

**CHAPTER 2**  
**INDIA'S ECONOMY AND MILITARY, NOTABLY NUCLEAR**  
**CAPABILITIES, IN REGARD TO ITS FOREIGN**  
**POLICY AFTER the 1990s**

**A. The Isolated Rising Power**

Foreign policy is a product of the prevailing international environment and the country's guide in terms of its geo-strategic location, economic health, military strength and domestic stability. The 'New Look' foreign policies instituted by former Prime Minister Narasimha Rao arose after the Cold War and decline of the former Soviet Union along with the rise of United States' global hegemonic power. After the 1991 U.S. victory in the Cold War, the major rise of U.S. unilateralism and new American policies of pre-emption and military intervention in global affairs without restraint have dominated the international scene.

In recent years, many academics and members of the media across the world have closely followed India's economic growth, but have paid little attention to Indian foreign policy. For many years, India took pride in its role as the leader of the Non-Aligned Movement which was guided fundamentally by pragmatism and caution (Hardgrave, 2001). India viewed itself as the primary defender of the rights of less developed countries. Historically, Indian foreign policy represented three basic goals (Hardgrave, 2001). First, India sought to guarantee its national security from invasion by external forces by external and subversive forces. India also opposed external intervention and viewed the presence of world power in the region both as a threat to regional security and as a challenge to its own preeminent position. Second, India sought independence and self-reliance which was the result of nonalignment in balancing relations with the United States and the Soviet Union, an important military and economic partner for India before the end of the Cold War in 1991. Third, India, as a rising middle power, sought inclusion as a permanent member of an expanded United Nations Security Council and in international economic forums.

During the Cold War, India was committed to “the third way” between communism and capitalism. India, under Jawaharlal Nehru, believed that major power states should work responsibly to keep order and promote justice in their parts of the world and that international politics would be governed by mature and responsible states that would not interfere in the affairs of other states (Mitra, 2002). In other words, India under Nehru assumed that the Soviets were committed to peace and the United States would not interfere in the other parts of the world beyond its own region. In summary, India’s foreign policy options were limited by Cold War politics, defining its political, economic and security relations with other states. The notion of nonalignment became irrelevant after the end of the Cold War and as a result, India now focuses on liberalizing its economic sphere and strengthening relations with the United States, Europe, Japan and South East Asia.

The decline of Soviet power comparative to that of the United States, the intense Sino-Soviet relationship, and most importantly, the defeat of India in the 1962 Indian-Chinese territorial conflict has led India to reconsider its nonalignment policy. These factors required India to shift its foreign policy from nonalignment to alliances with partner countries. The disintegration of the Soviet Union in 1991 transformed the nature of the international system from a bipolar order to a multi-polar order currently led by the United States. The main feature of the U.S. strategy to maintain its status as the sole superpower has been the containment of challenges put forth by other major powers. Several techniques have been implemented by the United States through formal and informal alliances and the creation of international regimes. These regimes have mostly focused on the limitation of nuclear and missile capabilities and also to prevent the rise of any new powers with such capabilities including India. Nevertheless, as India has been nuclear weapon state (NWS) since 1998, many countries, including the United States which signed a strategic partnership agreement in 2006 with India, have engaged India.

From 1998 – 2004, the Vajpayee Government continued to implement the overall foreign policies instituted by the Narasimha Rao government which also came from the same Bharatiya Janata Party (BJP). However, the Vajpayee government agreed to place greater focus on strengthening US-India strategic cooperation, normalizing and enlarging cooperation with China, including Vajpayee’s personal

commitment to bringing a military adventurist and terrorism proxy-war nation like Pakistan to the dialogue table (Kapila, 2005). In addition, another significant change to the international system came by means of economic globalization which progressed by way of opening the economies of developing countries through structured programs required by the International Monetary Funds (IMF) and the World Bank. The Indian economic liberalization process increased the size of the middle class and now represents one of the largest markets in the world.

During the first Clinton administration, Indian engagement was unproductive as India expected the United States to accept India's role in a multi-polar world where the United States still dominated the international stage. However, the United States was increasing its global influence even more than it had during the Cold War period. The major reason, as Nayer and Paul pointed out was that "the interests of the U.S. as the sole superpower and of India as an aspirant major power stood in contradiction to each other." (2003). Therefore, Pakistan became the state used to counterbalance India in the United States' containment strategy.

Conversely, India's engagement with China has been more productive than with the United States. Leaders from both countries visited when Narasimha Rao went in Beijing in 1993 and when Jiang Zemin visited India in 1996. China also changed its prior position of one-sided support of Pakistan in its disputes with India. Nevertheless, the supply of arms by China to Pakistan continues to be a major concern in Sino-Indians relations. China also implemented an encirclement strategy, as part of which a military relationship was developed with Myanmar and India's other smaller neighbors. Thus, the relationship between these two countries has become unstable through mistrust, as India still fears China's role as a major power in Asia. China also considers India a potential challenger in the region that could counterbalance China in the future. The growing discrepancy in the economic and military capabilities of both countries, where China is superior to India, has boosted China's ability to maintain its superiority. More importantly, the United States seemed to support China's major power role in Asia and has allowed it to manage the security affairs of South Asia. There are several indicators to support this claim, for instance, the United States accepted the transfer of nuclear and missile technology by China to Pakistan and it allowed the export of satellite and nuclear technology to

China. Hence, India became isolated from the major power states, raising questions about Indian national security.

After the Indian nuclear bomb was tested in 1998, there has been a new element in Indian foreign policy. India is seeking to build strategic political and economic alliances at the bilateral, regional and global level that provide promise for its national security. Ummu Salma Bava used the term 'neo-nonalignment' to describe the current Indian policy (2007). As part of this new policy, India will engage various countries to meet its varied security requirements. India has engaging its neighbors both bilaterally and through South Asian Association for Regional Cooperation (SAARC). India's 'Look East' policy has also brought it considerable visibility in South East Asian region and was welcomed by the ASEAN countries to counterbalance China.

## **B. The Quest for Rising Power Status: A Foreign Policy Implication**

### **Multi-Dimensional Foreign Policy**

C. Raja Mohan previously stated that there are three things that have historically prevented India from achieving its strategic goals. First, the divide in South Asia between Hindu and Muslim belief systems, leading to conflicts such as that between India and Pakistan in 1947, which left India in a constant state of conflict with Pakistan. India's ongoing conflict with Pakistan has caused severe problems for India's engagement with Southeast Asia and the Middle East. The second barrier is the Indian socialist system which has prevented India from commercial engagement with other countries, and caused a relative economic decline and consequent loss of influence after independence. The third obstacle is the Cold War which led India to engage the Soviet Union for arms trade in response to U.S. support for Pakistan and China. During the Cold War, Third World collectivism may have been appropriate when Indian foreign policy was based on inflexible and ideological strategy. But now, a rising state like India, whose economy is becoming closely tied to the world economy, who is now a member of most major international organizations, and whose

growing power is internationally recognized, has reason to continue its former foreign relations focus on defensive strategies (Narlikar, 2006).

India is now adapting its foreign policy to meet the international challenges of the 21st century and to increase its global influence and status. The overall drive of its foreign policy has been to seek geopolitical partnerships in multiple directions to serve its national interests (Curis, 2007). India has pursued special relationships with the United States, Russia, China, and major European countries. India's policy was clearly stated in June 2006 when Indian Defense Minister Pranab Mukherjee (the current foreign minister) described India's foreign policy as: "Premised on the twin policies of no extra-territorial ambition and no export of ideology, India seeks the peaceful resolution of all disputes...and...simultaneous improvement in ties with the U.S., EU, and Russia and Southeast Asia, Japan, Korea, and China demonstrates that for the first time in its diplomatic history, India is forging significant strategic ties with both West and East Asia" (Mukherjee, 2006).

India's engagement on both regional and global levels, as Bava described, is based on four sets of structural changes in world politics concerning the change in the emerging order among major powers in the international system and India's changing political, economic and security requirements (Bava, 2007). The first concern is with India's neighbors in the South Asia region, namely Pakistan, Nepal, Bangladesh, Sri Lanka and Maldives, which together constitute the SAARC. As argued earlier, India is the only major power in this region and is accepted by most of its neighbors. Pakistan has steadily challenged India's leadership and was supported by the United States during the Cold War. The confrontation between these two states grew in 1999 when both states became NWSs. As stated above, India-Pakistan relations improved tremendously since 2003 through an ongoing peace process. The second factor is the role of major powers such as the United States, China and Russia in the political and strategic stability of South Asia. China, a major power in the Asia-Pacific Region, is regarded as a competitor of India in becoming the next major power in the international system. The third factor concerns the expanded trade and economic network in South-East Asia and focuses on strengthening and securing India's energy security in West and Central Asia. The fourth factor is India's engagement with Latin

America and Africa, where India is actively attempting to secure resources to meet its increasing energy requirements.

In addition, India has made efforts to enhance regional stability and to expand its role beyond South Asia into Southeast Asia and Central Asia, as well as, to foster greater partnerships with the United States and the EU. These policy efforts are aimed at increasing India's hard and soft power capabilities which will help India to achieve great power status (Bava, 2007). India's role in East and Southeast Asia is also becoming more defined as India builds stronger relations and trade links with China, seeking closer economic and political ties with Southeast Asian nations and places, with a specific emphasis on building strategic ties with Japan. The relationship between India and other major powers and neighbors will be discussed in the following section.

### **C. Indian Relationships with Other Major Powers**

#### **India and the United States**

Undeniably, the most striking transformation of Indian foreign relations is in the India-U.S. relationship. The United States is pursuing a strategic partnership with India as a current and future potential power for the region and the world. The recent United States administration treated India as a strategic partner with a new level of cooperation in many fields. The United States has moved closer to India by removing sanctions, promoting greater cooperation in high-technology areas, providing support to India's terrorism issues, and declining its support of Pakistan with regards Kashmir (Mohan, 2006). The main reason for U.S. support has been India's position as a respected democratic state without hegemonic interests which supports peaceful resolution of conflicts. India's increased economic and political involvement in Asia will help to further U.S. overall goals in the region (Curtis, 2007).

India's engagement with the United States is based on the belief that "...only by fundamentally changing its relationship with the world's sole superpower could achieve its larger strategic objectives..." (Mohan, 2006). India supported the Bush administration on missile defense, the International Criminal Court, and global

warming. India also provided active support to Operation Enduring Freedom in Afghanistan by protecting U.S. property in transit through the Strait of Malacca in 2002. India voted twice in favor of the United States against Iran regarding the issue of nuclear developments at the International Atomic Energy Agency (IAEA). In the Middle East, India and the United States shared a common interest in preventing the rise of radical Islam due to the fact that Muslim population is the third largest in the world. This concern is augmented by the fact that the world's third largest population (almost 150 million) is vulnerable to Islamic radical influence (Mohan, 2006).

The United States also supports the Indian objective of promoting regional integration such as the Indian-U.S. relationship in regional security issues. More importantly, India shares political interests with the United States in countering terrorism, solving Islamic radicalism, promoting democracy and protecting the security of sea-lanes... Thus, India no longer suspects the United States' intention to undermine its influence in the region. India could play an increasingly larger role in the world if it were able to solve the Kashmir issue which would greatly enhance its political and diplomatic powers. Mohan and Khanna noted that "building a strategic partnership with India will test America's ability to engage an independent democracy that has had no record of security or economic dependence on the United States" (2006).

The normalization of Indian-Pakistani relations would lead to the relocation of Indian armed forces from territorial defense to peace and stability areas and operations in the Indian Ocean. In a post 9/11 environment, terrorist groups continue to pose substantial threats. The war on terrorism had made nonalignment meaningless as there are no longer clearly defined rival forces. As a consequence, India has been forced to adapt its international strategy and work out new political forms of engagement with the major powers. After the 9/11 attack, India offered assistance in the fight against terrorism which signaled India's intentions for strengthening the Indian-US relationship. In conclusion, the Indian-US alliance will depend on the degree of the countries' shared interests and their ability to work together. As for the United States, India has mutual interest in balancing China and countering Islamic extremists in the Middle East.

The most recent challenge to Indian-US relations is the Indian public's reaction to the recently passed civil nuclear legislation in the U.S. Some of the legislation's wording, particularly regarding India's relations with Iran, has rankled Indians and strengthened the leftist parties' concern that the civil nuclear deal will constrain Indian foreign policy options. From a U.S. lawmaker's perspective, countering the Iranian nuclear threat is a top priority for which lawmakers expect Indian support. However, both governments believe that disagreement on this issue would not alter the fundamental reality of friendship, empathy and association. A continuing relationship between the United States and India is almost inevitable. Whether the nuclear agreement passes or not, or the governments sign new treaties, the two societies are becoming increasingly intertwined.

The Indian-US Civil Nuclear Deal recognizes India as a nuclear power and has exempted India from the current nuclear regime. India should consider the inequality of power between the two countries which might limit the alliance and strategic cooperation, despite its common interests for the future. A majority within India's policy elites foresee India becoming a major leader in a multi-polar world (Sikri, 2007). They are skeptical of American unilateralism practices and therefore believe that India must maintain its strategic autonomy through an extended strategic neighborhood, including East and Southeast Asia and, to some extent, the Middle East. Meanwhile, the new generation of Indian foreign policy thinkers views a strong relationship with the United States as essential for India to achieve major power status and would like to develop a new framework for cooperation with the United States (Curtis, 2007).

### **Indian- European Relations**

There have also been improvements in India's relations with the EU, including agreements in several areas such as customs cooperation, trade and investment. India has extended its support to EU candidate Pascal Lamy in the selection process for the director of the World Trade Organization, over Uruguayan candidate Perez del Castillo. In addition, India views the rising value of the Euro and its attraction as an alternative currency to the US dollar in terms of global financial reserves and trading

guides. It is possible for India to engage with the European Community, particularly France and Germany, towards a more multi-polar world by utilizing the Euro as an alternative currency against the U.S. dollar. India is one of the most profitable markets for European defense equipment. Thus, the rising of the Euro currency could offer an attractive foreign policy opportunity for India as it decides whether to rely more on the Euro than the dollar in trade and investment areas. A selective use of this option by India could help Indian foreign policy planners to obtain favorable political responses for India's national security and economic interests.

### **Sino-Indian Relationship**

India has also engaged other major regional powers. India and China agreed to establish a strategic and cooperative partnership 'for peace and prosperity' during Wen Jiabao's visit to India in April 2005. Unlike the past, when China tended to support India's rivals such as Pakistan and Kashmir, now, China increasingly avoids taking sides in India's disputes. China is also likely to overtake the European Union and the United States as India's largest trading partner within the next few years.

Since June 2003, India's National Security Adviser and China's Vice-Foreign Minister have held talks regarding this issue, but the countries' efforts to settle their border disputes have been slow. However, the Chinese Foreign Ministry stopped listing Sikkim as an independent country in 2003 implicitly recognizing it as a part of India. Though China has been unwilling to move towards a final settlement of the borders, the departure from the past has shown that a peace agreement may be possible in the future. Apart from the boundary dispute, the challenge of the Sino-India relationship is related to the competitive advantages of the two countries. The question remains, how can India and China prevent this competition from turning into rivalry? During an interview of Mohan and Das, they claimed that there are two possible outcomes. The first is a perfect security dilemma where two rising powers are in conflict due to their neighbors and great ambitions for the global arena. The second outcome is a prospect of cooperative security where both states rely on each other. It is likely that both outcomes will occur in the future as India seeks a multipolar world to counter-balance the United States as well as a multipolar Asia in

relation to China. Thus, India will try to balance China and avoiding conflict as long as possible through expanding cooperation (Mohan & Das, 2006).

There are several major impediments to closer Sino-Indian ties that should be noted. The first issue is China's historically close security relationship with Islamabad. China transferred equipment and technology to support Pakistan's nuclear weapon and ballistic missile programs in the 1980s and 1990s, enhancing Pakistan's strength in the South Asian strategic balance. In 1998, Sino-Indian relations had a set back when the Indian government officially cited the Chinese threat as a rationale for its nuclear tests. The second issue is China's concern that the deepening Indian-U.S. relationship is aimed at containing China's power. This issue is driving China to embrace the idea of a China–India– Russia trilateral axis supporting "multi-polarity" (Mohan, 2006). Following the July 2006 meeting of Indian Prime Minister Singh and the Russian and Chinese presidents, Indian Foreign Secretary Shyam Saran (currently Indian envoy to the civil nuclear negotiations) said all three countries had a strong interest in the emergence of a multi-polar world and the promotion of multilateralism.

For Sino-Indian cooperation on energy security, India and China agreed to cooperate on overseas acquisitions in 2006. The agreement stems from their co-ownership of a Sudanese field and their cooperative bid for fields in Syria by the state-owned multinational companies Oil and Natural Gas Corporation (ONGC) in India, and the China National Petroleum Corporation (CNPC) and China National Offshore Oil Corporation (CNOOC) in China (Ayres, 2006).

China hopes that increased trade and investment ties with India will counter strategic US–India cooperation, which Beijing perceives as an attempt to contain Chinese influence. In just four years, China and India have increased the volume of their annual trade to almost \$20 billion. China is expected to replace the U.S. as India's top trade partner in another three years and the two countries pledged to double trade to \$40 billion by 2010 (Ayres, 2006).

### **India and Japan**

India is the largest receiver of development loans from Japan and the two countries are seeking to create a geopolitical partnership. Both countries also share

several common interests in highlighting their democratic forms of government, securing energy resources by protecting sea lanes and fighting international terrorism (Curtis, 2007).<sup>2</sup> Furthermore, a strategic alliance with India is important to neutralize China's position and to promote the concept of an alternative power in Asia. Although India would be an ideal investment area for Japan, South Korea has a greater amount of investment in India. Except for Suzuki brand, no Japanese companies have made a real mark in India (Singh, 2005).

In April 2005, Japanese Prime Minister Junichiro Koizumi announced a strategic partnership and the two countries signed an eight-point initiative which included a security dialogue. Mohan claimed that the aim of the improved relationship was to include India as a key player in long term plans for Asian security from a rising China and the Indian-U.S. alliance (2006). Japan supported India's participation in the East Asian Summit in December 2005 as Japan recognized the Chinese impact could be limited if India and Japan could achieve greater coordination on security issues. As tensions between the United States and China grow, the United States views China as a strategic competitor which has caused a challenge for India to remain nonaligned. In fact, preventing China from increasing influence in the region and competing with China in Southeast Asia remain critical elements of Indian foreign policy (Mohan, 2006). For instance, in 2005, when Pakistan pushed for China to obtain observer status in the SAARC, India brought Japan, South Korea and the United States in as observers as well.

During Prime Minister Singh's visit to Japan in December 2006, the Indian and Japanese leaders agreed to begin discussions on a bilateral free trade agreement within two years and to increase cooperation between their respective Navies and Coast Guards. Another key Indian goal was to secure Japanese support for lifting international restrictions on civil nuclear trade with India. Japan is part of the 45-member Nuclear Suppliers Group which must develop a consensus approving civil nuclear transfers to India (Curtis, 2007).<sup>2</sup>

## **India and ASEAN**

India and the Association of Southeast Asian Nations (ASEAN) signed a Partnership for Peace, Progress and Shared Prosperity agreement on November 11, 2004, marking a significant step in the development of relations between India and the countries of Southeast Asia. India became a full dialogue partner of ASEAN in 1995. India joined the ASEAN Regional Forum (ARF) in 1996 and became a summit partner of ASEAN (called ASEAN plus One) in 2002. Lastly, India became a member of the East Asia Summit in December 2005. In addition to integrating with the multilateral institutional structures of Southeast Asia, India has focused on building stronger bilateral relationships in the region, especially with Malaysia, Singapore, Vietnam, Thailand, Burma and Indonesia (Curtis, 2007).

## **India and Russia**

For India-Russia relations, the strategic partner meetings in 2006 resulted in substantive agreements on civilian nuclear energy, space, defense, science, advanced technology, energy, trade, and culture. Singh and Putin signed nine bilateral documents, including a memorandum of intent for the construction of four nuclear power plants in the Indian state of Tamil Nadu. Regarding the Indian-U.S. civil nuclear agreement, Russia is positioning itself to be a primary supplier of new Indian nuclear power stations. American, French, and even some Japanese companies also hope to win nuclear power deals with India over the next few years. The two countries also signed agreements for licensed production of Russian aircraft engines in India, joint development of a new transport plane, and co-development of the fifth-generation jet fighter which is a major step in expanding their aerospace cooperation (The Economics Times, 2007). In terms of India's foreign policy formulations, Russia has a historical strategic relationship with India. As a result of statistics formulated in 2005, 60-75% of Indian armed forces depend on Russian military equipment (Kapila, 2005).

Hence, the current Indian foreign policy seeks to increase its power and influence by enhancing bilateral cooperation with the United States, the EU, China

and Russia (Bava, 2007). India continues to engage in regional and international organizations and has continued to develop its relations with the Arab world to address its external and internal security concerns. In recent years, India has worked to advance its regional and international position in order to increase its power. India has reformed its strategies towards China, Pakistan, Indian Ocean region, some African countries, the Persian Gulf, as well as Central and Southeast Asia (Mohan, 2006). Some examples include India's active participation as a political partner with ASEAN, the East Asian Summit, the GCC, the Shanghai Cooperation Organization (SCO) and the African Union.

#### **D. Analysis based on the realist perspective**

After India won independence from the British, it focused on idealism which appealed naturally to the Indian elite by arguing against colonialism on the basis of the first principles of enlightenment (Mohan, 2006). India tended to see its role in world politics as the forerunner for a new set of principles of peaceful coexistence and multilateralism which, if applied properly, would transform the world. The transition from idealism to realism in the 1990s was due to the fact that India could no longer sustain the belief system entrenched in idealism of its foreign policy. The end of the Cold War and the rise of the United States as the sole superpower were major causes of this change. Several major areas are indicators of the impact of the transition in Indian foreign policy, including India's nuclear diplomacy, its engagement with the surrounding regions and the change in relations with the major powers (Mohan, 2006).

In regards to the Indian nuclear issue, the role taken on by the United States after the Cold War was to prevent India from emerging as a dominant regional state and as a political and strategic influence on the global level. Several arrangements of security regimes such as NPT and CTBT were a tool to contain India from rising as one of the NWSs. Thus, India by the late 1990s recognized the importance of becoming a declared NWS. By the 1990s, India has been engaging with its neighbors, using the new framework that emphasized economic relations and energy diplomacy rather than the traditional notion of third world solidarity through the notion of the

nonaligned movement. India also tries not only to engage with the US and Russia but also Europe, China and Japan. The improvement in relations with China since the early 1990s has been one of the biggest achievements of the new foreign policy. Moreover, China is now set to emerge as India's single largest trading partner. In terms of India's relationship with Japan, they have been steadily expanding political cooperation in recent years and have proclaimed a strategic partnership since 2005.

Though some of India's policies have been in support of an idealist system, it continues to make some decisions in a Realist manner in 2007. The first relates to the crackdown in Myanmar by the ruling junta. If India had still applied the Nehruvian concept of idealism, it would have raised this issue in the UN assembly in order to seek a resolution. India did not undertake such action because it had been considering energy and the growing Chinese influence as well as the anti-Indian forces which periodically take refuge in Myanmar, where warm relations with the junta have helped to keep the threat under control. The second is related to the situation with Pakistan, where a state of emergency was imposed by General Pervez Musharraf. Had India taken an Idealist position, and criticized the General, the Pakistanis would have refused such interference in their international affairs, a probable result had India continued its idealist policy. Instead, India issued a cautious statement regarding the declaration of emergency in Pakistan.

The next chapter will illustrate how India's rising economy and military capability could further its capability in becoming a new major power in the twenty-first century.