

INDIA'S FOREIGN POLICY

India's strategic opportunities

India's strategic and foreign-policy choices over the coming decades will require it to revisit its central principles. What is India today and what version of India should its policies serve? Should territorial limits alone define India's foreign policy, or should it include its hydrocarbon interests in Africa, Latin America, Russia, and the Middle East? Should it extend to the defence of the Indian diaspora (including its wealth and resources), and the transnational corporate empires of Indian oligarchs? Would India be prepared to leverage its hard power to protect and preserve these interests?

Who should India engage with in the world, given that it is not only nations that affect India's interests, but also non-state actors, rogue states, and private interests? Is it time to open either formal talks or backchannels with these actors – for instance, with the Afghan Taliban or with the Somali tribes that have elevated piracy to statecraft? A separate question is whether India should engage in full diplomatic relations with Taiwan, either within or outside the “One China” architecture. Another uncertainty is the relationship with Iran: until recently, the United States and its allies wanted India to reduce imports of Iranian oil to less than 10 percent of its total imports, but following the nuclear deal India may seek enhanced engagement with Iran to offset Chinese power in the region. Do its bridges with Iran still exist?

Does India have the institutional and intellectual nimbleness to adapt to these shifting sands of realpolitik? There are multiple answers to these dilemmas, and no “one-size-fits-all” response. Unfortunately, the Indian establishment has not even begun to ask itself these questions, and no substantive debate has begun, either inside or outside government.

At the same time, global debates filter into India's thinking on international affairs. These exchanges include (but are not restricted to): the efficacy of the neoliberal economic order in addressing poverty and deprivation, and the human impact of the doctrines of regime change and the responsibility to protect. They also include balancing the principle of climate justice with the impact of climate change around the world, restructuring the institutions of global governance to reflect the geopolitical realities of the twenty-first century, balancing the fight against terrorism with the preservation of civil liberties, and campaigning for defined rules of engagement in cyberspace.

Notwithstanding the challenges that need to be surmounted in the arena of strategic conceptual thinking, India has the capacity to play a key role on two issues of global import. The first is containing Chinese aggression in the South China Sea, and the second involves leveraging its unique experience to help the West respond to the spectre of radical Islamism.

Security cooperation

There are medium-term strategic opportunities for India to both east and west. The first such prospect lies in the fallout from the China–Pakistan Economic Corridor (CPEC), which will affect Chinese territorial claims in the South China Sea. China funded a \$34 billion network of highways, railways, and pipelines across the length of Pakistan to transport oil and gas from the Pakistani port of Gwadar to the Chinese city of Kashgar, in order to resolve the “Malacca dilemma” – China's dependency on the Malacca Straits, which connect the Pacific and Indian Oceans, for oil and gas imports. Resolving this issue via the Pakistan corridor could diminish the ability of other states to use Malacca as leverage and lead to increased Chinese pugnacity in the South China Sea, as it would seek to act on its historical claims in the region. The question would then be: how to restrain China?

That is where India becomes relevant to the countries of east and even north Asia, as it sits on the head of the Indian Ocean straddling the sea lanes of commerce from the choke points of the Straits of Hormuz right up to the Malacca Straits. Its airbase in Campbell Bay (Nicobar Islands) is just 240km from the mouth of the Malacca Straits. Even with the Pakistan economic corridor in place, a bulk of the equity minerals and other resources extracted by the Chinese would still have to traverse the Indian Ocean, Andaman Sea, and the Bay of Bengal right below India's perch, providing it with a unique opportunity to act as a balancer against Chinese brazenness in the South China Sea.

Collective security cooperation could then provide the necessary thrust for India and the southeast, east, and north Asian countries to move towards a closer strategic embrace, notwithstanding their individual economic links with China. From the Indian perspective, it could transform the concept of the “Indo-Pacific” – a definition of the region that includes both oceans – into a strategic and economic reality. It may eventually pave the way for a loose coalition between India, the US, Indonesia, Malaysia, Vietnam, the Philippines, Taiwan, South Korea, Japan, and even Australia, which could ultimately be the only option for keeping the global commons open across the Indian and Pacific Oceans in the decades ahead.

Because the South China Sea is at the conjunction of these two oceans, keeping it stable and protected from Chinese belligerence would become India’s primary strategic task in the decades ahead. An obvious spin-off from closer security cooperation would be a further deepening of trade and commerce with these countries. Enhanced economic and cultural interaction would not only add to India’s prosperity, but also provide additional avenues for the exercise of soft power.

India and Islam

As India turns its gaze west it sees the forces of religious bigotry and unabashed brutality galloping across the region, erasing territorial boundaries. The attempt to reorder the Middle East once again following the dismemberment of the Ottoman Empire has miscarried miserably as civil wars rage across the region. Europe, at the same time, is overwhelmed with the blowback of refugees as millions flee the war zones.

However, in this tragedy lies another opportunity for India. As al-Qaeda, Islamic State (IS), the Taliban, and numerous other militant Islamist groups prepare for the final push from Turkey to Pakistan in Asia, it would leave the countries of Europe and the few democracies of west Asia with no option but to cooperate more closely with each other.

Not only would closer security cooperation become an imperative, but also, at a syncretic level, India can offer its unique experience, having been for centuries the interface between an aggressive Islam and multi-religiosity. India is perhaps the only country which, from 1000 AD onwards, has synthesised Islamic influence by assimilating it into its culture without allowing it to fundamentally alter its social ethos. Despite the sword, India did not allow Islam to substantially alter the demographics or even the cultural moorings

of the subcontinent. It created, through assimilation as opposed to a clash of civilisations, an enlightened version of Indian Islam which has existed cheek-by-jowl alongside other faiths for hundreds of years.

India offered its experience to the US after 9/11 as a means to find an honourable accommodation with Islam in the long run, but the binary mindset of the Bush administration failed to grasp the lesson. The Pentagon's Office of Net Assessment and the then-Indian government's foreign-policy strategists engaged with each other, but the US officials did not have the patience to wade through the subtleties and complexities.¹

Without learning from India's experience, the challenge of reining in revivalism and its brutal manifestations will continue to bedevil the liberal compact. On a different level, since the US remains the power balancer, despite its disastrous policies in the Middle East, and since Israel has an existential stake in the stability of the region, a trilateral axis between the three powers may become a necessity, despite India's position in favour of a Palestinian state. This again would translate into enhanced cooperation across a wide spectrum that could benefit India in more ways than one.

Internal challenges

What are the internal constraints that inhibit India from taking on these issues and occupying its natural place in the global order? They include non-traditional security challenges. For example, on World Population Day – 16 July 2015 – India officially reached the 1.27 billion mark. The socio-economic data, as benchmarked by the deprivation index, tells an alarming tale: notwithstanding ten years of robust state intervention, large sections of the population remain very vulnerable. Providing quality education, generating 12 million jobs annually, and dealing with the growing frustration among large sections of overqualified young people doing below-par jobs remains a challenge.

Large areas of central and eastern India are still in the grip of leftwing extremism, while the Indian state has a limited footprint. The northeast as well as the northwest periphery continues to simmer. What India requires at the moment is two decades of “internal consolidation”, and for that it requires peace on its borders, which remains elusive.

¹ Based on the author's conversations with the late RK Mishra, member of India's parliament and former editor of the Patriot. He was Prime Minister Vajpayee's backchannel to Prime Minister Nawaz Sharif in the early years of Vajpayee's administration.

India would have to develop its own version of “exceptionalism” to engage with the world as it consolidates internally. Therein lies the dilemma for the Indian policymaker. Strategic opportunities do not remain open indefinitely, but the Indian state lacks the institutional capacity to deal with the world and its country simultaneously.

India's strategic diffidence

India has not had a truly strategic foreign policy since before its 1962 war with China – if “strategic” means focusing on major issues of international import that concern Asian equilibrium and global security. The military humiliation India suffered on that occasion sucked the self-confidence out of the country, turning it inwards.

Before the war, India’s “Third World” status had not prevented it striding like a giant on the world stage in the period 1947–1961, led by Jawaharlal Nehru. India advocated nuclear disarmament in the First Committee of the United Nations; led the charge in international forums against colonialism and racism, winning the gratitude of recently freed peoples of Asia and Africa; facilitated disengagement from the Korean conflict; participated in the Geneva talks to restore peace in Indochina; and established itself as the leader of the non-aligned group – the key balancer in the Cold War between the United States and the Soviet Union.

India viewed itself as so indispensable to the wellbeing of the world that Nehru (in a fit of startling self-abnegation for which the country continues to pay dearly) blithely rejected a permanent seat on the UN Security Council offered by Washington and Moscow to replace Chiang Kai-shek’s Chinese government.¹ Nehru believed such membership would continue to be India’s for the asking, and argued that the seat should go to the then-pariah communist China instead! It was a period of splendid gestures, grand pretensions, and matching hubris.

¹ The issue is tackled in the author’s book, *Why India is Not a Great Power (Yet)* (Delhi: Oxford University Press, 2015), pp. 50–51. The source is K.P. Fabian, “Bitter truths”, *Frontline*, 19 September 2014, available at <http://www.frontline.in/books/bitter-truths/article6365018.ece>. Fabian, who served as India’s ambassador to Italy, sources this information to an official note to the Foreign Office written by Nehru after a June 1955 visit to the USSR.

However, it was also a time, and this is not widely appreciated, when Nehru planted the seeds for India's emergence as a great power – both in its nuclear weapons capability and in the conventional military field. For example, he imported the renowned designer Kurt Tank to design and produce the HF-24 Marut – the first supersonic combat aircraft to be built outside Europe and the US.

Some 50 years later, the situation is much improved, but the self-belief required for India to be a leader, to do big things, is still missing. Indian foreign policy has aimed low, and achieved still lower; intent only on “short-term value maximising”, in the words of former Prime Minister Manmohan Singh, used in another context. This is reflected in the absence of a national vision, and the confusion about means and ends, soft power and hard power, and about how to get where it wants to go. Most immediately, India is unsure of how to deal with China. Standing up to this behemoth and emerging as the other nodal power in Asia may define India as a great power in the twenty-first century.

However, this ambition is undermined by diffidence and skewed capabilities. India, paradoxically, is self-sufficient in strategic armaments – nuclear weapons and delivery systems, including advanced and accurate ballistic and cruise missiles, and nuclear-powered submarines. But in the 50-odd years since the HF-24 first flew, India has become the world's largest importer of conventional weaponry, leaving its foreign policy hostage to the whims and interests of vendor states.

A risk-averse mindset

Attempts to take a bolder approach to foreign policy run into an institutional “mental block” and ideological debris from the past. The foreign ministry, for instance, equates military prowess with bellicosity, viewing power projection as “imperialistic” and foreign bases in India's extended neighbourhood as neo-colonial manifestations (India currently has, amongst others, Ainee in Tajikistan and Nha Trang in Vietnam; with promised access to Subic Bay and Clark Air Base in the Philippines, the Agaléga Islands in Mauritius, Chabahar in Iran, and a naval base in northern Mozambique). The Indian army that won an empire for Britain is reduced to border defence, and Indian foreign policy is left without strategic underpinnings. It follows that India does not prize distant defence, and that its leadership lacks what the pioneering geopolitical theorist Halford Mackinder called “the map-reading habit of mind”. By

focusing militarily on a measly Pakistan and ignoring China's challenge, India inspires little confidence about its judgment, resolve, and prospects as a consequential power and potential *gendarme* in the extended region.

A risk-averse mindset has spawned tremulous policies and led to a shrunken role for the country. Where Nehru contemplated an Asian Monroe Doctrine backed by Indian arms, New Delhi now seems content dallying with the proposal of a "security diamond" involving India, Japan, the US, and Australia, and gingerly working the India–Japan–US and India–Taiwan–Japan "trialogues". And despite China's provocation in claiming an Indian northeastern state, Arunachal Pradesh, New Delhi's desire to pacify Beijing keeps it from wielding the potent "Tibet card" and raising the issue of Tibetan independence as a counter-pressure.

A will to security

Ironically, given India's lack of political will to realise its ambitions, the current climate in Asia and internationally is conducive to India's rise. The security situation is meta-stable, with conventional wars with China and Pakistan virtually eliminated due to the nuclear overhang. This has allowed India to proactively configure a security architecture native to Asia, with a generally unreliable US playing its stock role as an opportunistic extra-territorial balancer. A primarily maritime security scheme to India's east would require getting the rimland states of Southeast Asia and Japan and Taiwan together for "compound containment" of China. Beijing's belligerence in the South China Sea and over the Senkaku/Diaoyu islands has aggravated the sense of urgency around this policy. Consequently, India is fleshing out its regional security system through security cooperation; multilateral military exercises; and partner capacity-building such as transferring BrahMos supersonic cruise missiles to Vietnam, training crews for the six Kilo-class submarines Hanoi has acquired from Russia, and servicing Malaysian and Indonesian Su-27/Su-29 aircraft, and signing a security cooperation agreement with the Philippines.

This arrangement, with India and Japan anchoring each end of the security system, will stretch Chinese forces at the country's extremities in Asia, and keep Beijing distracted and uncertain about the outcome of any conflicts it may initiate. The India–Myanmar–Thailand highway agreement – the first stage of the long delayed east–west "Ganges–Mekong" belt mooted by New Delhi in the early 2000s to cut across China's north–south corridors (through Myanmar and

Indochina) – has just been inked. In addition, it helps that, notwithstanding its reliance on Beijing’s financial help, a wary Russia is taking measures to pre-empt a Chinese “demographic creep” into Siberia turning into a flood and the Chinese defence industry from easily reverse-engineering Russian military hardware. The “Look East” policy is complemented by India’s “Look West” policy, though this was slow to grow teeth due to New Delhi’s misplaced desire to please the US.² Investing in the development of the Chabahar port was neglected, along with the development of a south–north rail and road grid bypassing Pakistan to connect to Afghanistan and Central Asia, and to Russia’s Northern Distribution Network for Indian trade. The thaw in US–Iran relations should accelerate these outreach projects.

India can act to blunt the sharp edges of the Israel–Iran rivalry, on the one hand, and to mediate Saudi–Iranian differences, on the other. Its defence cooperation accord with Saudi Arabia and friendly relations with Iran straddle the Sunni–Shia schism. India has leverage because it has one of the largest Sunni Muslim populations in the world, and the second-largest Shia population, after Iran. New Delhi’s cultivation of both Riyadh and Tehran allows it to consolidate its energy supply sources, and gives it a potential role as stabiliser in a region rife with violence and turmoil. Israel’s alienation by the Washington–Tehran nuclear deal adds another mediator role to India’s policy toolbox. India is also reinvigorating security, trade, and economic partnerships with the Central Asian republics, which desire an Indian presence to balance spreading Chinese influence.

The Indian government under Modi has recognised the importance of Indian migrants in the West – the so-called Non-Resident Indians (NRIs), who are living abroad – in advancing India’s interests. NRIs contribute to local election campaigns, shape the thinking of local legislators, and take up senior positions in host-country governments. Not coincidentally, the US–India Political Action Committee has evolved into a lobbying force to be reckoned with in Washington. This development enhances India’s ample soft power along with its successes in the sectors of information technology and “frugal engineering” – producing less complex and cheaper versions of consumer goods for the Indian marketplace – and, more prominently, as a “brain bank” for the world to draw on.

² India refrained from pushing forward cooperation with Iran in order to placate the US. Had New Delhi gone ahead at the time – as this author had advocated all along – India wouldn’t be in the straits it is now, with Tehran - post-nuclear accord with Washington and the opening of its relations with the West - displaying reluctance to sign a Chabahar deal, and to let India invest in its southern gas fields.

India is not lacking in foreign-policy ambition, or the means to realise it. In practice, however, it translates into a will to security but not a will to power. As a result, India ends up using its resources neither wisely nor well, like the proverbial whale with the impact of a minnow.

Happymon Jacob

12

China, India, Pakistan and a stable regional order

Three powers – China, India, and Pakistan – hold the keys to the future of south Asia. As the West withdraws from Afghanistan and US influence in the region declines, this triangular strategic relationship will become more complicated unless China and India – the two major powers – can define the parameters of a new regional order.

The strategic landscape of the sub-region is defined by the complex interactions between these three: a rising “superpower” with a commercially defined unilateral approach to the region’s strategic fault lines; a reluctant emerging power unwilling to commit political or diplomatic resources to stabilise the region or even to preserve the status quo; and a deeply dissatisfied revisionist power intent on redrawing the regional order, with the not-so-explicit approval of the rising superpower.

China’s engagement with the region serves as a good template for speculation on how its rise will change the international order. Will it begin to engage from a more normative and conflict-resolution perspective, or will it continue to approach the region from its unilateral, self-seeking, commercial and strategic positions? By reaching out to the Taliban, Beijing has demonstrated that it is not averse to sponsoring conflict-resolution processes, though this may be mostly aimed at safeguarding its own commercial interests in mineral-rich Afghanistan. Will China follow the historical trajectory of rising powers by attempting to dominate its “near abroad”? If so, how will India and other stakeholders in the region respond?

India's (in)security perceptions

For over three decades now, India's primary security concern has been Pakistan's attempts at destabilisation, be it in Kashmir, Punjab, or other parts of the country. Pakistan's inconclusive and unsatisfactory trial of the perpetrators of the 2008 Mumbai terror attack, and the intermittent ceasefire violations along the border, continue to dominate New Delhi's perception of its security situation.

Another of India's major security concerns is also linked to Pakistan – the issue of post-NATO Afghanistan, where Pakistan is attempting to control the Kabul regime through proxies, and where the Taliban is gaining ground. For New Delhi, the near-certain return of the Taliban to Kabul, in one form or another, brings back memories of the 1999 hijacking of Indian Airlines flight IC-814 by a Pakistani Islamist group, when the Indian People's Party (Bharatiya Janata Party, BJP) government was forced to release high-ranking terrorists in order to get its passengers released from Taliban-controlled Kandahar province. Another BJP government is in power today, led by the more resolute Narendra Modi, and it has stated more than once that New Delhi will deal with Pakistani aggression with far greater resolve.

Thirdly, India's disputed borders with Pakistan and China continue to generate insecurity for the country. No comprehensive agreement seems to be forthcoming, despite 18 rounds of border talks with China, and there have been occasional Chinese military incursions into Indian-controlled territory, increasing political tensions between the two capitals. The border with Pakistan is far more complicated because sovereignty over an entire state (Jammu and Kashmir, J&K) has been historically disputed. Pakistan's attempts to directly and indirectly wrest J&K from India have not been successful, but it is unclear whether the Pakistani army has completely given up on its aggressive Kashmir policy. Finally, Islamic State (IS) poses a potential threat to India because it has the ability to gain an ideological foothold in the country and provide a rallying call for disaffected, though disparate, elements. The jury is still out on whether Pakistan and Afghanistan would be a fertile breeding ground for the group, given the anti-IS stand taken by the Afghan Taliban and by the Pakistani government.

For many decades now, India has expressed concerns about the clandestine strategic engagement between China and Pakistan, through which Beijing has provided a great deal of assistance to Pakistan's nuclear weapon and missile programmes. In recent years, however, it appears as if New Delhi

has made peace with this, preferring to ignore the Sino-Pak partnership and strengthen its own strategic ties with the United States and various Western states, while improving its economic relationship with China.

What worries New Delhi today is the increasing Chinese presence in the Pakistani part of J&K, including Gilgit-Baltistan. However, on a positive note for India, China has been less supportive of Pakistan's Kashmir policy. Notably, it did not support its "all-weather friend" during the 1999 India–Pakistan Kargil conflict, either materially or politically.

The third aspect of contemporary Sino-Pak ties that bothers India is the strengthened three-way partnership between Pakistan, Afghanistan, and China. China is steadily increasing its influence in the region with its innovative "New Silk Road" strategy, and by offering economic and development assistance to Pakistan. Beijing is also increasingly engaged in regional "conflict management" initiatives, mediating between Kabul and the Taliban, and organising trilateral strategic engagements with Afghanistan and Pakistan. For example, in November 2014, representatives of the Taliban from its Doha-based office met in Beijing for talks. In February this year, China, Pakistan, and Afghanistan initiated a new trilateral strategic dialogue in Kabul. Then, in July, Pakistan hosted a meeting in Murree, as part of the "Murree Peace Process", between the Afghan government and representatives of Tehreek-e-Taliban Pakistan (TTP), the Pakistani branch of the Taliban, which was also attended by representatives of China and the US.

India's policy of limited engagement

Indian responses to the above events and developments have been suboptimal and poorly thought-out. New Delhi is used to adopting a strategy of limited engagement when it comes to dealing with China – whether it is resolving border tensions or finalising an agreement on the disputed border. While on the one hand India seeks to engage China on the trade front, on the other hand it fights shy of engaging China on larger regional security issues. With Pakistan, New Delhi also shows a tendency to indefinitely postpone the resolution of the troublesome issue of Kashmir. Limited engagement, then, seems to be New Delhi's preferred policy option when it comes to dealing with complex issues.

New Delhi also avoids addressing various emerging threats, failing to recognise them politically. For instance, IS hardly figures on New Delhi's list of strategic priorities, and nor does the geopolitical transformation of Afghanistan. This

head-in-the-sand, inward-looking strategic posture is clearly not the exception but the rule in India's strategic thinking.

Policymakers in New Delhi also exhibit a tendency to deal with what they can, rather than with what they should. New Delhi's response, for instance, to the two-pronged problem that it faces with Pakistan and China has been to give disproportionate attention to Pakistan, attempting to shame and isolate the country rather than engaging in a sustained and high-level politico-strategic engagement with China to normalise the strategic triangle. A strategically wise leadership in New Delhi would have catered to Pakistani concerns in Kashmir and moved on to addressing bigger regional issues, rather than getting boxed into a never-ending action-reaction game of “*Tu Tu Main Main*” (a Hindi phrase for constant bickering) with Islamabad.

Finally, Indian diplomacy has failed to think beyond bilaterally engaging with its neighbours, or the great powers, for that matter. While India has engaged with Beijing on a variety of bilateral issues, it has not been able to join forces with China and other neighbours in fighting terror, stabilising Afghanistan, addressing the IS threat, or even bringing Iran into the mainstream. Modi's government has not yet brought pressing regional security issues to the table in its bilateral relationship with China.

A wider strategic perspective

India is uncomfortably placed at the heart of a geopolitical landscape – the India–China–Pakistan strategic triangle – that is beset with multiple strategic challenges. Even if one were to interpret China's attempts to engage in the reconciliation process in Afghanistan as commercially driven but benign, the perceived Indo-Pak rivalry in Afghanistan and the Sino-Pak partnership would effectively keep India out of the Afghan reconciliation process, hampering New Delhi's regional aspirations.

The question, therefore, is whether the Chinese leadership can think beyond the false necessities imposed by its partnership with Pakistan to consider the region as a security complex (i.e. acknowledging that the security of each state cannot be considered separately from that of the others), and manage its relations with India in a cooperative manner. Beijing's tacit approval of Pakistan's revisionist agenda could prove costly for China and may even hamper its rise. The Chinese leadership cannot ignore the need to pacify the region and stabilise ties with India while it pursues its global ambitions.

India, for its part, must view the region from a wider, long-term strategic perspective and avoid getting tied down in petty fights with Pakistan – for its own sake and for the sake of promoting a stable regional order. Such an order could lead to peaceful coexistence between India and China and conciliatory management of the region’s problems. It could even produce the first signs of a peaceful Asian superpower on the rise.

Finally, Pakistan needs to adjust its strategic priorities, in light of its growing inability to act as a modern, functioning state. Its deep-seated obsession with India, and the use of non-state actors as a tool of statecraft, need to end if it wants to get back on its feet as a viable nation state and contribute to a stable regional order.

Rahul Roy-Chaudhury
Modi's approach to
China and Pakistan

13

Narendra Modi's government has placed India's neighbourhood as its top foreign policy priority. Modi's first official foreign trip was to neighbouring Bhutan, and in just over a year he visited all of India's immediate neighbours, with the exception of Pakistan and the Maldives (where a planned visit was suddenly cancelled due to political differences). In an unprecedented move, he invited the seven other leaders in the South Asia Association for Regional Cooperation (SAARC), along with Mauritius, to his swearing-in ceremony in May 2014, holding his first set of meetings with them – including Pakistani Prime Minister Nawaz Sharif – the following day. He is due to visit Pakistan in late 2016 for the SAARC summit, which will be the first Indian prime ministerial visit to the country in over a decade

The primacy of the neighbourhood for Modi is clear. Unlike previous leaders, he is eager to use foreign policy as a means to generate inward investment, business, and technology for domestic growth and development. As a pragmatist, he is aware that this will be facilitated by enhancing regional cooperation and stability in South Asia. But it will be a difficult and complex task, especially given India's two powerful nuclear-armed neighbours, Pakistan and China, whose relations with India are marked by tensions and political and military standoffs. Modi's policy towards both countries has undergone significant shifts during his first year in office.

A tougher position on Pakistan

Since independence nearly 70 years ago, India and Pakistan have fought three wars over Kashmir and one over Bangladesh. Once both acquired nuclear weapons in 1998, these shifted to lower-intensity military confrontations. Modi inherited difficult relations with Pakistan, after bilateral peace talks were suspended by his predecessor due to a spurt in violence and firing by Pakistan across the Line of Control (LoC) dividing the disputed Kashmir region.

For the Indian security establishment, the principal threat from Pakistan is another spectacular terror attack like the 2008 Mumbai attack, which could be carried out by Pakistan-based militant groups such as Lashkar-e-Taiba (LeT) or Jaish-e-Mohammad (JeM). The Indian security establishment's view is that any such attack would likely be planned and coordinated by elements of the Pakistani security establishment, in particular its powerful intelligence organisation, the Inter-Services Intelligence (ISI), which the Indian government has publicly accused of complicity in past terror attacks. Any suggestion of a "rogue" element in the ISI responsible for these incidents, or a lack of authorisation by the ISI chief, is dismissed by New Delhi.

Modi has hardened India's position towards Pakistan. He cancelled scheduled foreign-secretary level talks in August 2014 over a meeting between the Pakistani high commissioner to India and the Kashmiri separatist Hurriyat group. There was a distinct chill between Modi and Sharif at the SAARC summit in Kathmandu in November 2014. Then, in August 2015, India made it clear that it would not be acceptable for the visiting Pakistani national security advisor to meet the Hurriyat leadership or discuss anything other than terrorism, leading to the cancellation of scheduled talks between the two countries' national security advisors hours before they were to begin. India also deliberately intensified its firing across the LoC and the international border.

This hardline approach has not yielded the dividends expected by the Indian government. In a sign of defiance, the Pakistani government refused to fast-track the trial of seven alleged co-conspirators in the 2008 Mumbai terror attack, a key Indian demand. In April 2015, a Pakistani court released on bail the man accused of masterminding the attacks, LeT operations chief Zakiur-Rehman Lakhvi, after six years in prison. The following month, the Pakistani corps commanders' conference for the first time formally accused India's external intelligence agency, the Research and Analysis Wing (R&AW), of "whipping

up terrorism” in Pakistan. This accusation was believed to refer to recurring allegations of Indian involvement in terrorism in Baluchistan, Karachi, and the tribal areas, which India has denied. Later that month, the Indian defence minister stated that “terrorists have to be neutralised only through terrorists”, leading his Pakistani counterpart to assert that this confirmed India’s involvement in terrorism within Pakistan.

Pakistan has demonstrated a renewed will to counter terrorism since a brutal attack by the Tehreek-e-Taliban Pakistan (TTP) – the Pakistani branch of the Taliban – killed 143 school children and nine others in Peshawar in December 2014. But this has not included anti-India terror groups. For example, banned militant outfit the JeM continues to operate, and to address public rallies. There has been no attempt to ban Jamaat-ud-Dawa (JuD), a group considered to be a front for the outlawed LeT and led by LeT chief Hafiz Saeed, on the basis that there is no evidence to link the group with terrorism or the LeT. A formal proposal to outlaw the Haqqani terror network is under consideration.

India has a dilemma: it deals with Pakistan’s civilian government but refuses to deal with the most powerful Pakistani institution in setting policy towards India – the army. No army-to-army talks between the two countries take place. There are questions over whether such talks would make sense for the Indian army, which has far less influence over policy than its counterpart, and whether the Pakistan army would even be inclined to talk to India, given that its *raison d’être* is a perceived existential threat from its neighbour.

Modi needs to think “outside the box” if he is to achieve regional cooperation with Pakistan in the build-up to the 2016 SAARC summit. Instead of simply seeking to strengthen Pakistan’s civilian government, he may need to engage with the Pakistan army, and ascertain what it wants from India. This could begin through initial exchanges between the R&AW and the ISI, both of whom – uniquely – participate in the annual International Institute for Strategic Studies’ (IISS) meetings on South Asia security in Oman and Bahrain.

A robust China policy

For the Indian security establishment, China poses a strategic challenge rather than a threat. India is primarily concerned by China’s assertiveness in the border dispute, by its growing trade and defence relationships with India’s South Asian neighbours, and by the expansion of Chinese influence in the Indian Ocean, the latter of which India fears as possible encirclement. All this has hardened

New Delhi's perspective towards Beijing. But, at the same time, China is India's largest trading partner.

Although Modi seeks stronger trade and investment links with China, he has also been tough on his powerful neighbour. In his electoral campaign, he criticised China's "mindset of expansion". Indeed, Tibet's Prime Minister-in-exile Lobsang Sangay found himself in the official photograph at Modi's swearing-in ceremony. When Chinese forces crossed the Line of Actual Control (LAC) at Chumar during a September 2014 trip to India by President Xi Jinping, Modi's response was robust. He sent reinforcements to the area and ensured that Indian troops held their positions. He publicly expressed concern over the border dispute, and raised the issue of Beijing's policies in the neighbourhood with his guest.

The joint statement issued at the end of Modi's May 2015 visit to China did not reference maritime cooperation or Asia-Pacific security, unlike a similar statement eight months earlier. Nor did it refer to China's One Belt, One Road initiative or to its Maritime Silk Road, both of which India views with suspicion. In June 2015, India declared that the China–Pakistan Economic Corridor (CPEC) project was "not acceptable", as it would use infrastructure in disputed Kashmiri territory.

A combined front with the US

In a significant departure from the previous government, Modi is willing to form a combined front with the United States on Asia-Pacific security to counter an assertive China. During President Barack Obama's visit to New Delhi in January 2015, the two governments issued a document that outlined their joint strategic vision for the Asia-Pacific and Indian Ocean regions. It included a paragraph affirming "the importance of safeguarding maritime security and ensuring freedom of navigation and over flight throughout the region, *especially in the South China Sea*" (italics added for emphasis).¹ This was understood to imply that the two parties had reached a consensus on the need to counter Beijing's assertive handling of conflicting regional territorial claims. A 10-year defence framework agreement has also been signed with the US, and trilateral cooperation between the US, Japan, and India has been raised to foreign-secretary level. The annual India–US Malabar naval exercise has been expanded to include Japan. India is also seeking to bolster defence and naval cooperation with Vietnam.

¹ "U.S.-India Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region", The White House, Office of the Press Secretary, 25 January 2015, available at <https://www.whitehouse.gov/the-press-office/2015/01/25/us-india-joint-strategic-vision-asia-pacific-and-indian-ocean-region>.

The joint India–US vision recognises the complementary nature of India’s new “Act East” policy, focusing on Japan and Australia, and the Obama administration’s “pivot”, or “rebalancing”, towards Asia. However, there are limits as to how far the combined front between India, the US, and other democracies in the region such as Australia and Japan, can go. For example, the quadrilateral naval exercise between Australia, India, Japan, and the US has not been repeated in the last seven years after a stiff Chinese *démarche* followed the first one. The bottom line is that while there is an emerging bilateral consensus between India and the US on security in the Asia-Pacific, neither wants a confrontational relationship with China.

The FTA: A strategic call for the EU and India?

A fresh impetus from both sides is urgently required to reinvigorate EU–India trade talks, which have been languishing for over seven years and have gone through 15 rounds. In September, the Indian commerce minister announced the government’s intention to revive talks.¹ However, this followed a blow to momentum in August, when the Indian government postponed a meeting between negotiators due to “disappointment following the EU’s legally binding ban on the sale of around 700 pharmaceutical products clinically tested in India”.² The Indian government questioned the European Union’s unilateral ban on Indian drugs, and expressed in no ambiguous terms that it was waiting for a response from the EU.

Fresh talks are expected to focus on industrial goods; agricultural tariffs and services; access to each other’s markets for goods and services, and to public procurement contracts; the framework for investment; rules on intellectual property and competition; and commitments on sustainable development issues such as environmental, social, and labour rights.

The proposed agreement is politically and economically crucial for both sides. In political terms, from the EU’s perspective the free trade agreement (FTA) with India will be its first with an emerging economy, will support the EU’s aim of employing FTAs to foster partner countries’ integration into the world economy, and will strengthen its role in global trade governance.³ From India’s perspective, it will boost Prime Minister Narendra Modi’s “Make in India” campaign and his ambition to establish India as a regional leader and global

¹ “India is interested in reviving FTA talks with EU: Nirmala Sitharaman”, the *Economic Times*, 9 September 2015, available at <http://economictimes.indiatimes.com/news/economy/foreign-trade/india-is-interested-in-reviving-fta-talks-with-eu-nirmala-sitharaman/articleshow/48890728.cms>.

² Asit Ranjan Mishra, “India cancels EU trade talks over pharma ban”, *Live Mint*, 6 August 2015, available at <http://www.livemint.com/Politics/JtJwcvhXDZz4c01D9DGk5l/Govt-cancels-trade-negotiatorlevel-meet-with-EU.html> (hereafter, Mishra, “India cancels EU trade talks over pharma ban”).

³ Sangeeta Khorana and Maria Garcia, “Procurement Liberalisation Diffusion in EU Agreements: Signalling Stewardship?”, *Journal of World Trade*, Volume 48, Issue 3, 2014, pp. 481–500, available at <https://www.kluweronline.com/abstract.php?area=Journals&id=TRAD2014016>.

manufacturing centre. Furthermore, the FTA will strengthen India's attempts to harness its growing domestic economy and middle class to support its rise as a global economic power.

In economic terms, a well-negotiated agreement will boost trade and investment flows between the two regions. The EU is India's largest trading partner and investor as well as its main source of technology transfer. The value of EU–India trade stood at €72.5 billion in 2014, up from €28.6 billion in 2003. Similarly, the EU's investment stock in India increased from €0.78 billion in 2003 to €34.7 billion in 2013. Furthermore, trade in commercial services has increased since the FTA talks were launched – up fourfold from €5.2 billion in 2002 to €23.7 in 2013. For Europe, the economic rationale for the FTA is access for EU firms to a market of over a billion people, which could be a means to escape long-term economic malaise.

There are a host of studies analysing the economic effects of the proposed FTA.⁴ The analysis by the Indian government suggests that India will be a net loser from the FTA in terms of the trade in goods, primarily as a result of the loss of revenues from lower or zero tariffs, although gains are expected from liberalisation of the services sector.⁵ A report by Sussex University and an Indian NGO – CUTS International – also indicates that liberalisation of trade in goods would yield only ambiguous welfare effects.⁶ There are also questions on the

4 See, for example, Agence Europe, *Council's Green Light to Launch of Negotiations for Bilateral Free Trade Agreements with ASEAN, South Korea and India*, 2007; Yvan Decreux and Cristina Mitaritonna, "Economic Impact of a Potential Free Trade Agreement (FTA) between the European Union and India", report by CEPPII/CEMIN to the DG Trade of the European Commission, Trade Specific Contract No: SI2.434.087, 2007, available at <http://trade.ec.europa.eu/doclib/html/134682.htm>; Thom Achterbosch, Marijke Kuiper, and Pim Roza, "EU–India Free Trade Agreement: A Quantitative Assessment", October 2008, Report No: 2008-059, Project code 20824, LEI Wageningen, The Hague, available at http://www.researchgate.net/publication/40095078_EU-India_free_trade_agreement_a_quantitative_assessment; Sangeeta Khorana and Maria Garcia, "European Union–India Trade Negotiations: One Step Forward, One Back?", *Journal of Common Market Studies*, Volume 51, Issue 4, July 2013, pp. 684–700 (hereafter, Khorana and Garcia, "One Step Forward, One Back?"); Sangeeta Khorana and A.N. Asthana, "EU's FTA Negotiations with India: The Question of Liberalisation of Public Procurement", *Asia Europe Journal*, Volume 12, Issue 3, 2014, pp. 251–263, DOI 10.1007/s10308-014-0369-7; Sangeeta Khorana and Nicholas Perdikis, "EU–India Free Trade Agreement: Deal or No Deal", *South Asia Economic Journal*, Volume 11, Number 2, September 2010, pp. 182–206 (hereafter, Khorana and Perdikis, "Deal or No Deal"); Sangeeta Khorana, Nicholas Perdikis, William A. Kerr, and M. Yueng, *The Era of Bilateral Agreements: The EU and India in Search of a Partnership* (Cheltenham: Edward Elgar Publishing, 2010) (hereafter, Khorana et al., *The Era of Bilateral Agreements*); Sangeeta Khorana, William A. Kerr, and Nicholas Perdikis, "Global economies of scale in the EU–India trade agreement: are they the key to a return to economic growth?", *Asia Europe Journal*, 13:41–55 (hereafter, Khorana et al., "Global economies of scale"); Sophie Powell, "The EU–FTA: initial observations from a development perspective", *Traidercraft*, September 2008, pp. 1–21, available at <http://www.indianet.nl/pdf/EU-IndiaFTAInitialObservations.pdf>.

5 Trade Agreements, Government of India, Ministry of Commerce and Industry, Department of Commerce, 2012, available at http://commerce.nic.in/trade/international_ta.asp?id=2&trade=1.

6 Michael Gasiorek et al., "Qualitative analysis of a potential Free Trade Agreement between the European Union and India", Executive Summary Report to DG Trade of the European Commission, Sussex, University of Sussex, Centre for the Analysis of Regional Integration at Sussex and CUTS International, Jaipur, available at <http://www.cuts-citec.org/pdf/EU-IndiaStudyAnnex1May01.pdf> (hereafter, Gasiorek et al., "Qualitative analysis of a potential Free Trade Agreement").

“deep” versus “shallow” effects of the proposed FTA⁷ – i.e. whether it will cover only trade in goods, or cover deeper forms of integration such as investment and competition policy – while other analysts focus on the bargaining process and highlight how the different negotiating approaches of India and the EU could impede the progress of talks.⁸

Areas of disagreement

European and Indian expectations diverge on issues such as tariffs on cars, wines, and dairy products imported from the EU, and on the liberalisation of the visa regime for Indian professionals entering the EU.⁹ The EU and India have even had trade disputes at the World Trade Organization (WTO) on wine and spirits and on pharmaceuticals. When FTA negotiations began, India had high tariffs in areas of interest to the EU and restrictions on foreign direct investment (FDI) in several sectors, including insurance and trade. Rules on FDI in insurance and wholesale trade and on single-brand retail have since been changed, but tariffs on goods such as wines and cars remain at between 60 and 100 percent.

Both the EU and India have voiced concerns about restrictive measures that function as a barrier to their exporters. Recently, for instance, the EU expressed anxiety over the Indian government’s requirement that 15 categories of IT and consumer electronic products must be registered in the country. A similar issue is mandatory in-country testing and certification of telecom network elements.¹⁰ India has also been affected by EU regulations and standards, especially on agricultural exports. For example, imports of Indian Alphonso mangoes were banned in May 2014 after “non-European fruit flies” were found in some consignments, though this was lifted in early 2015.¹¹

7 See Gasioerek et al., “Qualitative analysis of a potential Free Trade Agreement”; Ecorys et al., “Trade Sustainability Impact Assessment for the FTA between the EU and the Republic of India”, report for DG Trade in the European Commission, Reference no: TRADE07/C1/Co1 – Lot 1, Rotterdam, available at http://trade.ec.europa.eu/doclib/docs/2009/june/tradoc_143372.pdf.

8 Khorana and Garcia, “One Step Forward, One Back?”; Khorana and Perdikis, “Deal or No Deal”.

9 Khorana and Perdikis, “Deal or No Deal”; Khorana and Garcia, “One Step Forward, One Back?”; Khorana et al., *The Era of Bilateral Agreements*; Khorana et al., “Global economies of scale”; Mishra, “India cancels EU trade talks over pharma ban”; Jan Wouters, Idesbald Goddeeris, Bregt Natens, and Filip Ciortuz, “Some Critical Issues in the EU–India Free Trade Agreement Negotiations”, *European Law Journal*, 20 (6): 848–69, 2013, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2249788.

10 *Trade and Investment Barriers Report 2015*, Report from the Commission to the European Council, Brussels, 17 March 2015, available at http://trade.ec.europa.eu/doclib/docs/2015/march/tradoc_153259.pdf.

11 Antonia Molloy, “Alphonso mangoes: EU lifts ban on Indian mango imports”, the *Independent*, 20 January 2015, available at <http://www.independent.co.uk/news/business/news/alphonso-mangoes-eu-lifts-ban-on-indian-mango-imports-9990412.html>.

One of India's key objectives is to be recognised as a data-secure country. At present, India is not considered data-secure under EU legislation, despite India amending its Information Technology Act in 2000 and issuing new Information Technology Rules in 2011, in line with the "safe harbour" principles adopted by the United States. This hampers the flow of sensitive data such as information on patients, and means that Indian firms are unable to gain market access in the EU, increasing operating costs.

Another key Indian objective is reform to allow skilled Indian professionals to temporarily reside and work in EU member states. If rules on movement of professionals were liberalised, Indian businesses would benefit significantly from increased access to the EU services market. However, the EU says it is unable to intervene on this issue because work permits and visas are under the remit of individual member states. A related issue is the differentiated qualifications and professional standards between EU partners, which restrict Indian professionals' access to the EU markets.

For its part, the EU wants India to first liberalise its professional services sector, specifically accountancy and legal services. However, the Institute of Chartered Accountants of India and the Bar Council of India are vehemently opposed to such liberalisation as they fear competition from overseas accounting and law firms. Secondly, the EU has sought massive cuts in India's tariffs on automobiles and auto components. Fully assembled cars attract a 60 percent import duty, rising to 75 percent for cars with free on-board value over \$40,000 and engine capacity of 3,000 cc for petrol cars and 2,500 cc for diesel cars. The EU sees this as protectionism: by contrast, the tariff on Indian cars imported into the EU is 6.5 percent. However, Indian industry fears that tariff cuts would flood the domestic market with European cars, which could have an adverse impact on investment and on the "Make in India" campaign. There are also fears about auto components being imported into India at concessional rates.

Finally, the EU has sought deep tariff cuts for wines and spirits. India currently levies import duty of 60–100 percent, plus state taxes. Given that alcohol is a major source of revenue, it is not likely that Indian states will agree to cut taxes. The EU also seeks to strengthen intellectual property rights in India. Existing Indian laws do not allow evergreening of patents (extending patents when they are about to expire by making small changes to the product) or data exclusivity, preventing various drugs and chemicals from being sold in India. India argues that if it were to accede to the EU's demand, the Indian pharmaceutical industry would not be able to sell cheap generic drugs.

The way forward

These problems notwithstanding, the proposed agreement is critical for both the EU and India. Three “mega-initiatives” will eventually dominate the global trade landscape: the Transatlantic Trade and Investment Partnership (TTIP), the Trans-Pacific Partnership (TPP), and the Regional Comprehensive Economic Partnership (RCEP).¹² The parallel negotiations on these mega-agreements have added pressure to raise the pace of the EU–India FTA talks. Should either TTIP or TPP be finalised in the absence of an EU–India FTA, Indian goods may face difficulties in accessing European markets. The mega-regional initiatives encourage the creation of global value chains in which production is split across countries to exploit each nation’s comparative advantage, driving down costs while raising standards. At present, India is hardly integrated into the value chains of European companies, and the mega-agreements could divert investment away from non-members, with potentially devastating effects for India.

The FTA is also important for India from the perspective of investment flows and technical cooperation. The EU’s assistance would enable European companies to help India in its plan to develop 100 “smart cities” in the near future, as well as helping other Indian initiatives.

To agree on the FTA despite the differences between the EU’s and India’s negotiating agendas in a tough economic climate, both partners will need to show the same determination as others have shown in negotiating mega-regional agreements. The challenges and constraints are not insurmountable. Given both sides’ reluctance to agree to the other’s demands, they should begin by negotiating less difficult sectors. This will demonstrate willingness to get back to the negotiating table and send a clear signal that both sides want to talk further. It is important for India to overcome its siege mentality, commit to institutional reform, and confront domestic vested interests. Reaching an agreement that will bring mutual benefit to both the EU and India will be a long journey, but, despite several missed deadlines, it is not out of reach.

¹² The Regional Comprehensive Economic Partnership is a mega-regional trade and investment agreement between ASEAN and its regional partners – Australia, New Zealand, China, South Korea, Japan, and India. It proposes to create a 16-country integrated market in the Asia-Pacific region of around 3.35 billion people, with a combined GDP of \$21.4 trillion or 27 percent of global GDP. Negotiations are expected to be concluded by the end of 2015.