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CHAPTER

India and Neighbourhood Policy— Key Drivers of the Relations

After reading the chapter, the reader will be able to develop an analytical understanding on the following:

- Historical analysis of India's engagement with the neighborhood
- India's Neighborhood First Policy
- Core Elements of Neighborhood First Policy
- Problems in Neighborhood First Policy
- Stratospheric Diplomacy
- Role of border states in Neighborhood Policy

HISTORICAL ANALYSIS OF INDIA'S ENGAGEMENT WITH THE NEIGHBOURHOOD

The entire South Asian subcontinent was unified under the British for the first time after the decline of the Mughal Empire in India. The British established a double line of defence, based on the policy of reverse slopes. Under this policy, as per the plan envisaged by the British, China and Russia were to have no presence in the subcontinent and the British tried to ensure this through the subordination of individual states. The British established a buffer state fence on reverse Himalayan slopes. The Partition of India and Pakistan in 1947 saw a reversal of the reverse slope policy and opened up the possibility of foreign intervention in the region which India did not favour. After the Partition in 1947, despite a loss of territory in borders of West and East, India emerged as a pre-eminent regional power since a huge amount of land still came to India. Due to a huge territory and its geographical importance in the subcontinent, the subsequent security conception of India was not national but geopolitical and regional in nature. India realised that, due to its geopolitical location, it would witness a threat first from powers of the region than powers outside the region. India felt that it may witness a threat from the neighbours who may be weak or unstable. India was of the view that if a neighbour is weak or unstable, it would be given an option to decide whether it wants an external, more powerful state, to intervene. This would bring external powers to a zone, India felt fell in its own sphere of influence.

India felt that an unstable Pakistan meant a high possibility of a foreign intervention in Pakistan. Due to this reason, India has always favoured a stable Pakistan, but also not a Pakistan that may be strong enough to potentially emerge as a threat to India. China, through its investments in the Gwadar port and the China– Pakistan Economic Corridor, has favoured developing a strong economy in Pakistan to keep India under check. Thus,

for India, security of South Asia is based on stability of South Asia. India, in the neighbourhood, faces a Gringo problem. Like USA, India has realised that assuming dominance is a complex process. Other Asian states harbour a similar feeling for China. India has its own regional security policy. It feels that the South Asian subcontinent is India's sphere of influence where India can be the only power that can intervene. India's ideal policy is not to allow outside powers to intervene in South Asia as it feels that South Asia is its exclusive sphere of influence. Nehru propounded this view during his earliest days as Prime Minister. Some scholars have referred to such a view as the Indian Monroe doctrine. In the 19th century, USA exercised a similar influence in the Western hemisphere under the Monroe Doctrine. Nehru, after Independence, resonated with similar views when he advocated that foreign colonial powers should stay out of South Asia. During the Cold War, India followed the foreign policy of trying to limit the influence of foreign powers in Asia, but such an attempt proved difficult for India. During British rule, smaller states were provided a sense of security by the British. India lacked both the resources and the experience in governance to extend the same to its neighbouring states.



However, India, during Nehru's times, followed a global strategy of non-alignment to keep India away from Cold War politics. The neighbourhood policy did not receive the same attention as India tried to position itself as a neutral force in the era of bipolarity.

The coming of Indira Gandhi brought about a change in India's neighbourhood policy. She added a new component of bilateralism in the neighbourhood policy. Indira Gandhi insisted that India should bilaterally resolve issues of the region without any intervention from external powers. Indira ensured that external powers have no role when matters are resolved bilaterally by India. The Indian neighbourhood policy, for that matter, was always fraught with contradictions. Regionally, in South Asia, India clung to the precepts of the balance of power and sphere of influence, while rejecting the same internationally. Regionally India provided security to small nations while internationally opposing the intervention of the great powers in the affairs of the weak states. India, under Indira, preached bilateralism at a time when it globally advocated for multilateralism. Another feature of Indira's neighbourhood policy was that she resorted to military interventions with a neighbour if it threatened India's security. India's intervention in 1971 during the East Pakistan crisis is a testimony to the fact. Many of the neighbours began to perceive India's military strategy as an interventionist approach.



When Rajiv Gandhi assumed control, the Indian intervention in Maldives and Sri Lanka in 1980s (explained in the subsequent chapters) transformed India into a perceptual regional hegemon. Many scholars raised issues with India establishing itself as a regional hegemon. They asserted that India, during Indira and Rajiv's times (under Indira Doctrine and Rajiv Doctrine), did not provide economic and security benefits to the neighbours (as the definition of a regional hegemon warranted). In fact, as mentioned earlier, the South Asian states perceived India's doctrine as interventionist in nature.



When the Cold War ended, India began to realise that the interventionist approach had become unsustainable. India was visibly upset by rising anti-Indian sentiment. In 1996, India began to negotiate a water sharing treaty with Nepal (explained in detail in the chapter of India–Nepal relations ahead). As the negotiation proceeded, a perception began to evolve in Nepal that India was grabbing the only national asset (water) that Nepal could lay claim to. As the crises deepened in 1990s, a new approach to the neighbourhood policy was needed.

When P V Narasimha Rao became the PM, he evolved a fresh approach to the neighbourhood policy. He followed a hands-off approach. His idea was that India should not interfere in the functioning of the neighbouring states. If the hands-off policy did not create new tensions, it also did not contribute to reducing old problems. Later the, approach of Rao was carried forward by Gujral. I K Gujral, as Prime Minister, introduced a proper doctrine for the neighbourhood for the first time.

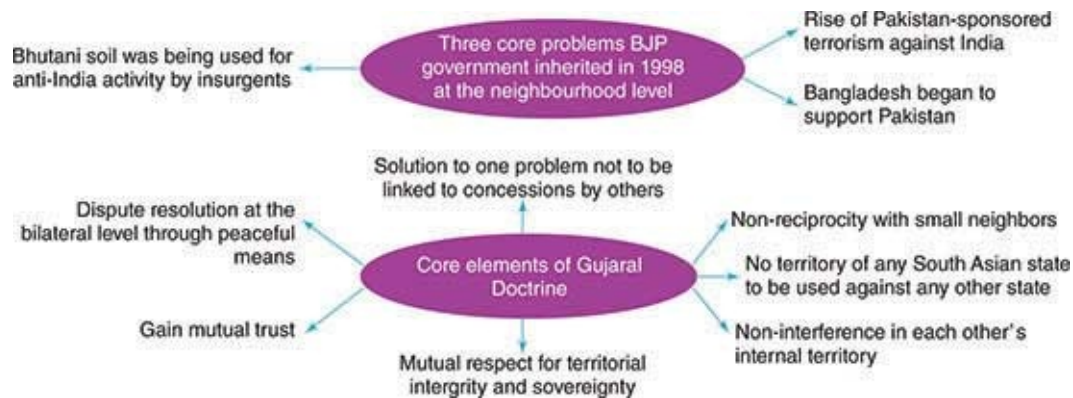


I K Gujral's foreign policy doctrine was based upon the logic of non-reciprocity and generosity. Under Gujral, India re-evaluated its self-interests and decided to be more generous towards its neighbours. Under the Gujral Doctrine, India's avowed aim was to build goodwill amongst its neighbours instead of leaving space for the development of anti-India sentiments. India, though its non-reciprocity and generosity, wanted to show to the neighbours that there lay a huge economic and political benefit in cooperating with India.



Some in the Indian foreign policy establishment found that the Gujral Doctrine was idealistic, but the neighbours and the other states appreciated non-reciprocity and generosity. The first missing link in the Gujral Doctrine was that Gujral did not have ample amount of time as the PM to force the foreign bureaucracy of India to accept the

value of cooperation. Moreover, despite advocating openness and generosity, the Gujral Doctrine was reluctant on opening up foreign trade in the region.



When the Bharatiya Janta Party came to power in 1998, it became busy in managing the fallout of the Pokhran-II test. Most of the energies of the BJP were diverted into managing Pakistani state sponsored terrorism. The BJP government began to realise that Pakistan's Inter-Services Intelligence (ISI) had begun to deepen its presence in Nepal and Bangladesh. The subsequent hijacking of the Indian Airlines IC-814 aircraft was testimony to this.

As the BJP government began to shift its focus to its neighbours, it decided to use SAARC as platform for regional cooperation. However, the government was not able to achieve much success in using SAARC as a platform due to problems caused by Pakistan. The Vajpayee government wanted a kind of South Asian Union by upgrading the SAARC where there was a free trade amongst states and a very small negative list. India had a grand vision of using the South Asian Union under SAARC not only for economic cooperation but as a political union in the lines of European Union. However, one reason why the idea failed was that India, under the BJP, insisted on a security guarantee for economic cooperation. Till 1947, the South Asian subcontinent had good trade relations, but, when new borders were created, trade began to decline. Pakistan never opened up on trade owing to hostilities with India. Bangladesh, after a few years of its creation, also ceased enthusiastically cooperating on the economic front with India. Border trade became negligible. Globalisation had impacted trade, and it had compelled some neighbours to open up to India. However, since trade remained in favour of India due to trade surplus, the states were reluctant to further open up.



The Manmohan Singh government too tried to use SAARC as a platform to further integration amongst the neighbouring states. The UPA government favoured political dialogue with neighbours. It almost followed all dimensions of the Gujral doctrine without publicly accepting the same.

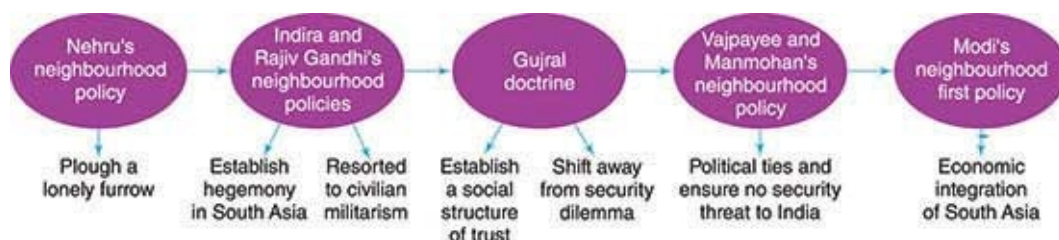
INDIA'S NEIGHBOURHOOD FIRST POLICY

The previous section analysed India's regional policy with respect to its neighbours as influenced by many regional dynamics. Firstly, in South Asia, since the end of the Cold

War, there had been a rise of international involvement in regional affairs. After USA invaded Afghanistan, it has continued to remain a dominant power in Afghanistan. This has only gone on to cement the USA–Pakistan relation that has been in existence since the Cold War. The USA’s dependence on Pakistan increased after USA invaded Afghanistan.

Sri Lanka, on the other hand, witnessed the rising LTTE problem. In the recent times, Norway had emerged as a core player in solving the LTTE crisis in Sri Lanka. Nepal too has always been dependent upon foreign powers for economic assistance. There has been a rising Chinese presence in the region of South Asia. The Chinese Belt and Road initiative and its rising presence in the Indian Ocean have given jitters to India. India has realised the need to be a rising power in the post-Cold War times, which, many scholars read as India’s tendency to behave like a proto-imperialist power. India, according to such scholars, has not been able to enhance its influence in South Asia and has instead been perceived as a second-tier imperialist power by the South Asian states.

Though, this scholarly view resorts to an extreme picture, the ground reality is that India’s abilities to push a strong regional agenda in its quest to emerge as a rising power has remained weak. Since the beginning of the Cold War till the present, the societies of South Asia, instead of working with each other to enhance cooperation at the regional level, have preferred to look towards the North for technology and resources. Due to this, economic interaction and integration of the South Asian region has remained largely neglected. Some scholars assert that India has tried to emerge as the regional hegemon, but this may not be a genuine assessment of India’s neighbourhood policies because a regional hegemon provides economic and security benefits to other states while India has not done any such thing in South Asia. It is in this context, to rectify its earlier shortcomings in the neighbourhood policy, that India has announced its ‘Neighbourhood First’ policy in 2014.



Modi’s vision of South Asia and the initiation of the neighbourhood first policy began on a political high when Modi invited all SAARC nation heads for his swearing-in ceremony in 2014. The idea of the neighbourhood first policy is to link India’s development to the development of South Asia. In order to realise this vision, a special focus is given to SAARC and the idea is to transform the entire South Asian region into an integrated economic union with enhanced connectivity. The neighbourhood first policy has picked up grains from the Gujral doctrine without publicly accepting the same. India, under the neighbourhood first policy, has conveyed that it shall attach enormous political and diplomatic capital to fostering cooperation with the neighbours. A special thrust is laid upon improving connectivity within South Asia so that all the states in the region can benefit from mutual cooperation leading to shared prosperity.



On the neighbourhood level, India has put a dedicated SAARC satellite for all its neighbours. The Indian Space Research Organisation (ISRO) launched the satellite in May 2017 for India's neighbours so that they take advantage of telemedicine and e-learning. Under the neighbourhood first policy, Modi first visited Bhutan. The subsequent chapter on India and Bhutan will throw light upon his core foreign policy achievements. His visit to Nepal also strengthened the idea of India prioritising neighbouring states. In a landmark visit to Bangladesh, Modi concluded the long pending Land Boundary Agreement. The visit to Sri Lanka happened after a long gap. Modi also became the first head of the state to visit the Northern Sri Lankan region where Tamils reside.

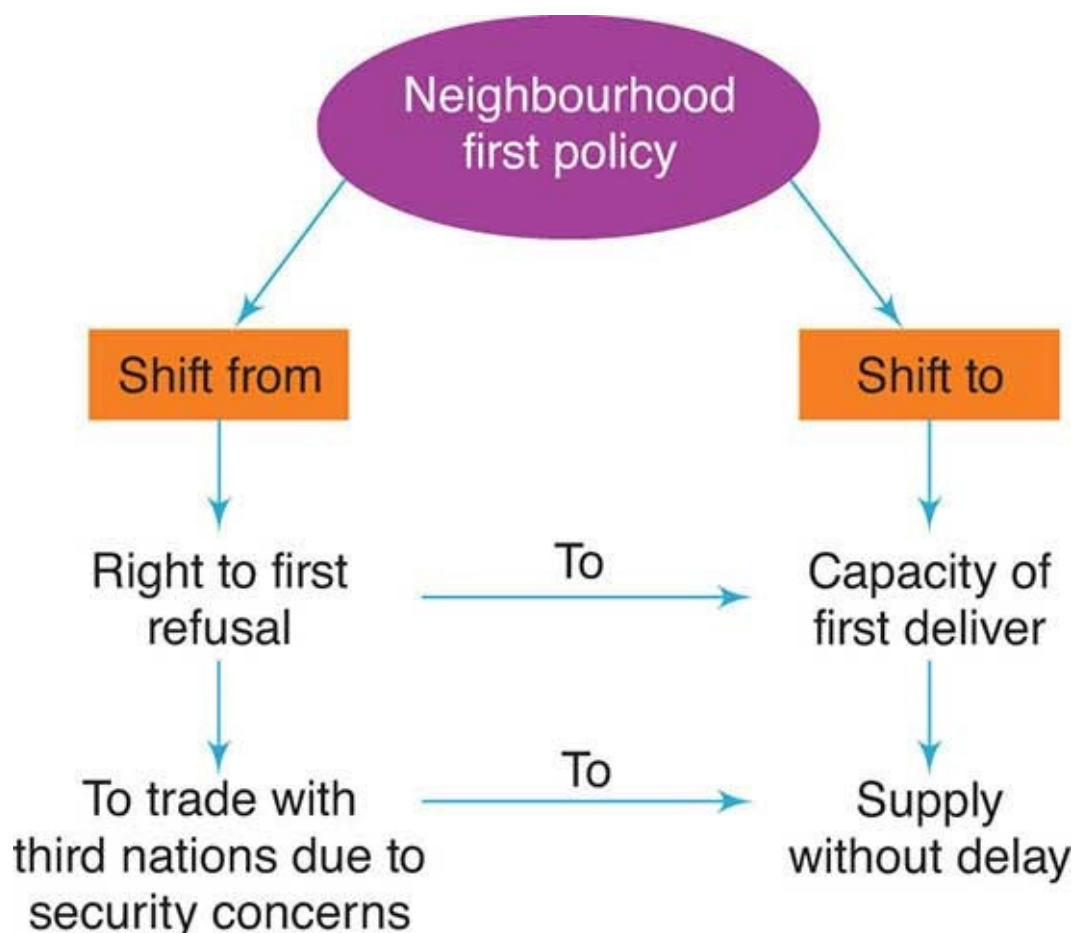
The basic idea of the neighbourhood first policy is that India would shape events in its neighbourhood rather than merely reacting to them. Such an attempt to shape events is in sync with India's quest to play an important role in global affairs. It also signified that India is now willing to shoulder responsibilities in its neighbourhood. Through the neighbourhood first policy, the idea is that India wants to adopt a well-defined model for promoting economic cooperation in areas of mutual interests. At the heart of India's neighbourhood first policy is the economic diplomacy strategically followed by India. India wants to use the neighborhood first policy not only to limit rising Chinese presence in South Asia but also expand India's influence in South Asia through commercial diplomacy. The focus of the policy is on fostering regional trade through connectivity. The idea of the policy is also to use its pro-USA tilt in foreign policy to achieve a larger role in South Asia by emerging as a Net Security Provider.



The core idea of Neighbourhood First Policy is '*Vistaarvaad Nahi, Vikasvaad*'. (The focus is not expansion but development for all.) India wants to establish a developmental compact with South Asia by line of credits, grants, skill development, and technology transfers to all in the neighbours. India wants the development compact as a catalyst for growth in South Asia.

Under the Neighbourhood First Policy, India has infused a new level of energy at two levels in its bilateral ties with neighbours. One of the first components of the new policy is to work upon building up of defence relationships. In 2017, when the Prime Minister of Bangladesh, Shiekh Hasina visited India, the two sides concluded a defence cooperation pact, In the post Cold War period, India has realised that the growing economic influence of China in India's neighbourhood is likely to have strategic consequences, Scholars argue that India has woken up late to the strategic power play in the subcontinent, but, India has now sought to expand its defence and strategic influence under the Neighbourhood First Policy. India now intends to build up its defence production base under Make in India

programme to catch up with China. Secondly, under the Neighbourhood First Policy, India has committed many projects in the neighbouring states but, there are several constraints in India's strategic diplomacy. Firstly, inadequate resources create a constraint. Secondly, most of the diplomatic scholars assert that even if India is able to commit projects, it fails to invest proportional diplomatic capital to pursue the projects. Due to this, the projects get delayed and lags are imminent. Thirdly, the strategic diffidence in the strategic culture of India is aggravated due to its insistence on going solo for such engagements. To address such issues, India needs to evolve a grand strategy for the neighbourhood. Secondly, India needs to evolve a multilateral approach based upon global consensus on core challenges. For example, when India asserts that a multilateral approach is needed in development, it can apply the same thoughts to live diplomatic instances. For the last 13 years, India has been trying to develop the Chabahar port in Iran. The project has been delayed and is yet to be completed. When we apply the multilateral formula, we argue that instead of India developing the Chabahar port alone, it can take help of Japan in financing and technology and co-develop the port. In fact, developing a loose multilateral coalition driven by the strategic objectives and interests of India can help in mitigating the self imposed unilateral biases we have in engaging with our neighbourhood. The essence of India's new policy is to build up a new geo-economic constituency in the neighbourhood.



Aid to the Neighbours

Since 1950s, India has given technical assistance to neighbours like Nepal, Sri Lanka and Bhutan. India has been giving Human Resource related training in India's

neighbourhood under non-planned grants in the budget. India uses ITEC scholarships and line of credits as a tool of development diplomacy. The Ministry of External Affairs grants lines of credits to Bangladesh, Bhutan and Nepal while the Department of Economic Affairs in the Ministry of Finance allows lines of credits to other states. In 2003, India launched the India Development initiative. Now, lines of credit are not granted by the Department of Economic Affairs but interest subsidies are provided to the Export-Import Bank of India (EXIM) bank and they, in turn, grant lines of credit. India also provides aid to foster relations as a goodwill gesture. Such aid is in sync with the ancient Indian value of *daan* or ‘charity’.

Some scholars argue that this aid is a step by India towards establishing regional hegemony while others tend to argue that aid by India to other states is to promote political and economic goodwill for mutual interests and shared prosperity. India and neighbours have a weak link at the political level. The exchanges are not frequent at the political level, and therefore, mutual trust has not been built up adequately over the years. Even when political exchanges happen, India has shown reluctance in compromising its expectations. Political will to resolve historical disputes with Pakistan and China has been relatively weak. Lack of economic, cultural, commercial planning and delivery deficits are high. South Asian nations feel that, for India, its neighbourhood policy is more about security than anything else. For India, even if integrity is at the core of its policy, it cannot have a *Dhritarashtra*-like blindness and have its eyes shut to security concerns altogether.



Instances of Subtle, Distasteful and Unimaginative Diplomacy

India's neighbourhood policy began on a positive note but things have not progressed well. Nepal alleges that India has interfered in the internal affairs of the state and such intervention has not been appreciated by the Nepalis at all. India has publicly expressed unhappiness with the Nepali Constitution. The chapter of India–Nepal relationship will further elaborate upon India's approach to the Madheshi issue. Nepal has alleged that India resorted to a blockade for which Nepal was compelled to complain to the United Nations. Nepal even alleged that India used R&AW to topple the Oli government. Things have normalised at present after the recent visit of Bidhya Devi Bhandari to India in 2017. In Sri Lanka too, there were allegations that the then-R&AW station chief for Sri Lanka, K Elango, was an active supporter of the Srisena followers who intended to topple the Rajapakse government. In Maldives, allegations are that India has been overenthusiastic and displayed inappropriate behaviour when Nasheed was arrested. India even issued a public statement saying that it was concerned about the arrest of Nasheed to which Maldives reacted by stating that it did not appreciate any interference by others in its internal affairs. Such

instances clearly prove that India should stop behaving like the erstwhile British Raj and stop feeling that its diplomats are viceroys. India has to remember that if a neighbour follows up with China for investment, it has a right to do so and India should resort to patient diplomacy rather than displaying arrogance or resorting to a regime change. India should try to focus on other forms of diplomacy and create infrastructure to stabilise things than resort to coercive diplomacy. A parliamentary standing committee on external affairs has recently noted that India's aid to neighbours has decreased and this is not a positive sign. Our Neighbourhood First Policy can only be effective when bolstered with the understanding of the political, historical and social dynamics of each neighbour. The present day foreign bureaucratic manpower is inadequate to build such capacities.

Modi has attempted to emphasise upon economic integration, and if the goal materialises, then it could alter the face of the South Asian subcontinent and its future practice of international relations amongst each other. India has realised that a push towards economic integration could establish a conducive climate for resolution of political disputes. Pakistan remains the slowest camel in the caravan. It insists that only the successful resolution of political disputes can accelerate economic progress. India is now finding a way to bypass Pakistan. India has developed relations with Afghanistan and Iran. Also, India has concluded Bangladesh, Bhutan, India and Nepal–Motor Vehicle Agreement (the BBIN–MVA has been explained in subsequent chapters). The BBIN–MVA could become a South Asian growth quadrangle in the times ahead. India feels that Bangladesh, Bhutan and Nepal are untapped storehouses of energy. If Nepal and Bhutan have hydroelectric power potential, then West Bengal and Bihar have coal while Bangladesh, Assam and Tripura have hydrocarbons. The entire zone is full of endowments. India's Act East Policy and BBIN–MVA are a step to develop the North Eastern Region as a growth engine under India's Neighbourhood First Policy. Till now, India had remained reluctant as it felt that economic integration with neighbours would deeply affect India's aid policies and India may lose its economic aid leverage. However, at present, India feels that economic integration could add fuel to political ties in the neighbourhood that would yield positive results on the economic front. Thus, India has now begun to look beyond Monroe Doctrine and has favoured cooperation.



In conclusion, we can assert that India has initiated the Neighbourhood First Policy for many reasons. Firstly, India wants a stable neighbourhood to undertake its own domestic growth. Secondly, because it gives a push to India's own global ambitions as it can lay ground works for India to emerge as a Net Security Provider. Thirdly, India can peddle off economic diplomacy to the neighbours which they will find difficult to resist. Fourthly, such a policy will bring more economic and connectivity benefits for all. Fifthly, if others don't undermine the national interests of India, they can enhance ties with India to go for regional economic integration. Sixthly, the economic integration can create a

conclusive environment for political negotiations. Seventhly, subsequent political negotiations backed up by economic dependence will stabilise the South Asian region as a whole. Lastly, by enduring primacy in neighbourhood, India can emerge as a global credible power. On 5th May 2017, India launched the SAARC satellite for economic and developmental priorities of the region.



Role of Border States in Neighbourhood Policy

The border states have a critical role in ensuring a peaceful neighbourhood. The development of border states will help India to pursue a regional power policy. Under India's Neighbourhood First Policy and Act East Policy, the development of Border States is an agenda of high priority. The PM has envisaged a South Asian Customs Union (SACU). India, under its Neighbourhood First Policy, has augmented connectivity and participation in South Asia. The recently concluded BBIN–MV has been undertaken on the theme of sub-regional cooperation. The north-eastern states are envisaged as hub of the BBIN–MVA. There is a special focus on riverine transport development as well. India has changed its perception related to borders. It feels that borders with its neighbours are connectors rather than walls to protect them from outside interference. This change in the mindset with respect to the borders is not just restricted to using the borders for physical connectivity but also in using borders to facilitate speedy movement of goods, people, ideas, culture and technology.