



CHANGING PRIORITIES

NEW DIMENSIONS OF INDIA'S
FOREIGN POLICY & NATIONAL SECURITY

25–26 FEBRUARY, 2012

An Executive Summary



ASPEN INSTITUTE INDIA

Contents

I	Foreword.....	03
II	1. Introduction.....	04
III	2. Domestic and External Winds of Change.....	05
IV	3. Ten Trends for the Future.....	06
V	4. Recommendations: Looking Ahead.....	10
VI	4.1 Recommendations: Shifting Defence Dynamics.....	10
VII	4.2 Recommendations: Crucial Role of Commercial Relations.....	11
VIII	4.3 Recommendations: India & the United States.....	11
IX	4.4 Recommendations: India & China.....	12
X	4.5 Recommendations: India & South East Asia.....	13
XI	4.6 Recommendations: India & Her Neighbours.....	14

ASPEN INDIA focuses on leadership development and frank and open dialogue on the most important problems and challenges facing society at large and helps foster the transformation of Indian society. It also engages the civil society, inclusive of business, NGOs, Governments and other stake holders on issues of importance to India's development and national security.

Published by **ASPEN INSTITUTE INDIA**, 2P, SECTOR 31, GURGAON-122 001 (HARYANA), INDIA
TEL: +91-124-421 8619-23 | FAX: +91-124-421 8624 | Email: admin@aspensindia.org | Website: www.aspensindia.org

This report may not be reproduced in whole or in part, in any form beyond the reproduction permitted by Section 52 of the Indian Copyright Act, 1957 and excerpts by reviewers for the public press, without express written permission from the Aspen Institute India. Aspen Institute India has made every effort to ensure the accuracy of information presented in this document. However, neither Aspen Institute India nor any of its Trustees or employees can be held responsible for any financial consequences arising out of the use of information provided herein.

Foreword

One of the key missions of Aspen Institute India is to contribute to the development of the country's foreign policy through engagements with governments and independent institutions in other countries. Towards this objective, Aspen India regularly brings together policy experts, civil servants, serving and retired diplomats, business leaders and select members of the media.

The last two decades have seen a change in the international order. Concentration of power has shifted towards Asia. India is now in a renewed strategic partnership with the US. China and India are among the fastest growing economies in the world and have become closely integrated with the world economy. Commercial engagements have taken a new meaning in economic diplomacy. Relations with South East Asia and India's neighbours are being rewritten.

To take stock of all these developments and more,

Aspen India organised a two day workshop on 25-26 Feb-ruary, 2012 that saw practitioners and policy makers come together to discuss the new directions of India's foreign policy and national security. Reflecting its importance, senior government officials including the National Security Adviser, the Foreign Secretary and the Commerce Secretary spent time with us detailing with frankness and openness the issues, potential and challenges in redefining India's foreign policy. This workshop was co-chaired by Ambassadors Naresh Chandra and S.K.Lambah. Aspen India is also grateful to Dr. C. Raja Mohan for preparing the background paper for the workshop.

This report is an Executive Summary of the proceedings and discussions at the workshop and may not capture the detailed views of all the people present. We hope that it will add value to the national debate on the new dimensions of India's foreign policy and national security.

Changing Priorities: New Dimensions of India's Foreign Policy & National Security

1.0

Introduction

India's world view has been shaped by historical experience and contemporary realities. The importance of centuries of contact with the outside world and the essentially democratic and peaceful nature of our freedom struggle have produced a culture of thinking based on pluralism. This overarching philosophy and backdrop is important as we take stock of the new dimensions of India's foreign policy and national security.

It is the function of foreign policy to define and protect national interest. India's security concerns in today's context include nuclear proliferation, cross border terrorism, freedom of the global commons and the growing activities of China in the region. Traditionally, we have had a typical Himalayan mindset, which focused only on China and Pakistan and pushed into the background developments in other countries. But globalisation, advances in technology, changes in demography, maritime security and movement of peo-

ple are also now in the purview of the country's foreign policy.

Therefore, traditional concepts of national security are undergoing changes. It is no longer dependent on military strength. Economic security, external environment and international situation and the interplay between them play an important role. Non-traditional security threats including transnational threats like global terrorism and cyber security add to the notions of national security.

This Executive Summary is based on the two day workshop on foreign policy and national security organised by Aspen Institute India on 25-26 February, 2012, where experts from different fields, diplomats, business leaders and top level officials in the government took the lead. It is divided into three broad parts: the drivers of the new foreign policy; ten trends that will define the future landscape and recommendations.

2.0

Domestic & External Winds of Change

During the last two decades, India has had to rework the fundamentals of its foreign policy and economic strategy under difficult conditions. The external challenges arising from the imperatives of economic globalisation and the collapse of the Cold War system at the turn of the 1990s were severe enough on their own but India's domestic political environment added its own challenges.

Between 1989 and 2012, India has had seven prime ministers leading coalition governments of great diversity. Almost every major political formation in India has been a part of one or more ruling coalitions at the centre and had a say in running the country at some point. The task of generating consensus on economic reforms and on re-orienting India's foreign policy amidst the fragmentation of the political system was complex but reflected continuity and stability.

In large democracies, often, the internal will always trump the external: i.e. domestic politics will take precedence. India's internal problem is increasingly coming up in coping with foreign policy and security challenges. Her main problem will be about getting our act together at home from economic growth to re-organising the state in fundamental ways. The external world is in a position to impose a far more demanding agenda. Therefore, restructuring at home becomes important if India wants an effective foreign policy and national security policy.

It is quite clear that between 1998 to 2008, starting with the nuclear test. India navigated the challenge that came in, and in the last ten years, there was significant expansion of India's footprint as well as India's weight in the international system and the expanding instrumentalities available for India in pursuing her objec-

tives. So it was a great decade.

The bad news is that the next ten years will be a much more difficult period. It could be asked whether we did take advantage of many of the good things in the 1998 to 2008 period. The answer is probably "maybe". However, the circumstances present in the 1998 to 2008 period that allowed India to do things, are fast disappearing. So there is going to be a more challenging situation in the coming decade.

The entire structure of better performance of India on the international stage was dependent on the rapid economic growth of the previous decade. The goodwill and expectations of the international community were based on this high growth rate that would propel India to great power status. The second element of our current difficulty is the fact that there are domestic political challenges and there is a multi-polar order emerging within the country. The third factor, is a more complex and difficult international environment that exists at this point of time.

The global economic slowdown that began to envelop the world in 2007 and deepened into a once-in-a-century crisis by 2008 has left an enduring legacy of geopolitical change and will irrevocably reframe India's international environment.

In West Asia, there is a new cocktail of NGOs, social media, internet plus television, that is creating regime changes. These are the consequences of creative application of technology to politics. It is also a corollary of western consciousness of its relative decline.

Today, there is also the widening gap with China's economy. India has done well in the last ten years. The economy made the historically best performance ever.

But China has done better. Today, China's GDP and its defence budget is four times larger than India's. So the gap between India and China is continuing to grow and if this gap increases further and China becomes the number one economic power in aggregate PPP terms, then India needs to reassess what choices it has in dealing with this power.

Given the above, this is an attempt to posit ten trends for the future that will have an abiding impact on the future of India's foreign policy.



3.0

Ten Trends *for the Future*

1. GLOBAL ECONOMIC CRISIS & AFTERMATH

A global economic recovery, either in the near term or over the long term, may not mean that the world will return to the status quo ante that existed before the crisis. Both the pecking order in the international system as well as its deep structure are likely to change as a result of the current financial crisis. That the Anglo-Saxon model of capitalism, which seemed unchallengeable in the age of globalisation, has lost its ideological hegemony is not in doubt. While the US and UK have taken a severe beating in this crisis, neither the continental European model nor the Japanese version of capitalism is in a position to proclaim itself as an alternative.

2. THE MULTIPOLAR MUDDLE

The idea of a multipolar world has had powerful resonance in India for quite some time. Confronting the challenges of a unipolar world—dominated by the United States since the end of the Cold War—India pursued a dual policy. On the one hand it sought improvement in relations with the sole superpower; on the other, India had to devote considerable energies to preserve its strategic autonomy vis a vis the United States. India, then, simultaneously deepened its relations with Washington while actively working to promote a 'multipolar world' that could limit the primacy of the United States. In real terms, this meant improving relations with all the great powers—the U.S., China, Japan, Russia and the EU—at the same time without having to take sides. Given the absence of a deep conflict of interest among themselves, the great powers too did not demand that India choose one over the other.

3. WIDENING GAP WITH CHINA

The rapid rise of China is the single most important geopolitical development of our time. The consequences of China's emergence at the top of the international system are likely to unfold throughout the 21st century. Yet, it has not been easy for many generations of the Indian elite raised on the notions of 'north versus south' or 'east versus west' to come to terms with the prospect that one of India's Asian neighbours is on the way to becoming a superpower. As a result, there has been little debate about the meaning of the rise of China and its long-term implications for India's foreign and national security policies. India's debate on China continues to oscillate between crude formulations of the China threat or romantic notions about Sino-Indian cooperation as reflected in the idea of "Chindia". This will need to change.

4. THE TURBULENT AF-PAK NEIGHBOURHOOD

As the United States and NATO forces prepare to wind down their combat operations in Afghanistan as early as 2013, there is much anxiety in Delhi about the future of its northwestern frontiers. One way of thinking about it is that India has had a reasonably good decade in Afghanistan. Like all good things this too is coming to an end; but what endures is the reality that the north-western parts of the Subcontinent have always remained the major source of external threat to India. For millennia, the turbulent region between the Indus River and the Hindu Kush mountains has attracted foreign invaders and challenged the authority of large empires in the Indian heartland. That basic framework has not changed after Partition and Independence. For more than sixty years, all of India's external and internal security challenges expressed themselves together and

in the sharpest possible form in the trans-Indus regions.

That pattern presents itself again, with a number of new trends. There is declining political support in the US and Europe for continued military involvement in Afghanistan after a decade of occupation. While the US ends its combat role, it might retain a substantive presence of special forces and other activity to target terror groups in the region. The ability of the Afghan regime to survive the drop in international economic and military support is questionable. As the West seeks to cut a deal with the Taliban, the internal ethnic and regional divisions in Afghanistan are likely to sharpen. The weakening of the Western military presence will increase intervention by Kabul's neighbours, especially Pakistan and Iran. Despite its new strategic partnership agreement with Afghanistan, India's ambitions in Afghanistan must be tempered by geographic limitations and informed by the recognition that it can only be a 'secondary player'. Instead of seeing itself as Pakistan's rival in Afghanistan, India's emphasis must be on taking advantage of the opportunities that present themselves and exploiting the new internal and regional contradictions there. One important weakness in India's policy has been the absence of substantive contacts and engagement with the Taliban. As the rest of the world engages the Taliban, New Delhi will need to fill this gap.

5. SOUTH ASIAN INTEGRATION

A series of political and military crises in different parts of South Asia and the rapidly expanding role of China in our neighbourhood have raised the awareness in New Delhi for a comprehensive strategy towards the neighbourhood. Building on the initial moves of the NDA government,

Dr. Manmohan Singh has taken many steps to promote regional economic integration in the last eight years. He has emphasised the need for a peaceful periphery, offered unilateral economic concessions to the neighbours, unveiled plans for the modernisation of the border infrastructure, promised to resolve long-standing bilateral political disputes, accelerated the pace of regional integration and upgraded the political relations with most neighbours, especially Bhutan, Bangladesh, Maldives, Myanmar, and Sri Lanka. Although the government moved on many fronts, the pace of advance has not always been impressive. There is need to move faster and deeper.

6. AN INVITING EAST

For nearly two decades now, the renewed engagement with Asia or the Look East policy, has been the one enduring feature of India's external relations and one of New Delhi's more successful diplomatic initiatives. After being marginal to Asian economic and strategic affairs, India is now very much part of almost all the major regional institutions of Asia, including the East Asia Summit. At the same time, it is quite clear that India's Look East policy has hit a plateau and the conduct of India's relations with Asia has not been able to stay abreast of the region's strategic evolution. Without a rejuvenation of India's Look East policy, what there might be in the near future is a 'Chinese century', rather than an 'Asian century'.

7. THE FORBIDDING MIDDLE EAST

While India has stepped up its engagement with all the major actors in the region during the last few years, the unfolding volatility in the region has begun to impinge upon India with some surprising intensity. The growing ten-

sions between Iran on the one hand, and the United States, Israel and Saudi Arabia on the other have begun to raise the temperature in the region. As an emerging regional power, Turkey has begun to assert itself. The Arab Spring of 2011 is unleashing unpredictable change across the region as many old regimes crumble and new forces begin to assert themselves. Of special concern for India is the potential impact of the deepening Shia-Sunni schism—from Bahrain to Syria and Iraq to Lebanon. India can no longer deal with the sharpening internal and external contradictions in the region on the basis of old assumptions and slogans. Nor can India ride out the current challenge in the Middle East, by simply playing all sides. Some strategic choices will have to be made voluntarily; otherwise they will be forced on India by the rapidly evolving circumstances. All countries in the region are beginning to seek Indian support in what they see as existential struggles with their neighbors and ideological adversaries.

8. MULTILATERALISM: AN UNCERTAIN TRUMPET

The consequential developments in the Middle East have also complicated India's entry into the United Nations Security Council after a gap of two decades. India's two year term at the UNSC (2011-12) was to herald India's emergence as a 'responsible power' that was ready to work with other powers. But the issues from the Middle East have put India in a difficult spot in dealing with the crises in Libya, Syria and Iran. More broadly, India has been so focused in the last two decades on improving strategic ties with the great powers and the neighborhood in Asia, that its performance on the global multilateral front has been less than effective. Old style posturing for example at the World Trade

Organisation has meant India taking needless blame for the collective failure of trade liberalisation. As new issues such as global warming emerged, India has often found itself twisting in the wind. In the more recent debates on reworking the global financial order, India has largely ceded ground to China. Meanwhile the old vehicles of India's multilateral activism, the Non-Aligned Movement (NAM) and the G-77, have become largely irrelevant for the current issues confronting the world, while its new vehicles, IBSA and BRICS are in the formative stage.

9. EXPANDING THE TOOL-KIT

As its global footprint becomes wider and deeper, India needs a variety of instruments, new and old, to pursue its interest more effectively. Take for example India's talk on economic diplomacy. Although Indian foreign policy today is far more sensitive to economic and commercial issues, there is a lack of coordination between different agencies within the Indian government and little cooperation between them and the private sector. India today has emerged as a major aid donor in the developing world; nevertheless it needs a better administration and organisation of this aid to ensure maximum effectiveness on the ground. A full fledged international aid agency that works under the overall supervision of the Ministry of External Affairs would serve India's interests best. Happily, this is happening. Similarly India is unable to fully leverage the incoming aid flows, because of outmoded approaches in North Block.

10. A MUNICIPAL FOREIGN POLICY

Finally, the Central government needs to develop an effective strategy to encourage the state governments and re-

gional political formations to reach out to governments and political trends across the borders. This helps create better options and make it easier for our neighbours to accept initiatives that they might reject when these come from New Delhi. The recent experience has been a mixed one. The contact and communication between Amritsar and Lahore, short-lived though it was, was an encouraging one. Chennai constrains rather than facilitates dealings with Colombo; Kolkata has recently become a disruptive force in the engagement with Dhaka. Nevertheless, Delhi must consider a framework for promoting greater role for state governments in the management of relations with neighbours. While the municipalisation of Indian foreign policy must necessarily proceed step by step and might not develop smoothly, it presages extraordinary possibilities for India's regional diplomacy.



4.0

Recommendations: Looking Ahead

While the two day seminar delved deep into the issues and challenges that encompass comprehensively all aspects of India's foreign policy and national security, in this Executive Summary, we have chosen to focus specially on the key recommendations as the country looks ahead.

4.1

Recommendations: Shifting Defence Dynamics

The Ministry of Defence (MOD) could be restructured to make it truly integrated. Staffing issues needs to be relooked at where the MOD can also be staffed with personnel from the civil services to include not only the IAS officers, but also those from the IFS and may be even from the Revenue and Accounts Services, together with certain armed forces officers on deputation from the respected services fora.

The MEA could accept the deputation of certain armed forces officers to man certain posts within the Ministry in order to provide diplomatic experience to the officers as well as to provide armed forces expertise in the normal day-to-day decision making.

India should exploit the scope of purchase of defence equipment to extend to not only the offsets in investments and technology, but also in furtherance of the country's foreign policy objectives. This is in consonance with what many other countries have been doing.

An aggressive defence exports policy that provides defence equipment for developing countries in particular would be useful as many of these countries would find the equipment affordable and easy to handle.

India could provide training to foreign military personnel in her world class institutions. This is an area where somehow due to the current system, it has not worked. Officers meet during courses and once they go, the establishment does not allow officers to stay in touch with each other. Many of those people have attained high ranks. For instance, Obasanjo, did his Staff College from Wellington and then became the President of Nigeria. Overall, the country's system does not encourage that contact and that is something India should change. It will help further relations between India and other countries.

The Country's training institutions are very good, but if India does not take stock of the challenges it is likely to face in the next 10 to 15 years, the country will not have a system in place that will ensure a constant upgrade of these institutions.

A country like India cannot be secure unless it does domestic manufacturing of arms. If India is the biggest importer of arms in the world and still claims to be secure, then, there is a big vulnerability. Like the country's national plans for energy security, India needs to have a defence manufacturing security plan. Further there is a need to plan how to increase domestic production capacity by adding to it the equipment that is needed for internal security.

In the Space security area, Outer Space is going to be extremely important. USA is cutting down on the investment it wants to make because of its huge debt burden consideration. But China at the same time is developing its space capabilities further. In the Indian context, Space is handled by a separate ministry. There is a need to bring the Ministry of External Affairs and the Ministry of Defence into the picture and have an integrated vision for the country.

4.2

Recommendations:

Crucial Role of Commercial Relations

The skill sets and domain knowledge of the diplomatic personnel who deal with commerce and trade need to be upgraded and updated. Today, for example, the system of recruiting and training is such, that sometimes a Collector from Mayurbhanj becomes a Deputy Secretary in charge of North America. There is a need to have a process of thorough training even if it means sending officials abroad to get trained. India has to significantly strengthen its missions and the Department of Commerce, and individuals who have domain knowledge should be hired and trained and sent in for trade negotiations.

The personnel in the Commerce and External Affairs ministries need to start thinking about trade issues in a more holistic way. Emphasis has to be given on issues such as infrastructure development which have major impact on movement of trade. Currently, the country's ports are choked, its connectivity skewed, freight rates are going through the roof and competitiveness is getting eroded. Similarly, non-tariff barriers and integrated economic development and policy making need to become part of foreign policy.

In the area of trade, today, India does not have a China specific policy, though on certain segments it is now in the process of working out certain policies within the Department of Commerce, considering the growing Indo-China trade and investment, the time may be ripe for an integrated China specific trade policy in conjunction with the Ministry of External Affairs.

In trade negotiations with South Asia, India had a reciprocal policy of concessions. The country changed this paradigm in 2008 with Pakistan being an exception. As India is running huge trade surpluses with these countries, it no longer needs to ask for reciprocity. This a great opportunity to transform relationships.

4.3

Recommendations:

India & the United States

Technology and innovation are two areas outside the normal fold which hold great promise in India's future relationship with the United States. In the process, there is an opportunity to create a network of innovation hubs between the two countries. The theme of innovation will take the relationship forward in a way that fits into a number of techno-economic objectives. On the strategic side, innovations and technology development in defence could also be an area of synergy.

It is encouraging that there are at least a few bilateral initiatives that have drawn an enormous response from both countries, from universities and entrepreneurs in the areas of clean energy, agriculture and health care. There is a need to substantially scale this up.

The economic relationship between the two countries has a very essential underpinning and that is not necessarily only government to government. The role of the private sector in both countries in enhancing this relationship should be encouraged.

The key challenges in our relationship—terrorism, non-proliferation, Afghanistan and Pakistan have

reached a level of convergence that has not been seen before. However, the long term strategic imperative between India and the United States is regarding the Asia Pacific and the Indian Ocean. There is still a need to translate the convergent interests into a practical framework of working together.

There is also a need for fundamental change in the area of defence relationships because India pays out huge amounts of money to US companies. There is a need to get United States to help India become more self-reliant.

4.4

Recommendations: India & China

It is unlikely that the Sino-Indian border issue will be resolved in the foreseeable future. It is therefore important that India's resources are not locked up in trying to defend the long, inhospitable and mostly inaccessible border.

Recognizing this, it is important to work out a counter strategy. The country has to develop an asymmetric strategy, whereby it can respond to major Chinese incursions and grabbing of territory through similar operations in areas where terrain and logistics favor the Indian side. It is only if India develop such countervailing capabilities that she may be able to effectively deter and neutralise a Chinese strategy. This of course, requires a rather different composition of armed forces and a different kind of military doctrine, which is not in place currently.

India's diplomacy therefore should encourage a more assertive posture by Japan, support the retention of strong US forces in the Asia Pacific region, contribute to and en-

courage the capabilities of littoral states in particular Indonesia, Vietnam and Australia. In, addition to the regular naval exercises with the littoral states, there is also a need to create a network of security cooperation agreements with them. This would to some extent help to retard the penetration of the Chinese to the Indian Ocean.

On the political side, India's posture towards China should be very carefully nuanced and constantly calibrated in response to changing global and regional developments. India must keep a very close watch between what is happening domestically and internally in China. It must also take care not to be too internationally or regionally isolated. The better India's relations are with other powers, the more restrained China is likely to be with respect to its dealings with India.

India-China economic relations are very complex. On the one hand, Sino-Indian trade has been rising rapidly; China is currently India's largest trading partner next to the European Union. At current rates of growth, it may soon occupy the top spot. Trade has been growing very asymmetrically, both in volume as well as in composition. In 2010, Indian exports mainly in cotton and iron ore were about US \$ 20 billion, while Chinese exports were over US \$ 40 billion driven by surge in Indian imports in power and telecom equipment. If present trends continue, then the target of a \$ 100 billion in bilateral trade by 2015 is likely to be reached or even surpassed. But this may mainly be because of Chinese exports rather than Indian exports.

However, a growing economic interdependence, may perhaps make the political relationship more manageable.

India's best allies in the climate change negotiations have been the Chinese. China has helped India a great deal in

maintaining some of the positions because of convergent interests. India has not tried to look at a whole complex of issues and see whether or not there is a possibility to construct with the Chinese some kind of a convergent strategy. That may play a helpful role in expanding the cooperative elements in this relationship and also dampening some of the more competitive elements in the relationship.

India also needs to engage China on terrain that is favourable and one that strategically makes a lot of sense. If India actually expands that dimension, then security will get down to issues of livelihood, agriculture and water. China poses the biggest threat to India in terms of water flows from the Chinese territory into the Indian lands. India needs to explore what are the possible areas of cooperation in river water sharing.

There is also a need to engage China on Tibet, but only if India can link it to the border issue. China's claim to Arunachal Pradesh as a part of southern Tibet remains a matter of concern.

4.5

Recommendations:

India & South East Asia

The Look East Policy has paid a lot of dividends in terms of looking at Comprehensive Economic Cooperation Agreements (CECA). What is often missed in the growth of China is that South East Asia was a big provider of raw material and semi processed material to Chinese companies and foreign companies set up in China for the purpose of exporting around the world. Because of the lack of an export led approach, India lacks trade linkages and

interlinkage with South East Asian countries. This approach needs to be reviewed.

As the country moves to the next stage of taking these trade agreements forward it is time to re-calibrate and make the trade and investment a bigger part of our engagement. Perhaps, the bigger success stories in the last three decades has really been Japan, whether it is the trade corridor or the overall level of engagement with Japan (bilateral, economic, trilateral levels).

This is amongst the most promising regions in terms of India's long term regional priorities, where partners await a more proactive Indian involvement. Political visits must be stepped up. India needs to consider both ASEAN functional cooperation programmes and bilateral cooperation programmes working in tandem.

An FTA with ASEAN and advanced regional economic cooperation should be implemented.

There is need to focus on Myanmar and the Mekong India Industrial Corridor connectivity with the North East with our Eastern Seaboard as our highest priority for achieving economic integration with the world's most dynamic economic region.

There is need to elevate security cooperation to the forefront of ties with ASEAN, especially with Indonesia, Singapore, Thailand, Malaysia, Vietnam and Myanmar. India should, along the way, develop domain expertise and inter-operability, access arrangements and LSAs with these countries.

India should also consider the possibility of appointing a separate Ambassador to ASEAN, create an Indo-ASEAN Centre in New Delhi and revive the Indo-ASEAN Joint Business Council.

Finally, in acting East, there is need to display higher

levels of political commitment and ambition than has been done so far in a way that there is a much better investment in an Asian century to reap far richer harvests.

4.6

Recommendations:

India & Her Neighbours

There is a need to look at it more broadly than the immediate South Asia physical neighbours. India's approach has been predicated on the need to develop mutually beneficial relationships to ensure a peaceful, stable and secure neighbourhood. Today, India is very conscious that South Asia has been a sort of crossroads linking Eastern Asia with Central Asia and West Asia and is very much a part of the Indian Ocean maritime influences on commerce and trade. Increasingly, there is an element of seeing India's neighbourhood as a very special zone that is linked to the larger environs of Asia and Africa in which India has a special role to play.

Although China is not classically included in India's neighbourhood, it is the most important neighbour. Today, China's interest in India is increasing in direct proportion to the increasing trade relations. There is some evidence now that the Chinese view India as an opportune market considering that their other key markets are bound to slow down. India needs to leverage this opportunity.

With her immediate neighbour Nepal, India continues to be its major trading partner: nearly 60 per cent of Nepal's foreign trade is with India and 40 per cent of its FDI comes from India. Around 40% of Nepal's tourists come from India and there are around 5 million Nepalese work-

ing in India. The enormous opportunities for working together with Nepal are particularly striking when looking at the potential of Nepal in hydropower. The possibility of creating a win-win situation for energy starved India and the fact that anything that Nepal does on its rivers will have implications for Bihar, UP and perhaps even West Bengal promises the possibilities for greater cooperation in this area. In the future, closer collaboration in the area of security will also have significance.

Traditionally, India enjoys a very special relationship with Bhutan; its borders touch Sikkim, West Bengal, Assam and Arunachal Pradesh and the relationship has been founded in a very close partnership, both in the security field and the economic field. Bhutan is a success story of hydropower development based on Indian funding and providing electricity for India. India has agreed to the Bhutanese target of achieving 10,000 megawatts of energy by 2020, up from a little over a 1000 MW right now.

What is clear is that the traditional model of Indian grant assistance cannot be scaled up to achieve this kind of result. The country should enter into a much more balanced relationship of joint ventures in which Indian assistance would be focused more on ensuring that Bhutan has the resources to enter into a joint venture partnership with the Indian companies and both the joint venture companies should be in a position to access the Indian markets. But there is also a generation growing up in Bhutan which has much greater access to the outside world and much greater options in terms employment and how they see the potential for their own country to grow and their desire to play a slightly larger role in the world. This is going to be one of the critical challenges for India to deal with in the future.

India is committed to resolving outstanding issues with Pakistan through dialogue in an atmosphere free from terror and violence. The ability of Pakistan to manage the kind of difficulties that it has is as important not only for itself but also for India's own security. The one area in which there has been some forward movement between India and Pakistan which gives us a path for the future is in the field of trade and commerce.

India should push its companies to look at Afghanistan as a commercial opportunity. There are economic possibilities if Afghanistan is able to settle down with the help of a regional framework involving its neighbours.

Bangladesh is perhaps one of India's most important neighbours. There are two elements that India needs to particularly look at. While the country has tried to do its best in the field of bilateral relations, it has also for the first time agreed through the Framework Agreement with Bangladesh to look at issues of trade and transport, connectivity and water resources in a regional construct. India has traditionally wanted to keep these issues strictly bilateral. Now that the process of opening it up a little has begun, there is opportunity for Nepal, Bhutan, Bangladesh and India to sit together and discuss areas of common concern.

With Sri Lanka again, India has had a very strong traditional relationship. Even in the best and worst years of our relationship, Sri Lankans kept coming to India as pilgrims and as traders and others. This is reflective of the fact that there is a complete normalcy in people to people relationships, which is not reflected in the way the two countries look at each other.

Myanmar is a country with absolute importance to India, with a 1000 km of land boundary, the security of the

north eastern states and a land link to South East Asia. There are major challenges in terms of logistics and geography and the unsettled nature of some of the border regions. It is a country that is 30 per cent the size of India with just 60-70 million people. It is the largest source of Daal, which India consumes and these supplies could increase; it also has potential for oil seeds and hydrocarbons and therefore could be critically important as an economic partner. This will need a lot of investment through a government-lead strategy like what India has in Afghanistan.



Annexure

Guest Speakers

1. **Shiv Shankar Menon**
National Security Adviser
2. **Ranjan Mathai**
Foreign Secretary
3. **Rahul Khullar**
Commerce Secretary

List of Participants

1. **S K Lambah**
Special Envoy to the Prime Minister of India
2. **Naresh Chandra**
Former Ambassador of India to USA & Chairman, National Security Advisory Board
3. **James Abraham**
Managing Director & CEO, Sunborne Energy
4. **Shankar Acharya**
Honorary Professor & Board Member, Indian Council for Research on International Economic Relations
5. **Jawed Ashraf**
Joint Secretary (AMS), Ministry of External Affairs
6. **KS Bajpai**
Former Ambassador of India to Netherlands, China and USA
7. **Sanjaya Baru**
Director of Geo-economics & Strategy, International Institute of Strategic Studies (UK)
8. **C Uday Bhaskar**
Senior Fellow, National Maritime Foundation
9. **Pramit Pal Chaudhari**
Foreign Editor, Hindustan Times
10. **Tarun Das**
Founding Trustee, Aspen Institute India
11. **P S Das**
Former Commander-in-Chief of the Eastern Naval Command, Indian Navy
12. **Arundhati Ghose**
Former Ambassador of India to Egypt & South Korea
13. **Arunabha Ghosh**
CEO, Council on Energy, Environment & Water (CEEW)
14. **Raj Kumar Gupta**
Tata Services Ltd.
15. **Shishir Gupta**
Deputy Executive Editor, Hindustan Times
16. **C Raja Mohan**
Senior Fellow, Center For Policy Research and Contributing Editor, Indian Express
17. **Satish Nambiar**
Former Deputy Chief of Army Staff, Indian Army
18. **T N Ninan**
Chairman & Chief Editor, Business Standard
19. **Renu Pall**
Joint Secretary (ASEAN Multilateral), MEA
20. **G Parthasarathy**
Visiting Professor, Centre for Policy Research
21. **Kiran Pasricha**
Executive Director & CEO, Aspen Institute India
22. **Suresh Prabhu**
Former Minister of Industry, Environment, Forests & Power
23. **Latha Reddy**
Deputy National Security Adviser & Secretary, National Security Council Secretariat
24. **Kuldip Sahdev**
Former Ambassador of India to Japan
25. **Shyam Saran**
Chairman, Research & Information System for Developing Countries (RIS)
26. **Ronen Sen**
Former Ambassador of India to USA
27. **Ajai Shukla**
Consulting Editor (Strategic Affairs), Business Standard
28. **H K Singh**
Former Ambassador of India to Japan & ICRIER–Wadhvani Chair in India–US Policy Studies
29. **Narendra Sisodia**
Former Director General, Institute for Defence Studies and Analyses (IDSA)
30. **Nalin Surie**
Former Ambassador of India to China & UK
31. **Gautam Thapar**
Chairman, Avantha Group
32. **S P Tyagi**
Former Chief of Air Staff, Indian Air Force



ASPEN INSTITUTE INDIA

2P, SECTOR 31, GURGAON-122 001 (HARYANA), INDIA
TEL: +91-124-421 8619-23, FAX: +91-124-421 8624
Email: admin@aspenindia.org, Website: www.aspenindia.org