



LSE India Summit 2017 Working Paper #3

1. Does Forced Philanthropy Work? CSR in India
2. Does India Need 'Virtual Water'?
- 3. India Abroad: From Third World to Regional Power**
4. Do We Need a New Constitution for India?

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Executive Summary

Although India's protracted tradition of Nehruvian non-alignment and Gandhian moral fortitude in the context of her foreign policy must be celebrated as she comes to mark 70 years of independence, this foreign policy approach is quickly becoming anachronistic in light of current shifts in international politics.

The Foreign Policy panel at the India at 70: LSE India Summit 2017 covered topics including the changing nature of the regional public good in South Asia and Indian soft power across the region; the future of India's hard military power in light of growing tensions in her relationships with China and Pakistan; the future of India's position as a regional power in light of Brexit and the incipient Trump administration; and the key capacity-building strategies through which India hopes to become a more influential international political actor.

Panellists

Rakeesh Sood, Distinguished Fellow at the Observer Research Foundation, media commentator and former diplomat

Meera Shankar, former Indian diplomat specialising in US-India relations, Germany-India relations, and India's relationship with Bhutan and Nepal in the context of SAARC

Jayant Prasad: Director General of the Delhi-based Institute for Defence Studies and Analyses, and former diplomat

Kanwal Sibal: former Indian diplomat and former Foreign Secretary

Ashley Tellis, Senior Fellow at the Carnegie Endowment for International Peace specialising in international security, defence, and Asian strategic issues

The panel was moderated by **Jyoti Malhotra**, a freelance journalist based in New Delhi specialising in current affairs and contemporary political developments.

Introduction

Jyoti Malhotra initiated the panel discussion by asserting that India's foreign policy has always reflected the state of her domestic politics, particularly when it comes to determining the role that military interventionism and force will play in India's engagements with the outside world. As highlighted by Ambassador Kanwal Sibal, India's past track record of hard-line non-alignment and non-interventionism is grounded in Mahatma Gandhi's ground-breaking philosophy of *ahimsa* (i.e. non-violence) and Jawaharlal Nehru's ideological belief in the need to create a politically, economically, and socially self-sustaining postcolonial India. With the obvious exception of India's military skirmishes with Pakistan and China over the course of the Cold War, India has been able to stay true to these Gandhian and Nehruvian roots.

Shifting geopolitics and India's defence budget

The panellists were quick to applaud India for the moral fortitude of her post-independence foreign policy and the social development deliverables that she has been able to achieve despite the challenging conditions the Indian government inherited at independence. However, serious concerns were also raised about the future of Indian hard power in light of how, as a result of the shifting locus of international geopolitical power towards China, key international developments are unfolding on India's doorstep. This provides a sharp contrast to the days of the Cold War, wherein the majority of the world's formative political developments were occurring away from India.

Ambassador Jayant Prasad indicated that Indian hard power is currently confronted with an important conundrum because of the restrictions that India's defence budget is facing. On account of the sheer scale that is naturally required for the maintenance of India's internal security, the breadth of its external engagements, as well as the number of unresolved border disputes that India maintains with China and Pakistan, a defence budget amounting to less than \$40 billion USD is simply not enough. Around a quarter of that budget on capital acquisitions or acquiring new platforms and military equipment so as to enable her military forces to function properly.

How does this compare to other prominent international powers? The present defence expenditure of India, amounts to around 1.6% of GDP, lower than Britain which has a defence budget to 2% of GDP. India's procurement budget amounts to around 0.4% of GDP, compared to countries like the United States, China, and Russia, which are spending around 0.91-0.92% of GDP. The Ambassador stressed that this low level of expenditure is simply not appropriate for the Indian context as a result of how this places a troublesome constraint on India's hard power potential during a politically turbulent time in South and East Asian regional politics.

Developmental interventionism within the South Asian region

In light of India's increased need to assert her potential for stabilising China's rapid advancement within South Asia, one of the most important developments to arise from the discussion between the panellists was the notion of how India's post-1991 economic liberalisation and sustained double-digit economic growth have subsequently led to a reformulation of her position as a locus of regional geopolitical power in South Asia.

A new regional public good

As remarked upon by Ambassador Prasad, this is particularly highlighted by the pioneering role that India maintains in the emergence of a new regional public good across the South Asian region. Overtures to greater connectivity and economic cooperation can be seen, for example, in the emergence of the Bangladesh-Bhutan-Nepal-India (BBNI) Initiative as well as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). India has also been involved with the economic development of contemporary Afghanistan through its involvement in the Afghan-India Friendship Dam in Herat, as well as its involvement in the establishment of transmission towers and grid connectivity between Uzbekistan, Kyrgyzstan, and Afghanistan. Through these development interventions, Afghanistan has not only gained direct access to the Persian Gulf, but has also benefitted from significantly expanded electricity access. This marks a fundamental shift in the way Indian soft power is exerted in the region. In the past, this has predominantly been exercised through the institutionalisation of English as a lingua franca in the nation's domestic and foreign politics, the cultural influences of Bollywood, and the socioeconomic and political influence of the Indian diaspora. India's attempts to redefine the regional public good is indicative of a reformulation of the nation's soft power exertion mechanisms in the face of Chinese involvement in the economic development of India's neighbours.

Beyond Bretton Woods

Ambassador Prasad also drew the audience's attention to the fact that India's increased involvement in the economic development of the South Asia region via such international organisations like the Asian Development Bank and the Asia Infrastructure Investment Bank reflects her movement away from such dictatorial financial institutions like the World Bank and the International Monetary Fund, whose structural adjustment initiatives have, in turn, created to be neglected, creating further geographies of disparity.

an unsustainable model of austerity management within the country. Ambassador Rakesh Sood remarked India's appeals for developmental assistance from non-Western international financial institutions furthermore reflects a fundamental shift in the locus of geopolitical power from Euro-America to the Pacific Rim more generally.

The limits of SAARC

The emergence of this new regional public good has not, however, been left unaffected by the lingering geopolitical tensions that exist between India and Pakistan. As also highlighted by Ambassador Meera Shankar, India's involvement in the emergence of a new regional public good also reflects a move away from the South Asian Association for Regional Cooperation (SAARC) on account of Pakistan's systematic attempts to impede the efficacy of this organisation, particularly in its insistence to not grant India 'Most Favoured Nation' status in the context of economic trade, which would otherwise institutionalise the widespread implementation of free, non-discriminatory, and lucrative trade within the South Asian region.

Democratic development

So, what are the characteristics of contemporary India that will allow it to continue operating as an important proponent of regionalising Nehruvian economic development whilst also holding onto its moral standards of military non-interventionism? According to Ambassador Prasad, the sheer scale of her population

certainly plays an important role in all of this, which is only augmented by the fact that India maintains the third largest economy in the world in terms of purchasing power parity. As also highlighted by Ambassador Shankar, India's attempt to manifest economic development through democratic (as opposed to benign authoritative) means is also an important normative precedent for the future of sustainable economic and societal development in Asia more generally, and is a development model that is worth exporting to other parts of the region in the interest of regionalising the kinds of democratic values that operate as the bedrock of Indian society.

Contemporary challenges: China, the Trump Administration, and Brexit

Discussions between the panellists and audience members alike also revolved heavily around contemporary debates on Brexit, China's economic rise, and the Trump administration and their implications for Indian foreign policy makers.

The India-US-China triangle

As argued by Ambassador Sibal, India needs to interpret her relationship with the current US government through the prism of how Trump is positioning the US vis-à-vis China. The Trump administration's ambivalent attitude towards key tensions in the US-Sino relationship, such as the South China Sea dispute, has made it difficult for India to take a position, and decide whether her relationship with these powers needs to be interpreted through an economic or security-oriented lens. Ashley Tellis also provided further insight into the aforementioned ambiguity within Trump's approach to international politics, underlining that it is currently unclear whether Donald Trump will seek to preserve the traditional geopolitical alliances his predecessors favoured to balance the geopolitical rise of China.

Counterbalancing China's rise has characterised India's engagement with the United States for the past fifteen years or so, so if this not a key policy objective for Trump it will undermine one of the most significant drivers of India-US relations. According to Ambassador Rakesh Sood, pre-Trump Washington consistently emphasised that India's economic and political rise was a fruitful stabilising force in the context of international politics, particularly in the geopolitics of South and East Asia.

Dr Tellis also emphasised the importance of the security consideration on account of how the new dynamic of bipolarity that exists between the United States and China is less than favourable for India. This is due to the bilateral security disputes that currently haunt Indo-Chinese relations. A particularly contemporary manifestation of these security tensions can be seen in the recent Doklam border crisis that has been irritating Indo-Chinese relations since June. As highlighted by Ambassador Sibal, tensions with Beijing have also had major ramifications on existing tensions with Islamabad. The establishment of the China Pakistan Economic Corridor (CPEC) as a Chinese lynchpin for gaining strategic access to the Eurasian subcontinent, the Indian Ocean, and the Persian Gulf, particularly galls Delhi.

Economic incentives for continued US-India engagement

If indeed the Indo-US security relationship were to weaken, it would inevitably impact the various economic irritants that currently plague Indo-US relations, particularly regarding student and employee visa disputes, immigration disagreements, as well

as protracted disputes over market access for both Indian and American corporations. Although both Ambassador Sibal and Dr Tellis viewed the future of Indo-US relations as looking troublingly uncertain, Ambassador Sood was far more optimistic, insisting that the US, even under Trump, will continue to recognise India as a rising power that is worth cultivating relations with. He attributed India's continued prominence in American foreign policy considerations to the influence of the Indian diaspora in the context of American domestic politics.

Therefore, if the Indian economy continues growing benignly at a rate of 8-9% so as to incentivise American economic interests in the region, and if the Indian diaspora continues to keep the American political system engaged with matters relevant to India, then it would be fair to assume that the nature of Indo-US cooperation will continue on good, stable footing. The positive outcomes from Prime Minister Narendra Modi's recent visit to the United States (in relation to increased counter-terrorism and economic cooperation) would certainly imply that Ambassador Sood's optimistic forecast of Indo-US relations under the Trump administration is not unrealistic.

India's relations with post-Brexit Britain

The panel took place just two days after the UK Prime Minister Theresa May formally triggered Brexit so it was no surprise that this topic came up in the course of the discussion. The panel suggested that India's engagement with post-Brexit Britain will not be quite as compromised as some sceptics have suggested. Although Britain cannot formally draw up any trade agreements with India until it has formalised its divorce from the European Union, Ambassador Sibal was confident that the Indian private sector would continue conducting business with Britain. The majority of India's contemporary economic engagement with pre-Brexit Britain does not go through Brussels, and so it would seem unlikely that the Brexit process would severely change the means through which India engages with Britain. However, it may become harder for Indian companies interested in conducting business on the continent to use London as an operations hub.

Recommendations

- The socioeconomic efficacy of SAARC will continue to be impeded if Pakistan is unable to grant India 'Most Favoured Nation' trade status. It is therefore of paramount importance that any diplomatic negotiations regarding the future of SAARC address this issue so as to ensure that free trade is able to manifest successfully amongst the member states of SAARC.
- In light of India's gravitation towards non-Western sources of developmental finance, India should be aiming to expand her definition of 'neighbourhood' so as to not only include the South Asia region as it is conventionally understood, but so as to also begin taking East and Southeast Asia into consideration as both strategic political allies and economic trading partners.
- India needs to focus on choosing a path of international engagement that is most conducive to her ambitions for sustained politico-economic rise within her neighbourhood whilst also being able to maintain the required degree of security so as to mitigate threats from surrounding hostile states.

- As instructively pointed out by Ambassador Shankar, India will also need to focus on diversifying her current export repertoire by going beyond such common exports as automobiles, pharmaceuticals, as well as pulses and rice if she wishes to increase her economic engagement with the rest of her expanded neighbourhood. This will be particularly important when it comes to development areas like the rising economies of Southeast Asia.
- One productive area of expansion would be the production of domestic hardware. This would augment India's already blossoming tech-industry, and enable her to compete in this export market. In addition, more hardware could be produced indigenously, which would subsequently lower the risk for importing malware designed to compromise the integrity of her digital infrastructure.
- India must increase the degree of expenditure that is currently being diverted to the military if she wishes to increase the force of her hard power during these troubled geopolitical times in the South Asian region.
- As argued by Ambassador Shankar, India must expand the size of her foreign service if she wishes to maintain the kind of efficient and intimate diplomatic discussion that emerging economies like China are able to coordinate through their large missions in key foreign policy hotspots like Washington DC.
- The Indian Government needs to continue bolstering relations with its international diaspora so as to ensure that India will retain a position of prominence in the foreign policy objectives of key international powers with large expatriate populations, like the United Kingdom, Canada, and the United States.
- If India wishes to continue exporting her democratically-led development model to other parts of South Asia, the Indian Government will need to continue investing in improving such quality of life indicators like education, gender emancipation, economic empowerment, digitisation, as well as environmental conservation.



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