

**CHAPTER 4**  
**THE ROAD TO MAJOR POWER STATUS:**  
**THE CHALLENGES FACING INDIA**

There are two issues that should be taken into consideration regarding India's rise to power (Das, 2006). First, do the emerging powers, India, China, Brazil and South Africa, want to challenge the established international system? Second, would these emerging power countries want to cooperate with the current major powers, especially the United States? Based on the analysis of this paper in the previous chapters regarding the role of India in the last decade, India's foreign policy shows that it is balancing and hedging interests. However, as India's security strategy is still developing and there remains an absence of a well-structured security strategy, these factors will slow down India's ability to transform itself into a major global power. In fact, there are several vital challenges which could hinder India's rise, as mentioned by C. Raja Mohan, India's grand strategy states that its challenges could be divided into three geographic areas (2006). The first area consists of India's close neighbors. The second covers a more extensive region, spreading across Asia and the Indian Ocean to balance the influence of outside powers in order to prevent them from challenging its interests. The last recommended strategy includes the world stage, as India tries to place itself as one of the great powers. These three factors will be discussed further below.

**A. India's Challenges from Immediate Neighbors**

The challenges to India's security from its neighbors include: a secessionist movement in Kashmir, a mutual divide between Hindus and Muslims and the rising demands and competing for scarce economic resources (Nayer & Paul, 2003). Concerning political problems with India's smaller neighbors, the struggle for and the political turmoil between the interim government and the Maoist party, the rise of Islamic extremism in Bangladesh, the civil war in Sri Lanka and more must be considered. Pakistan also poses a major threat to India's security where religious extremism conflicts with the notion of a modern state model. One of the solutions to

promote peace and prosperity within the region would require preventing internal conflicts from weakening regional security, as well as resolving its own conflicts with neighbors (Mohan & Das, 2006). In addition, the consequences of partition that took place in 1947 poses another major challenge for India. It is questionable whether it can be overcome. To overcome this challenge, the possibility of whether India, Pakistan and Bangladesh can create a different frame of regional cooperation must be taken into consideration. If the U.S. joins India in constructing a cooperative framework in South Asia, and in reintegrating the subcontinent into a single economic market, the system will revert back to being as it was in 1947. This reintegration of India with its neighbors in South Asia could increase the possibilities for economic advancement in the long run (Mohan & Das, 2006).

The continuing and unresolved conflicts between India and Pakistan, which have become significant in regards to nuclear acquisitions by the rival states, are still likely to continue in the future. Although, several peace proposals have been considered in the past, there are no signs of a permanent settlement in the near future. However, the conflict has become less relevant to India as the United States' position on Kashmir since the late 1990s has removed the negative perception of India that the United States would support Pakistan in case of regional conflicts. The positive developments continued under the previous United States administration, as they avoided inserting themselves directly into the conflict, also requesting that Pakistan take responsibility for cross-border terrorism. Thus, the role of the United States is a source of positive influence on Pakistan which has meant a corresponding willingness on India's part to work toward a solution. These developments have initiated the way for a peace process between the two countries. India has begun to negotiate seriously and there has been agreement on a range of confidence building measures. One issue that remains sensitive is related to Indian Prime Minister Singh's insistence not to give up any Kashmir territory still controlled by India.

Regarding the border dispute with China, India has decided to obtain a settlement through political cooperation. As a result, in April 2005, India and China agreed on several principles to guide the final settlement.

Despite a series of high ranking meetings after the attacks on India's Parliament by Pakistani-backed terrorist groups on December 2001, there has been

little progress on the territorial issue. As the Pakistani government continues to support the insurgents in Kashmir, India had to station large numbers of troops to maintain security order at the India-Pakistan border. Although it is unlikely that the issues will disturb India's ambitions to emerge as a global power, the Kashmir crisis will distract India's leaders and could potentially start another war with Pakistan. The dispute will remain a potential flashpoint for yet another Indian-Pakistani conflict, where the United States is likely to play a role in facilitating a solution to the conflict by urging both countries to reach an accord. Nevertheless, India's growing economic and military power makes it less likely that the Pakistani-supported insurgency in Kashmir will weaken the costs of maintaining a large military troop in the region (Ganguly, 2006).

### **B. India's Challenges in Asia**

The continued growth of China's national power, including its economic, military, political and technological capabilities, in addition to the way in which China will employ this power, will undoubtedly have major consequences for Asia, particularly India. Thus, the rise of China will have a multi-dimensional impact upon other states in the Asian region. The future direction of Chinese foreign and military policies will greatly affect regional security. India, estimated to be a major future competitor, will be affected by these developments resulting from the growth of China's power. Both China and India are still in the middle of economic development, industrialization and modern state formation. However, China and India are likely to become two of the five largest economies of the world within the next two decades. The growth of these two major powers will be a significant factor in shaping the future political and security environment of Asia.

Historically, India has had a difficult relationship with China over territorial and other issues such as Tibet, conflicting world views and strategic positions, both during and after the Cold War. Despite these factors, the relationship has improved through regular diplomatic talks to settle outstanding issues and promotion of military exchanges to prevent conflict. There has been little progress in resolving outstanding disputes such as the issue of the Dalai Lama. At present, China is concentrating on

increasing its power and influence on the strategic relationships of power in the Asian region. China is forging strong economic and military relationships with surrounding countries including creating defense ties, cooperation, and sale of military equipment. These are examples of its policy, in an attempt to gain geopolitical superiority in Asia (Sahgal, 2003). China has been assisting Myanmar in economic, defense and infrastructure development. China and Bangladesh have signed a cooperation agreement aimed at providing support and equipment to the Bangladeshi armed forces. Similarly, the Sino-Pakistani defense cooperation is an attempt to maintain military balance in the region. China has also been providing economic assistance, building strategic roads and defense cooperation with Nepal, while supplying a large quantity of military hardware to Sri Lanka.

Consequentially, India needs to enhance its overall national power and deterrence capability in terms of military and economic development as well as political relations with ASEAN and Middle East. India should provide its own economic assistance to counter China's growing influence. Joint military exercises and defense collaboration will also help India in improving relations with its neighbors. India should also engage China with cooperative policy in order to provide benefits and avoid counterproductive outcome.

### **C. India's Challenges on International Stage**

The analysis of India's rising is based on the realist concept corresponding with Nayar and Paul's notion that a loose oligarchy based on differentiation in power largely manages the international system (Nayar & Paul, 2003). As a result, regional containment is another significant factor represented by constraining policies pursued by the major powers. For instance, the United States supplies arms to India's regional adversary, Pakistan, which has assisted in order to balance Indian power within South Asia. The creation and maintenance of international regimes would contain India's development of military capabilities, which is necessary for obtaining major-power status.

More importantly, India should adopt a strategy which is not concerned only with military security, but also economic security. It should attempt to increase the

wealth of the country and economic capability, considering it equally important for gaining and retaining state power position in the current international system. The political problems regarding the nuclear weapons program in the past and the opposition of the major powers create a complex and difficult security environment, becoming very challenging for India. Today, India is still facing nuclear challenge from both China and Pakistan. In terms of economics, India is still facing economic disparity where the gap between the rich and the poor has significantly been widening.

In the past few years, the United States acknowledged India as a legitimate nuclear power and made a deal which has gone further, beyond the concept of strategic partnership, with India. India is now also authorized to import uranium, a resource it has been lacking, stalling the progress of its nuclear program. Nevertheless, India has not engaged in selective proliferation, supplied nuclear materials to any potential nuclear states and seldom used its own technology as a force to gain access to the MTCR. For instance, in June 2005, India and the U.S. signed a 10-year defense framework agreement that calls for expanded joint military exercises, increased defense-related trade, and establishment of a defense and procurement production group. India has long relied on Russia for arms supplies but, to modernize its military, it is increasingly looking to purchase advanced weapons systems from the United States. The U.S. views India as a close partner in enhancing security in the Indian Ocean and has prioritized the improvement of maritime cooperation. They have conducted over 20 military exercises since 2002. Indian maritime security extends from the Gulf of Hormuz in West Asia to the Straits of Malacca in South East Asia. This large maritime zone is one of the World's busiest sea lanes for oil and raw materials and is critical to India's sustained economic growth and security. Japan has shown increasing interest in expanding military cooperation with India in the maritime area.

Apart from the tri-leveled strategy mentioned above in this paper, other critical challenges India is currently facing are partial economic reform and energy shortage.

### **D. Incomplete Economic Reform**

The high growth of India's economy has mostly benefited the urban middle classes, particularly in IT services, where it has not really spread to the hundreds of millions of poor in the countryside. The economic reform in 1991 represented some defects as the Indian agriculture sector remains unreformed. Razeen Sally claimed that India still remains unreformed in many sectors (Sally, 2007), for instance, high external and internal trade barriers, extreme subsidies captured by rich farmers, uncertain property rights, and poor rural irrigation and infrastructure. These factors result in hundreds of millions of villagers inevitably stuck in a miserable existence on small, unproductive plots of land. Thus, India's reformation is benefiting people with political connections, leaving behind a serious burden to the one-billion-plus Indians outside the protected groups of the upper and middle classes (Sally, 2007). In contrast to the booming IT sector, India's industry and manufacturing have dropped because of high interest rates, excessive import tariffs, rigid labor laws and poor infrastructure. For instance, industrial employment is blocked by labor market restrictions because there are severe controls on hiring and firing, protecting a tiny unionized labor aristocracy. There is promotion of capital-intensive production but discouragement of labor-intensive production. Poor power generation and infrastructure create even more problems. In addition, there are still major restrictions on foreign investment in major service sectors such as banking, insurance and retail. These obstacles have caused India's industrial sector to become increasingly uncompetitive in the global market.

In the short term, perhaps the best way for India to improve situation of the rural poor people might be to promote an agricultural revolution (Das, 2006). Unlike the manufacturing sector, India has a competitive advantage in agriculture, with plenty of land and a suitable climate for plantation. To achieve such change, however, India would need to shift its focus from peasant farming to agribusiness and encourage private capital to move from urban to rural areas. It would need to lift onerous distribution controls, allow large retailers to contract directly with farmers, invest in irrigation, and permit the consolidation of fragmented holdings. In addition, Gurcharan Das claimed that "Indians now believe that their bureaucracy has become a prime obstacle to development, blocking instead of driving economic reforms. They

think of bureaucrats as self-serving, obstructive, and corrupt, protected by labor laws and lifetime contracts that render them completely unaccountable.” (Das, 2006)

Since economic liberalization in 1991, the elite group that has been the major influence of the foreign policy, which was led by the Prime Minister and several other ministers, were separated from the political and intellectual elites. This has allowed room for a wide range of opinions, including those from other political parties and civil society, participating in foreign policy debates. For instance, the Indian-U.S. Civil Nuclear Deal 2006 has recently been opposed by the communist party, one of the coalition parties of Singh’s government. Likewise, India’s economic modernization and liberalization programs still progress slowly due to political and ideological differences between the government and private sectors. Obstacles also include domestic consensus for India’s political, economic and security concerns within its democratic system, which has been a challenge for India.

### **E. Energy Shortage**

Concerning Indian energy consumption, its rapidly growing energy requirements have become one of the primary drivers of its foreign policy in Asia. India is the world's 11th largest energy producer and sixth largest energy consumer, importing more than 65 percent of its oil needs (Hate, 2007). Thus, India clearly must reconfigure, expand, and diversify its energy industry in order to maintain economic growth. Additional electric power generation must be built to accelerate its annual gross domestic product growth from 8% to 10% by 2010. With its growing economy, India’s increasing demand for energy is unavoidable, making energy security a core challenge for India. India currently operates 14 nuclear power reactors, but the nuclear reactors currently under operation are all small, generating only about 3.3 percent of India’s electricity. These old nuclear power plants have all been suffering from lack of modern technology as well as a fuel shortage, a result from the sanctions imposed on India when it tested a nuclear weapons (Lakshman, 2006). India plans to build 20 additional reactors which would enable it to increase output to 7 to 10 percent of India’s total energy-generating capacity by 2020 (Das, 2006). Undoubtedly, the only way to solve the problems faced by the Indian civil nuclear

sector is to import technology. Thus, India hopes to acquire various forms of technology for both civilian and military use. The U.S. President Bush and Prime Minister Vajpayee announced the Strategic Partnership program which is an attempt to expand cooperation in civilian nuclear activities, civilian space programs and high-technology trade in January 2004 (Das, 2006).

However, there were many difficulties that awaited the Bush administration and Singh's government to implement the civilian nuclear partnership. On the U.S. side, there were many negative reactions from the U.S. Congress. Congressional representatives argued that the U.S. could not afford to chose favorites and violate the non-proliferation regime to favor one country at the risk of undermining international treaties in nuclear weapons (The U.S.-India Nuclear Deal, 2006). India's non-signatory status in relation to the NPT meant that it would find it difficult to lend their support to the Bush administration's decision to provide India with civilian nuclear reactors. American politicians have raised the possibility that Pakistan might also demand the status given to India. A denial to Pakistan might mean growing anti-U.S. feelings in a state crucial for the success of war on terrorism. Thus, another main obstacle would be the international non-proliferation regime which might be at risk if the U.S. were to make an exception for India. The nuclear agreement would establish a precedent and open the U.S. to charges that it is not committed to the non-proliferation regime to which it is a party (Mohan & Das, 2006).

On the Indian side, although the Indian parliament does not have to ratify the cabinet-approved version of the deal, India's domestic politics could also delay its implementation. The growing pressure from leftist parties has made Indian Prime Minister Singh slow down negotiations with the United States on a civil nuclear deal. The leftist parties hold about 60 out of the 545 seats in India's lower house of parliament, and the Congress-led government needs their support to maintain power (Curtis, 2007). They argue that the deal would weaken India's strategic independence and bind it too closely to U.S. foreign policies. The main opposition party [BJP](#), who had started negotiations on the agreement when in power, criticized the deal saying that it compromised India's nuclear weapons program. More importantly, the communist parties, which are not a part of the government but support it externally in the [Indian Parliament](#), threatened to withdraw their support over the issue.

After discussions between UPA Leftist parties, the Indian government decided the impact of the provisions of the Hyde Act and the 123 Agreement on the IAEA safeguards agreement should be examined. Indian External Affairs Minister Pranab Mukherjee said that the IAEA Secretariat must work out the text of the India-specific safeguards agreement and the outcome will be presented to the committee for its consideration before the government finalizes its findings (The Hindu, 2007). Thus, on 17 November 2007, the leftist parties provisionally agreed to let the government initiate talks with the IAEA for India's specific safeguards, which is being seen as a good sign for the deal eventually getting through. More importantly, Prime Minister Singh must also build a national consensus in support of a deal that will benefit India and strengthen its relationship with the U.S., explaining how it benefits India's economic, global, and security interests. Were the agreement to go forward, India's rise in the world arena would help it strengthen its strategic position and meet its growing energy needs. It is also uncertain whether a new U.S. president would place the same high priority on getting a nuclear deal passed with India. The new U.S. administration might decide to focus its attention on other, less contentious aspects of the U.S.-Indian relationship.