rest of the world. Contemporary Indian foods, fashions and films are a magnet for more and more people throughout the world. Even though Buddhism is not an active religion in the country, India remains the Land of the Buddha. India is, therefore, rightly trying to market the enormous tourism potential of Buddhist destinations. The project to recreate the Nalanda University and to develop a Buddhist tourism circuit augurs well for spreading India's influence among the Buddhist countries of South, Southeast and East Asia.

CONCLUSION

A key strategic choice before India is: does India want to be co-opted into the existing international structures that have been fashioned by and are dominated by the West, in general, and the US, in particular? Or does India see itself as one of the ‘poles’ in a multi-polar world?

It would be naïve for credulous Indians to believe that any country will “help” India become a major world power in the 21st century. In international affairs, no state has been known to cede its power willingly to another. Power is always taken, never given. It stands to reason that India can become more powerful only if existing power centres, including the US, become relatively weaker. Currently, a prolonged struggle is under way in all the major international organisations such as the United Nations, the WTO, and the International Monetary fund over the redistribution of power. In these tussles, India, a rising power, is ranged against the US, whose power and influence have peaked, even if remains for the moment unquestionably the pre-eminent global power. India should also draw lessons from its unsuccessful attempt to become a permanent member of the UNSC, its failure to get its candidate elected as the United Nations Secretary General, and the uncertain prospects of India being accommodated by the Nuclear Suppliers Group as a de facto recognised nuclear weapons power with all the benefits that such a status entails.

The alternative strategy for India, even though current policy-makers in India are reluctant to recognise and accept this as inevitable, is to build and retain its strategic autonomy. India has always sought to preserve its independence of action and autonomy of decision-making. It has also shown that it has the capacity to do so. Various factors, including its sense of pride and self-worth based on a rich heritage of civilisation and culture, its past achievements, and its multi-faceted successes as an independent nation, impel India to seek its due place in the comity of nations. India is too big, too proud, and too steeped in the anti-colonial tradition to become a camp follower of any power. This comes out vividly in the ongoing debate in India over the India-US nuclear deal, with all political parties who are not part of the ruling coalition government rejecting the terms of this deal.

India’s long-term interests require that there should be a modification of the *status quo* in the existing framework of international relations. As India’s ambitions inevitably pose a long-term challenge to the existing global order created and controlled by the industrialised West, India will have to be prepared to deal with the resistance and counter-measures that

such a challenge will provoke among the present-day 'haves.' It must use the current window of opportunity when it is being seriously viewed by the rest of the world as a country that will inevitably play a much greater role in world affairs in the coming years, to evolve a strategy that would enable it to become a global player in all respects – economically, politically and technologically.

India cannot do this on its own. It will have to work with other powers which share its goal of having a multi-polar world. This implies a coordination of strategies with China and Russia. Collectively, these three countries have the economic, military, and technological potential as well as the critical geographical landmass and demographic structure, matched by political will, to challenge US global domination. The US understands this, and would therefore like to see these countries kept divided and, where possible, co-opted on the side of the US. In this scenario, India assumes great importance for the US as a 'swing' state.

While the benefits of India entering into a long-term strategic relationship with the US are uncertain, there will undoubtedly be costs for India if India goes down this path. China will respond in a manner that will hurt India. If India moves away on a large scale from Russia to US in its military purchases, this is bound to adversely affect India's relationship with Russia. In today's complicated and fast changing geo-political situation, India has wisely diversified its foreign policy options, yet it must be careful not to undermine a mutually beneficial partnership of trust built up over decades with a traditional friend and partner. India will also have to make sure that it continues to work with other Asian countries to develop a regional architecture for Asia within the framework of the EAS.

India cannot be a credible great power unless it takes along its neighbours with it. Therefore, India's highest priority will be to evolve a coordinated and coherent strategy vis-à-vis its neighbours. India has to handle relations with its neighbours with great care and delicacy, mindful of their sensitivities, aspirations and dignity. It is not enough for India to consider itself the natural leader of South Asia. It is equally important that other South Asian countries accept it as such. India has to earn the right to leadership by setting an example, by showing magnanimity and by successfully managing the growing challenges and contradictions of the region. Such an approach will earn India its neighbours' respect and admiration. India should realise that it cannot expect to be loved by its neighbours. On the other hand, India is feared by its neighbours but not enough. An impression has gained

ground among India's neighbours that India is a soft state whose nose can be tweaked with impunity. It is imperative that India makes sure that its neighbours know and respect its core interests.

The issue of democracy in India's neighbouring countries is one that will require skilful handling on India's part. An analysis of India's relations with its neighbours over the last six decades shows that non-democratic regimes in power in neighbouring countries have been more inimical towards India. That is because invariably the interests of ruling elites who are unaccountable to their own people require a policy of aloofness, if not hostility towards India, in contrast to the much greater meeting of minds and convergence of interests at the popular level. India cannot be seen as interfering in the internal affairs of its neighbours. At the same time, India cannot be indifferent to the kind of regime that is in power in a neighbouring country. For the sake of its security, if nothing else, India cannot remain detached from the dynamics of internal politics of India's neighbours and will always have to maintain close contact with the major political players there.

China will remain among India's most pressing and difficult foreign policy challenges. India will have to deal with China, both as a possible partner in a cooperative endeavour to build a multi-polar world as well as a long-term strategic competitor for influence and leadership in Asia. India will have to develop a counter to China's strategic engagement with Pakistan and India's other South Asian neighbours. India has to evolve a focused activist policy towards China, signal it clearly and unambiguously, and be more willing to test and probe the Chinese, including through Track II diplomacy.

India's 'Look East' policy has been one of its most significant strategic foreign policy moves, which will have long-term ramifications. In a psychological, political and strategic sense, India's membership of the EAS has bridged the gap between India and East Asia. If the EAS does manage to provide a credible framework for Asian community building, Asia could emerge as a new and independent pole of growth and influence, thereby changing strategic equations within Asia as well as globally. If the 21st century is to be a truly "Asian" one, it cannot be so without India playing a central role in this endeavour.

So far, India has looked at the West Asia and Gulf region principally as a major source of oil imports and a destination for migrant Indian workers. It is now beginning to view this region as a possible source of large-scale investments into India. It must also take a

strategic perspective on this complex and vital region, and play a more active role in ensuring that it remains peaceful and stable.

If India wants to be a leader among the developing countries, it will have to attach much greater importance to using aid as a foreign policy instrument. The rest of the world too has expectations from India because it has emerged as an increasingly influential international player that is already present in many major international groupings and conclaves. India now follows a much more restrictive policy on receiving aid, has prepaid many of its own debts, and has written off many debts owed to it by other countries. All these factors create pressures on India to have a more generous and expanded foreign aid programme. Moreover, India's pursuit of its strategic political and economic objectives (such as Permanent Membership of the UNSC, energy security and new opportunities for exports and investments) requires the goodwill of developing countries.

India will need to formulate and conduct an imaginative and flexible foreign policy. Few short cuts are available, and India will be required to continually review and revise its tactics, based on an objective evaluation of India's resources, including both strengths and weaknesses. India's assets, which should be leveraged, include its size and pivotal geographical location in the heart of Asia; a growing and youthful population that is in contrast to the trends in most other countries or regions that are present or potential poles of influence and power in the world; a strong scientific and technological base; an open society with a long tradition of individuality and innovation; a diversified economy with a promising rate of economic growth; deeply embedded democratic traditions, a secular polity and the rule of law that provide resilience and some insurance against social and political instability; and the strength of Indian communities abroad.

At the same time, many factors continue to hold back India. These include paucity of energy resources, looming fresh water shortages, alarming environmental and ecological degradation; widespread poverty and illiteracy, uneven development and growing regional disparities; communal tensions; weak leadership; a growing credibility gap between the masses and the ruling elite; widespread corruption; a generally unresponsive bureaucracy; an antiquated legal and regulatory framework; and policies that undermine meritocracy.

Within India, changed domestic realities and priorities have made the task of foreign policy formulation more complex. The phenomenon of coalition governments is now a given in India's political life. This has given small, regional parties a greater say in governance,

including foreign policy. Regrettably, often they cannot rise above short-term and local interests and do not consider foreign policy issues in a broader perspective. The major parties have been unable to preserve the traditional Indian foreign policy consensus. Economic liberalisation has raised the stakes and the clout of the private sector in foreign affairs. State governments are getting more exposed to direct dealings with foreign entities. The intertwining of many key foreign and domestic policy issues, especially in dealings with neighbours, necessitates close cooperation of the central government with state governments. Meanwhile, the media explosion has led to a sharp rise in general public awareness of, and influence on, foreign policy issues, and sub-optimal policy decisions are often taken in a hurry under pressure from the media.

Increasingly complex foreign policy issues with far-reaching domestic ramifications can no longer be handled within the traditional foreign policy framework or in a fragmented and compartmentalised manner. The formulation and conduct of India's foreign policy has to be a national effort, using all available institutional and human resources, including non-official ones. The Ministry of External Affairs will necessarily be central to the effort but its role will have to be radically re-defined and India's methods of diplomacy critically and urgently reviewed. Diplomacy will have to be guided by hard-nosed national interest. India will have to prioritise its foreign policy, and look beyond the excessive attention that Pakistan, China and the US have hitherto received to the detriment of other countries or parts of the world.

If India aspires to be a great power, it will have to behave like one. In order to transform the 'potential' of India into the reality of a strong, prosperous and globally influential country, India must have self-confidence in its destiny, follow clear-headed policies without allowing itself to be pushed around and work purposefully to build the required institutional structures to sustain its foreign policy ambitions.