

Chapter 5

India: The Foreign and Security Policy under the Modi Government

The Bharatiya Janata Party (BJP) government led by Prime Minister Narendra Modi, which swept into power in the May 2014 Indian general election, is aspiring for a “strong India,” with continued economic development and the pursuit of the indigenization of defense production. The “Look East” posture has factored in an emphasis on neighboring countries. The key to the “neighbors first” policy is the concept of “connectivity,” which has three strategic meanings: (a) establishing connectivity with the North Eastern Region of India, which is landlocked and geographically isolated from the rest of the country, (b) constructing a mutually beneficial relationship with neighboring countries overcoming contentious issues such as distribution of water resources and transit, through cooperation in building infrastructure and transport networks, and (c) checking and balancing the expanding influence of China. Dealing with China, India will value trade and investment with China while being tough on border issues. India’s relationship with the United States is in the process of becoming matured equal partners with a certain level of convergence of interests in regional security, although misperception and disappointment are expected to continue in the realm of defense equipment cooperation.

In the area of defense reform, India has set forth a position of actively utilizing private companies, including those with foreign joint ventures, as it progresses toward the indigenization of defense production. However, as resistance is expected to come from the public sector, how far institutional reform can be actually carried on is still to be seen.

1. The General Election and Promises of the Modi Government

(1) The Features of the Modi Government

In the general election to the Sixteenth Lok Sabha (the lower house of India’s parliament), in which voting took place ten times from early April 2014 to the middle of May 2014, the opposition Bharatiya Janata Party (BJP) took 282 of the 545 seats. Although the BJP’s victory in the election had been forecast, no one had expected it to gain a single majority.

What were the causes of the BJP landslide? The first was the charisma of Narendra Modi. The BJP had announced Modi’s candidacy for the prime minister as early as September 13, 2013, long before the announcement on January 16, 2014, by the ruling Congress Party of the candidacy of Rahul Gandhi.¹⁾ The

second cause of the BJP's victory was its capturing of the hearts of the electorate through campaign pledges of development and governance. After Modi became the chief minister of the state of Gujarat in October 2001, he actively courted the foreign direct investment, achieving an average annual economic growth rate for the state of 9.7 percent between fiscal 2004 and fiscal 2012, thus establishing an impressive record.²⁾ The growth rate for the entire country during the same period only ranged from 4.5 percent to 9.6 percent, compared with 6.8 percent to 15 percent for Gujarat. In particular, the state's industrial sector grew at a much faster clip than the average for the country as a whole, at 9.5 percent versus 6.9 percent.³⁾ The high expectations of the electorate toward economic development via this "Gujarat model" were reflected in the voting. Finally, the third cause of the BJP's victory was its election strategy. Its central committee took charge of the campaign, selecting candidates who matched the particularities of each constituency, using modern technology to analyze public opinion, at the same time mobilizing people with traditional-style reminiscent of Hindu festivals.

As a result, the BJP was able to secure a high percentage of the vote in the Hindi belt of north and central India, including Delhi, as well as western India, including the two states of Gujarat and Maharashtra, so as to capture 243 seats.⁴⁾ The BJP has also been able to capitalize on Modi's popularity in the state legislative assembly general elections held since his administration was launched. It became the leading party in the state elections held in Haryana and Maharashtra in October 2014, taking back both state governments from Congress.

What are the characteristics of Modi government? First, one can say that it is a government comprising the ideals of Hindu nationalism. The BJP is a political organization affiliated with Rashtriya Swayamsevak Sangh (RSS), which is said to have some 40,000 branches nationwide. Formed in 1925, the RSS perceives that the identity of "Bharat" (=India), weakened by "foreign domination," has yet to recover, and has adopted as its organizational mission the building of a nation grounded in Hindu culture.⁵⁾ The RSS holds out *hindutva* (=Hindu-ness) as the ideal of the organization.⁶⁾ Although the BJP manifesto has replaced "*hindutva*" with the term "cultural nationalism," it contains several public pledges that share things in common with RSS activities. Those include sensitive issues that may reignite communal strain, including the construction of the Ram Temple in Ayodhya, dedicated to the birthplace of the Hindu deity Rama, on the site of the Babri Mosque destroyed by Hindu activists organization in 1992, and the abolition

of Article 370 of the Indian Constitution, granting special autonomous status to the Muslim-majority state of Jammu & Kashmir. Some 60 percent of BJP members are said to have belonged to the RSS at some time⁷⁾, including Modi himself becoming *pracharak*, or a full-time social worker, for the group, at age of twenty-one.⁸⁾

The second salient characteristic of the Modi government can be said to be its centralized style of managing government, having captured a majority of the Lok Sabha. In the previous BJP government, which lasted from 1998 to 2004, as well as in the succeeding Congress government, attention had to be paid to smaller parties that joined the ruling coalition or gave issue-based support to it. Accordingly, there were instances in which they could not pass bills that such parties were opposed to, or in which they had to take into account the demands of those allied parties in matters pertaining to the management of state politics than on their own party's state branches. However, now the party and the national government are more unitary and the decision-making power of the Prime Minister's Office is stronger. Furthermore, the Modi government has pressed governors appointed during the Congress era to resign so as to strengthen its supervision of state governments, with the governors of eight states having been replaced by August 2014.⁹⁾ The Prime Minister's Office has also been believed to have informally intervened in the formation of state chief cabinets—as witnessed in the formation of a BJP state cabinet in Maharashtra.¹⁰⁾ Through the handling of personnel matters within the party in such a matter, the Modi government is thus seen to be intensifying its supervisory authority over state politics.

What is the implication of the nature of the Modi government for its foreign and security policy? The BJP, with its territorial concept of “Hindustan” or “Bharat,” and its basic ideals of Hindu nationalism linked to a national concept of a shared Hindu culture, has adopted “*Ek Bharat, Shreshtha Bharat*” (One India, Excellent India)¹¹⁾ as its slogan. It has called upon the people to render service to the nation, with individual interests being superseded by the nation.

The aim of its foreign policy is to build “a strong, self-reliant and self-confident India,” with the clear statement of “regaining its rightful place in the comity of nations.”¹²⁾ The first BJP government had tried to realize a strong India by carrying out nuclear tests in 1998. In contrast, the “strong India” advocated by the Modi government is primarily an economically strong country, reflecting the recognition that India's voice could not be heard on the international stage if it were not

economically strong. An overarching imperative of the Modi government is to turn India's economic environment around and embrace foreign direct investment in order to sustain economic growth, as the GDP growth rate has dramatically slowed since 2011, now hovering around 4 percent, and with the country's inflation having surged to 10 percent or so in the same period. Although Hindu nationalism has inherited the philosophy of *swadeshi* (self-sufficiency and the use of domestic products) that was advocated by Mahatma Gandhi, with certain sections of the RSS suspicious and hostile to foreign capital, Prime Minister Modi will likely push an initiative of opening markets to such capital. Foreign and security policy under the Modi government, as expressed by an Indian researcher, will probably be one of "strong at home, engaged abroad."¹³⁾

(2) Main Thrusts of Security Policy

The top three agendas of the Modi government's security policy are internal security, border disputes, and defense reform. Nuclear strategy was originally going to be the fourth agenda, but it was removed as a focus during the election campaign. The manifesto makes reference to nuclear strategy by stating it would "study in detail India's nuclear doctrine, and revise and update it." But domestic as well as international repercussions caused Party President Rajnath Singh (later to become home minister) to clarify two weeks later that India under a "BJP-led government" would "maintain the 'no-first-use' nuclear policy," saying "We will stick to it."¹⁴⁾ The revision of the nuclear doctrine is believed to have been a reaction to Pakistan's tactical nuclear weapons. In November 2013, Pakistan made its fourth test launch of the Hatf IX missile, heightening concerns among certain Indian strategists that Pakistan might use tactical nuclear weapons in the event of a clash along the Indo-Pakistan border. The Hatf IX is a ballistic missile with a striking distance of sixty kilometers and is capable of carrying nuclear warheads, meaning that the realization of Pakistan's tactical nuclear capability would nullify the Indian Army's doctrine of limited war, developed as a way to overwhelm Pakistan without escalating the conflict to the point of nuclear use.¹⁵⁾ However, the BJP relinquished any thoughts of revising the nuclear doctrine (or at least shelved it for the time being), given comments¹⁶⁾ by foreign media and researchers about the danger it posed to the stability of deterrence and the growing hard-line nature of the party. The reason for that was the need to demonstrate to the international community that India was a responsible nuclear state, in order to avoid a situation in which it

would be deprived of its status as a de facto nuclear state.

The following sections will make a detailed look into the evolution of the three remaining agendas: internal security, border disputes, and defense reforms. As a premise to that, security concerns as perceived by the BJP need to be understood. The BJP manifesto lists India's "sensitive neighbourhood" and "internal security issues" at the top of its concerns, followed by intrusions inside the line of actual control (LAC), the loss of squadrons of combat aircraft by the Air Force, the loss of combating capability by the Navy after a series of accidents, Maoist attacks, the increase in incidence of Pakistan-backed terror groups, and illegal immigration across the eastern border. The first, namely, "India's sensitive neighbourhood and internal security issues," is assumed to refer primarily to Pakistan, while the border intrusions refer to China, as the term "line of actual control" is employed. Also, the source of "illegal immigration" can be identified as Bangladesh. As a whole, the concerns of the Modi government can be understood to be internal security, primarily against terrorism, the Sino-Indian border dispute and other border management (issues), and defense modernization.

Regarding the first agenda—internal security—counter terrorism has been a big issue dividing the Congress Party from the BJP ever since the terrorist attacks on the Indian Parliament building in December 2001. To explain it schematically, the BJP has hammered out a strong response that combines a rigorous legal system (reviving the Prevention of Terrorism Act), robust legal enforcement authority (improving the capabilities of the state police, and setting the National Investigation Agency, or NIA, which conducts investigations across provincial borders), boosted intelligence capacity, and coercive diplomacy (including firm responses to cross-border terrorism). In contrast, the Congress Party has raised questions about the stringent anti-terrorism measures especially toward Muslims. Congress urged for fairness between communities, and the maintenance of the integrity of the nation.¹⁷⁾ In the previous general election that took place in 2009, the Congress Party was able to muster the support of the populace by presenting secularism and liberal values, in contrast to the intolerance of the BJP's Hindu nationalism. However, in the latest election, the "Zero Tolerance on Terrorism" stance of the BJP won the day, with the Congress Party having responded passively to BJP criticism about being "too soft."¹⁸⁾ The Mumbai terror attacks of December 2008 remain unresolved for India, because Pakistan has not responded to demands to hand over the culprits yet. Moreover, no effective means have been found to

prevent similar terrorist acts. The extent to which the BJP is concerned with terrorism counterterrorism can also be seen in the appointment of Ajit Doval, former director of the Intelligence Bureau, as national security adviser.

As for the second agenda—border disputes—the BJP is mainly focusing on Pakistan and China. Its manifesto puts forward a tough response against “cross-border terrorism” from Pakistan. For China, a more comprehensive policy has been designed. The Sino-Indian border dispute area is tacitly dealt within the framework of development of the North Eastern Region. In the manifesto, the name “China” is never referred to once, and countermeasures against intrusions inside the LAC are not treated within the framework of security policy. However, there is clear mention of the development of infrastructure along the LAC in Arunachal Pradesh and Sikkim states, within the framework of developing the North Eastern Region. The link made by the Modi government between the Sino-Indian border dispute and North Eastern Region policy, and its emphasis on it, can be seen both in the selection of Cabinet members and in budget allocations. Kiren Rijiju, a member of parliament from Arunachal Pradesh, was appointed minister of state for home affairs. Meanwhile, the defense budget for 2014–15 included a new category of 10 billion rupees earmarked for the “defense railroad network.”¹⁹⁾

The third agenda—defense reform—is broad and vague, encompassing everything from the defense organization to equipment and support for troops. As it has taken over the issues left over from those brought up by the Kargil Committee Report of 1999, the manifesto enumerates several goals that are common-sense in nature, but failing to outline any concrete path toward their actual realization, such as the military’s participation in the defense policy decision-making process, the modernization of the military. Among those goals, the particular area where there is a palpable sense of a strong desire toward implementation is the modernization of defense production. The BJP aims at strengthen the Defence Research & Development Organisations (DRDO), while encouraging participation of the private sector, including foreign capital.

Section 2 below will treat border issues, while defense reform will be dealt with in the subsequent Section 3.

2. The Look East Policy of the Modi Government

The foreign policy of the Modi government vis-a-vis the Asia-Pacific region is primarily based on the “Look East” policy inherited from the previous Manmohan Singh government. The Look East policy originated from the foreign policy of the Narasimha Rao government, which sought new economic relations with Southeast Asia and East Asia after the dismemberment of the Soviet Union in 1991 and the economic liberalization that took off in line with the acceptance of the structural adjustments required by the IMF.²⁰ India aimed at building relationships with the countries of the Association of South-East Asian Nations (ASEAN), using both bilateral and multilateral approaches, so as to fuse its economic growth with that of those countries. In 1995, India was recognized by ASEAN as a dialogue partner, and participated in the ASEAN Regional Forum (ARF) of 1996. The relation deepened further, with the launch of the ASEAN-India Summit in 2002. At the Ninth ASEAN-India Summit in 2011, Prime Minister Manmohan Singh, who had promoted India’s approaching ASEAN in the early 1990s as finance minister in the Rao government, said that “greater physical connectivity between ASEAN and India is our strategic objective.”²¹ India had been actively involved in formulating the Master Plan on ASEAN Connectivity of 2010. Previous to that, India had been proposing connectivity at the South Asian Association for Regional Cooperation (SAARC) since 2005 as well, although it was limited to transportation networks. However, because the reaction of the other SAARC countries to the proposal was lukewarm, given their fears about being overwhelmed by the Indian economy, both the SAARC and India shifted in 2008 to simultaneously pursuing connectivity both within the region and beyond.²² The Modi government is now trying to reposition its relations with other SAARC countries by evolving the Look East policy further into the Act East policy

(1) The Neighbors First Policy: The Strategic Significance of Connectivity

The Modi government, having proclaimed the policy of the previous government toward neighboring countries as a failure²³), has put forward its own “neighbors first” policy. Its position is first to solidify the relations with its immediate neighbors in South Asia, after which it will deal with Southeast Asia. Both SAARC and ASEAN are given special reference in the manifesto as regional

organizations with which relations should be strengthened. In order to put the neighbors first policy into practice, Prime Minister Modi invited the leaders of the seven SAARC countries to his inaugural ceremony. Also, he used the opportunity of the United Nations General Assembly session in New York to meet with the head of Bangladesh, who was unable to attend the inaugural ceremony, as well as the leaders of Nepal and Sri Lanka. Additionally, Prime Minister Modi chose Bhutan and Nepal as the destinations of his first official trips abroad.

The concept that serves as the key to the neighbors first policy is connectivity. Although that concept refers to the strengthening of the transport network, including land, sea, and air, it has become to be envisaged as more of a package coming with various kinds of infrastructure investment, such as port infrastructure, in the course of developing “ASEAN connectivity.” India is trying to deepen its economic relationship with both Bhutan and Nepal by leveraging infrastructure investment. With Indian support, Bhutan has constructed a hydropower facility from which it exports surplus electricity to India. During his visit to Bhutan in June 2014, Prime Minister Modi participated in the unveiling ceremony of the cornerstone for a 600-megawatt power generation project to be managed by a joint venture from both countries.²⁴⁾ In India’s relationship with Nepal as well, Prime Minister Modi has crafted a policy of “cooperation ... in the areas of trade, transit, connectivity and hydropower.”²⁵⁾ Nevertheless, Nepal is sensitive to economic dependency on India, which would provoke domestic backlash, and consequently, no agreement was sealed on such projects as the Karnali and Pancheswor Hydropower Plants, which had made no progress since the original agreement in 1997. Even so, by Prime Minister Modi’s address at the constitutional assembly of Nepal on August 3 to 4, 2014, which was aimed to dispel that country’s mistrust of India and was full of comments intended to show respect to Nepal, was quite effective in bolstering the image of India’s change.²⁶⁾

Why has the Modi government adopted a policy of emphasizing its neighbors in the pursuit of connectivity? The first reason that can be cited is the problem of the stability and development of the North Eastern Region of India. At the time of India’s independence, the region was considered a remote tribal area, and was given separate administrative status by the constitution. Thereafter, it has undergone several reorganizations, and now consists of the eight states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura.²⁷⁾ Except for Sikkim’s bordering with Nepal, the states of the North

Eastern Region are surrounded by Bhutan, Bangladesh and Myanmar, and they are all landlocked. Also, the latter are connected to the rest of India by the narrow Siliguri Corridor, which is only twenty kilometers wide at its narrowest point. While it is hard to imagine an extreme situation in which that corridor would be truncated, the possibility of China's People's Liberation Army (PLA) becoming stationed along the Bhutanese border would make it necessary to start entertaining such a scenario. China's launch of border negotiations with Bhutan in 2002 has been viewed with a certain level of concern by India.²⁸⁾ What is more important, however, is securing a transport route between the North Eastern Region and the rest of India. Although the distance between Agartala, the capital of Tripura in the North Eastern Region, and the port of Kolkata in the Indian state of West Bengal is 1,600 kilometers if measured through the Siliguri Corridor, it can be reduced to just 350 kilometers if one transits Bangladesh territory.²⁹⁾ Moreover, if the port of Chittagong in Bangladesh can be used, the distance from Agartala to port access becomes only 200 kilometers. In addition, the movement of people between the North Eastern Region and neighboring countries has an influence on internal security. It is necessary to get the cooperation from those neighboring states that share borders with India if it is to effectively control illegal immigrants from such countries as Bangladesh, Nepal, and Myanmar, as well as in quelling insurgent groups active in the North Eastern Region.

The second reason for the Modi government's renewed emphasis on connectivity is Modi's plan to transform contentious bilateral issues such as distribution of Ganges water and transit, especially with Nepal and Bangladesh, into mutual benefit. In the past, the construction of dams and water intake from the Ganges River has always been disputed, but repackaging

Figure 5.1. North Eastern Region

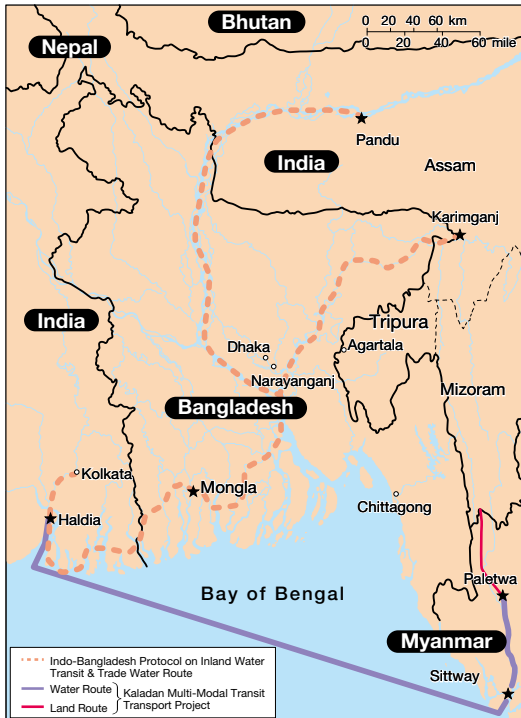


Source: Based on various materials.

those issues as an infrastructure project for energy supply, particularly electric power generation, and transport routes, such as roads and water passages would make space for cooperation. While the major projects would be India's assistance to such countries as Bhutan and Nepal for the development of electric power to be exported to India, it also works in the opposite direction, with electricity exported from Tripura in the North Eastern Region to Bangladesh. If the vision is successful of building a sub-regional economic cooperation in the area between the North Eastern Region and India's neighbors through the flow of people, goods, and energy, it would facilitate investment from external countries such as Japan, Singapore or the United States, if it would successfully be linked with ASEAN through Myanmar, another neighbor of India.

The third reason for Prime Minister Modi's promotion of connectivity is the

Figure 5.2. Connectivity of the North Eastern Region



Source: Website of Bangladesh Inland Water Transport Authority, Ministry of Shipping, People's Republic of Bangladesh.

expansion of Chinese influence toward India's neighbors. In 2000, Bangladesh's trade with China and India stood at \$920 million and \$720 million, respectively, but by 2010 the difference in those figures widened to \$7 billion and \$2.4 billion.³⁰⁾ Although Nepal has been cautious about pursuing hydropower plant development projects with India, it concluded a memorandum with Chinese corporations in 2012 for the development of the West Seti Hydropower Plant, and construction has already begun.³¹⁾ While Bhutan—which describes India as a “privileged partner,” as it depends on Indian assistance

for both its defense and economy—does not have diplomatic relations with China, it has been holding ongoing border negotiations with that country since 2012, after Bhutanese Prime Minister Tshering Tobgay met with then-Chinese Premier Wen Jiabao in Rio de Janeiro. India has thus finally come to develop a sense of alert concerning China's deepening economic ties with India's neighbors, and is thus trying to accelerate its own economic engagement with them.

India's neighbors first policy has a strategic significance in its implication for checking and balancing Chinese influence in the Sino-Indian border region. It can also be regarded as one of India's responses to China's "String of Pearls" strategy. India's previous Prime Minister Singh viewed the country's relationship with other South Asian countries as a burden, instead leaping over them and seeking connectivity with Southeast Asia instead. In contrast, Prime Minister Modi seems to believe that India cannot manage China without first solidifying its relations with its immediate neighbors. Connectivity, which is the central pillar of Modi's Look East policy, is a kind of geoeconomic strategic concept.

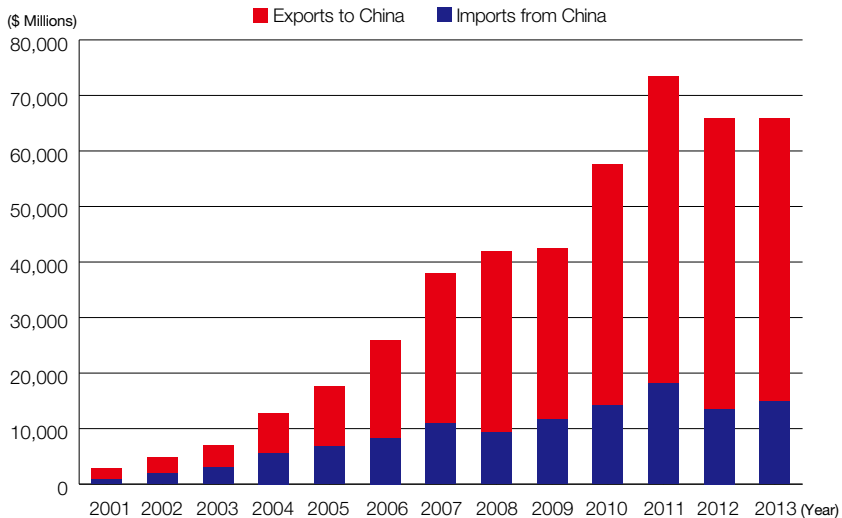
(2) India's Relations with China: Under the shadow of the Border Dispute

During the first Singh government (2004-2009), economic relationship between India and China rapidly expanded. From 2003 to 2013, the amount of bilateral trade between India and China grew from \$7 billion to \$66 billion, outpacing the original targets. Since 2004, China has been India's largest source of imports, and its third largest export counterpart. Economic blooming was both the cause and consequence of improved bilateral relations. In June 2003, the joint declaration ("Declaration on Principles for Relations and Comprehensive Cooperation Between the Republic of India and the People's Republic of China"), made by India's then-Prime Minister Atal Bihari Vajpayee and China's then-Premier Wen Jiabao, mentioned the traditional principles of "Panchsheel" (Five Principles of Peaceful Coexistence) and "mutual respect and sensitivity for each other's concerns and equality," while also demonstrating the political will to carry out comprehensive cooperation anew, ascertaining that "mutual benefit" outweighed "differences."³² That led to the establishment of the India-China Strategic and Cooperative Partnership for Peace and Prosperity in April 2005. The base of the qualitative change in the Sino-Indian relationship was the expanded benefit from bilateral trade and investment, as well as the necessity for the two countries to

avoid the negative impact of the emerging regulatory regime that might bind economic development and present a united front as developing nations, amidst the making of global norms and rules such as the World Trade Organization (WTO) Doha Round negotiations and the conference of the parties to the UN Framework Convention on Climate Change, among others.

The two countries, both of which chose the path of economic coprosperity, also decided to resume talks toward the resolution of their border disputes,³³⁾ and set up a mechanism for discussions between special representatives. They also opened various dialogue channels, including a strategy dialogue and an energy task force. Cooperation was also pursued between the two nations’ militaries, which conducted their first-ever joint naval exercises in 2003 and 2005, as well as a joint antiterrorism drill by their armies in 2007. However, the burgeoning bilateral relationship started to hit a brick wall in 2008 on account of the border disputes. China began to both directly and indirectly challenge India’s administrative control of Arunachal Pradesh. It started stapling Chinese visas in the passports of that state’s residents (instead of stamping them)—the so-called “stapled visa issue.” Arunachal Pradesh has had an effective state legislative assembly and state

Figure 5.3. India’s trade with China, 2001-13



Source: Compiled from “Export Import Data Bank,” Department of Commerce, Ministry of Commerce & Industry, Government of India.

government since 1978, and acquired full-fledged state status equivalent to that of other Indian states in 1987.³⁴⁾ Although China traditionally considered the southern edge of Arunachal Pradesh as its historical border, it had not made any particular claims besides making border indications on maps. India viewed that China had clearly backtracked from a stance of resolving border disputes in 2010.³⁵⁾ Even so, the Singh government hoped to maintain the momentum of cooperation by separating economic issues from the border disputes. In his speeches since 2008, Prime Minister Singh reiterated his message that “there is enough space in the world for both India and China to grow.”³⁶⁾

The BJP has taken a harder line against China than the Congress Party had, having consistently criticized the policy of the Singh government as being too conciliatory.³⁷⁾ However, during his term as chief minister of Gujarat, Modi distanced himself from the foreign policy of the central party organization, paying several official visits to China aimed at learning Chinese economic systems and attracting investment, from the position of the state’s development policy. During his visit to China in 2011, he was even given state-guest-class treatment.³⁸⁾ However, in a speech made in Arunachal Pradesh during the election campaign, Modi voiced the expression that China “should shed its expansionist mindset,” adding that “no power can snatch [the state] from us.” Those comments drew attention for possibly indicating a shift to a hard-line policy toward China.³⁹⁾ Currently, most commentators in India and China agree that Prime Minister Modi will adopt a more pragmatic policy toward China⁴⁰⁾, saying that the underlying theme of his government will likely be to adopt a dual soft and hard approach distinguishing economic cooperation from the border disputes.

During the three-day visit of Chinese President Xi Jinping to India starting on September 17, 2014, that approach was put into practice. Prime Minister Modi breached normal protocol by receiving Xi at the Gujarat capital of Ahmedabad,⁴¹⁾ where agreement was reached for China to build an industrial park in the state.⁴²⁾ The joint declaration contained a pledge of \$20 billion worth of Chinese investment in India over a five-year period, with India hoping that the investment would be made in the infrastructure and manufacturing sectors. The joint declaration also referred to efforts toward rectifying the trade imbalance between the two countries—a concern of India’s. Modi himself celebrated the success of Xi’s visit to India by coining the catchphrase “Inch towards Miles,”⁴³⁾ which represents an abbreviation of the phrases “India and China” (InCh) toward a “Millennium of

Exceptional Synergy” (MilES). At the same time, however, Modi was resolute concerning the border disputes. On September 13, 2014, immediately before Xi’s visit to India, some 300 to 800 soldiers of the Chinese People’s Liberation Army (PLA) reportedly made an incursion across the LAC in the Chumar Sector of Ladakh. Although a flag meeting was held four days later on September 17 by the troop commanders of both sides at the site, China did not pull back its forces back across the line. China has made it somewhat of a ritual practice to carry out such actions before mutual visits of high-ranking officials, but this time, India did not amicably keep silent about the incursion incident, instead directly broaching the issue at the September 17 summit meeting. In response, President Xi stated that he hoped for a speedy resolution of the border disputes, including the demarcation of the frontier, in a speech given the same day.⁴⁴⁾

Judging from the actions of the Modi government so far, including the visit of Chinese President Xi Jinping to India, the direction of India’s policy toward China can be summarized as follows. First, as far as the strengthening of economic relations between the two countries and cooperation on global issues are concerned, the Modi government will adhere to the policies of the Singh government, while reacting sensitively to any gap in the relative gains. For instance, regarding the BRICS Development Bank (now known as the New Development Bank, or NDB), agreed to by the five countries participating in the BRICS Summit of July 2014, India took the position of finding common cause with China concerning the point of challenging the existing international financial order consisting of the IMF, the World Bank, and the like. Simultaneously, however, India joined Russia and Brazil in blocking China’s becoming the bank’s biggest shareholder, leading to an agreement by which each of the five countries would contribute an equal share of the capital.⁴⁵⁾ Also, it is worthwhile to note that even though the joint declaration released during Xi Jinping’s Indian visit referred to cooperation among the four countries of Bangladesh, China, India and Myanmar within the framework of the BCIM Economic Corridor, not a single reference was made to any

“connectivity” between China and India.⁴⁶⁾

Second, the Modi government is likely to make a strong response to any incursion across India’s borders. In particular, it will make no compromise concerning the dispute with China about the sovereignty of Arunachal Pradesh, which surfaced in 2008, and is unlikely to tolerate any Chinese attempt to turn the dispute into a simple bargaining chip. In October 2014, Indian Home Minister Rajnath Singh announced that 54 new border posts would be constructed for the Indo-Tibetan Border Police (ITBP), and that 1.75 billion rupees would be earmarked in the national budget for the building of infrastructure, such as roads, along the border in Arunachal Pradesh.⁴⁷⁾

Third, India is trying to respond to China’s maritime advances by modernizing its navy. It is paying particular attention to the moves China is making to boost its relations with Sri Lanka and the Maldives, and is crafting its own policy towards maritime neighbors in response. A notable example of progress being made in maritime cooperation in the shadow of China’s advances is India’s relationship with Vietnam. During the visit to India by Vietnamese Prime Minister Nguyen Tan Dung in October 2014, Prime Minister Modi pledged to extend a maximum credit line of \$100 million to Vietnam for the purchase of patrol boats.⁴⁸⁾ In addition, a memorandum of understanding was signed between India’s state Oil and Natural Gas Corporation (ONGC Videsh) and Vietnam’s PetroVietnam for the joint exploration of oil and gas in two additional blocks in the South China Sea.⁴⁹⁾

(3) India’s Relations with the United States: Strategic Concurrence but Bilateral Differences

The strategic partnership between India and the United States culminated in the conclusion of the Civil Nuclear Agreement in 2008. When US President Barack Obama visited India in 2010, he delivered an address at a joint session of the Indian Parliament, in which he reasserted that a strong India was in the interest of the United States, sending the message that he supported India’s role in the international community.

The progress of the partnership between the two countries in the realms of defense and security can be clearly seen in their holding of joint exercises and arms transfer. Currently, India and the United States hold multiple joint exercises yearly, with the Navy’s “Malabar,” the Air Force’s “Cope India,” and the Army’s “Yudh Abhyas” conducted regularly among others.

The first notable transfer of arms from The United States to India in the post-Cold War era was the AN/TPQ-37 Firefinder radar in 2002. It was followed up by C-130J transport aircraft, LPD-41 USS *Trenton*-class amphibious transport docks (LPD), P-8I maritime surveillance aircraft, and C-17 cargo aircraft, to list a few. In fiscal 2011, the United States exported a total of \$4.5 billion worth of military equipment to India, making it its third largest export market for such equipment.

However, India greatly shocked the United States in April 2011 when it dropped both the Lockheed Martin F-16 and the Boeing F/A-18 from a list of six candidate aircraft for purchase of 126 Medium Multi-Role Combat Aircraft (MMRCA), instead narrowing it down to the Eurofighter Typhoon developed jointly by Britain, Germany, Italy, and Spain, and the Dassault Rafale of France, the last of which was finally selected. While India explained that it had excluded the planes because it had ascertained that the United States was not sufficiently ready to transfer technology, the decision still caused a great sense of disappointment on the American side. As the United States saw it, it had put in a huge amount of effort by making unprecedented exceptions to the rule of global nuclear nonproliferation in its civil nuclear agreement with India, as well as clearing the way for technological transfer to India by even having the US Department of Commerce revise its list of restricted items for export, so it had naturally expected some sort of return from India. Officials from Washington, along with those in the strategic community who had committed themselves to Indo-US relations, voiced the opinion that India “invests in warplanes but not in the strategic relationship.”⁵⁰⁾

Although that problem may have been inevitable owing to the excessive speed of the evolution of the partnership in the decade of the 2000s, India’s acting out of self-interest, and gap between America’s expectations and actual achievement were immediately taken by both sides as a “setback.” The United States felt that it had not gotten as much access to the Indian market as could be expected from its initial investment, while India felt that the United States had not given enough consideration to India’s interests and institutions. The litany of problems—not just related to military equipment, but across the entire range of trade, especially friction concerning intellectual property rights and the problem of Indian market access—has produced a feeling of stagnation in the bilateral relationship between India and the United States.

Besides the structural problems in the overall bilateral relationship, the particular relationship between India under the Modi government and the United States

started out in “negative territory.” In 2005, the United States denied Modi’s application for a visa when he was chief minister of Gujarat, on the ground that he was responsible for the Hindu-Muslim riots that had occurred in that state in 2002.

When the Modi government was formed, the United States successively sent Secretary of State John Kerry and Secretary of Defense Chuck Hagel to India toward the nurturing of a relationship. Although Secretary Kerry’s visit was for the purpose of the Fifth Strategic Dialogue,⁵¹⁾ he was accompanied by US Secretary of Commerce Penny Pritzker, whose meetings with Indian Finance Minister Arun Jaitley concentrated on trade issues as their major focus.⁵²⁾ Secretary Kerry had encouraged both Minister Jaitley and Indian Minister of State for Commerce and Industry Nirmala Sitharaman to get India to sign the Trade Facilitation Agreement of the WTO, India did not change its opposition to the agreement at the WTO General Council Meeting held on July 31, 2014, the same day as Kerry’s visit to India.⁵³⁾

The main objective of US Defense Secretary Hagel’s visit to India on August 7, 2014, was to facilitate defense trade. He touched on the conclusion of more than \$9 billion worth of defense contracts over the previous six years, saying, “We can do more to forge a defense industrial partnership, one that would transform our nations’ defense cooperation from simply buying and selling to co-production, co-development and freer exchange of technology,” expressing an understanding about India’s desire for the transfer of technology.⁵⁴⁾ Hagel’s visit to India led to an agreement to revive the Defense Trade and Technology Initiative (DTTI), first established in 2012.⁵⁵⁾

At the end of September 2014, Prime Minister Modi made an official visit to the United States in parallel with the United Nations General Assembly. The joint declaration released after the meeting between the two nations’ leaders included reference to the updating of the 2005 framework agreement for the India-US defense relationship, the strengthening of the DTTI, cooperation by the United States in India’s plan to establish the Indian National Defence University (INDU), and technological cooperation with India’s Navy for the freedom of navigation, along with the upgrading of the joint Malabar Exercise.⁵⁶⁾ However, it was not clarified whether such upgrading referred to an expansion in the number of participating countries, such as Japan, or the sophistication of the nature of the exercises, nor was it specified what kind of technological cooperation there would be with the Indian Navy. Above all, one was left with the sense of lacking flagship

projects that would exemplify the defense cooperation.

Meanwhile, the two nations demonstrated a convergence of interest as far as regional security was concerned. For instance, the joint declaration between the two included cooperation against terrorism, not only against Al Qaeda, but also the dismantling of safe heavens of terrorist networks such as Lashkar-e Taiba and the D-Company, both of which are special concerns of India, as well as singling out Pakistan in calling for that country to bring to justice perpetrators of the terrorist attack in Mumbai to justice. In addition, the section of the joint declaration addressing global and regional consultations reflected the perceived synergy of India's "Act East" policy and the United States' "rebalance to Asia", citing such items as upgrading the trilateral dialogue among Japan, India, and the United States to the level of foreign ministers, as well as accelerating infrastructure connectivity and economic development corridors and enhancing cooperation in such regions as Africa and Afghanistan. The joint declaration addressing maritime security and the freedom of navigation and overflight made the first-ever mention of the South China Sea, calling on "parties to avoid the threat or use of force and pursue resolution of territorial and maritime disputes through all peaceful means."

While both India and the United States thus share strategic interests insofar as their vision of regional order is concerned—keeping China and the situation in Afghanistan in mind—the two countries have found it hard to show any concrete results in the area of defense trade. The reason for that can be easily understood if one thinks of the analogy that can be made with trade dispute. The more that India grows as an equal partner, the more the United States calls upon it to remove protectionist restrictions as an equal business partner. Similarly, the United States will not condone giving exceptional treatment to India in the fields of civil nuclear cooperation and defense cooperation as well. Just to cite two examples, India's civil liability for nuclear damage act, which deviates from global norms, is a stumbling block for the United States to go into the nuclear business with India, and India's reluctance to sign the agreement to protect defense information is a hindrance from the perspective of the United States.⁵⁷⁾ That may be a sign that the India-US relationship has matured. Just as differences about the WTO Trade Facilitation Agreement were cleared up after Prime Minister Modi paid a visit to the United States, new progress in the area of defense cooperation may be expected between President Obama and Prime Minister Modi after the former's visit to India as a guest of honor on India's Republic Day on January 26, 2015.

3. The Future Direction of Defense Reform

(1) Reforms in Defense Production since 2000

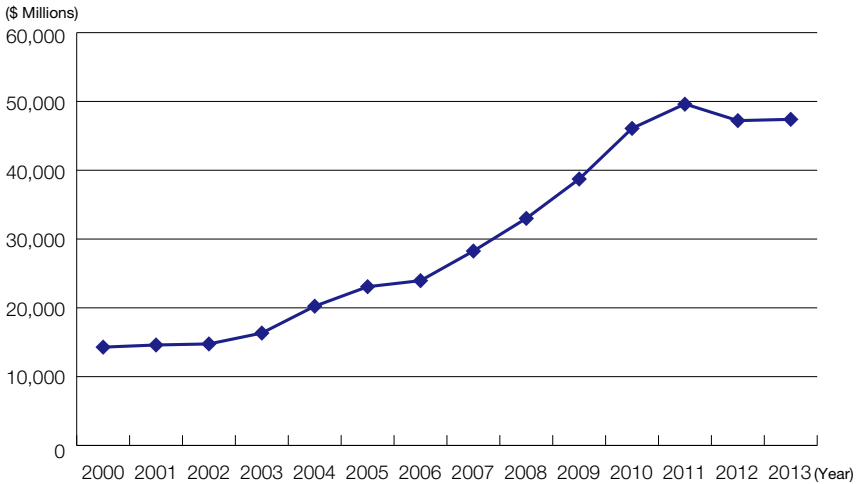
Against the background of its economic growth, India has continued to boost its defense expenditures, which have grown over the past decade from \$16.3 billion in fiscal 2003–04 to \$47.4 billion in fiscal 2013–14.⁵⁸⁾ Of that figure, some 40 percent represents capital expenditures earmarked for the purchase of equipment as well as for research and development. Since 2000, India can thus be said to have become able, at last, to invest into the modernization of its defense.

In 2010, India surpassed China to become the world's largest importer of arms. The total amount of arms imports in the five-year period from 2008 to 2012 increased 59 percent above the level of the previous five-year period, with India coming to account for a 12 percent share of world arms imports.⁵⁹⁾ However, experts both in India and abroad have pointed out that India has failed to pursue the indigenization of its defense production, compared to the trend of large-scale arms imports in recent years.⁶⁰⁾ Although the country has trumpeted the goal of sourcing 70 percent of all defense productions domestically, the reality is that India depends on imports for 70 percent of its arms procurement.⁶¹⁾ Its arms exports in fiscal 2012–13 amounted to a paltry 4.6 billion rupees (\$84 million).⁶²⁾

India's policy of the indigenization of defense production has been unsuccessful, with the time required for development and manufacturing substantially running over the original plans, leading to huge cost overruns. For instance, India's first indigenous tank, the Arjun, started to be designed as far back as 1974, but successive problems, such as overheating engines and weight exceeding transport capacity, pushed its eventual delivery date to the Army back to 2004, with the final cost said to be twenty times the original estimate.⁶³⁾ Problems are still arising today, such as the failure of the missile system planned for the tank to meet the Army's requirements.⁶⁴⁾ Also, the indigenously designed Light Combat Aircraft (LCA), later renamed Tejas, the project of which began in 1983, was to have been deployed in 2011 after plans for an indigenous engine were abandoned in 2008. However, it could not secure final operational clearance before the end of 2014.⁶⁵⁾

The greatest factor behind the delays in arms development and manufacture, along with the cost overruns, is the fact that the public sector holds a monopoly in India's defense industry. The development and production of defense equipment in India is organizationally structured in the following fashion. The Ministry of

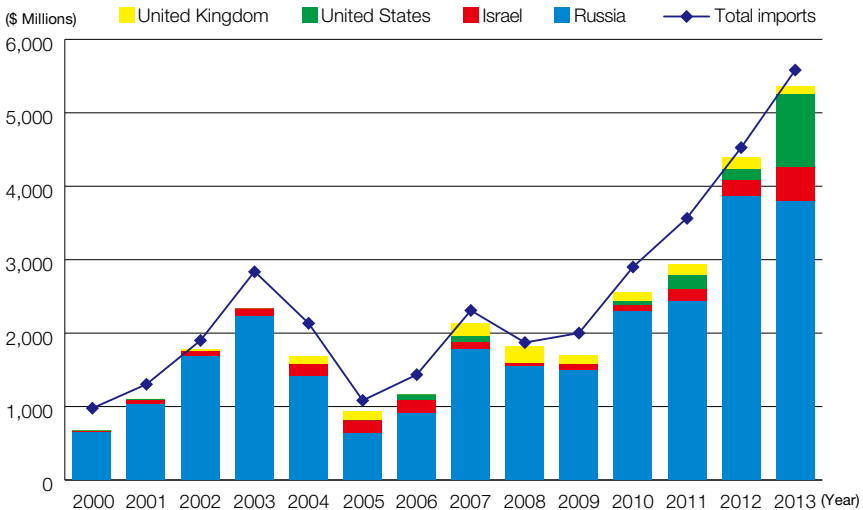
Figure 5.4. India's defense expenditures



Source: Compiled from SIPRI Military Expenditure Database.

Note: Expenditures have been converted into US dollars based on the exchange rate for each year.

Figure 5.5. Major sources of weapons imports to India, 2000–13



Source: Compiled from SIPRI Arms Transfers Database.

Note: Values have been converted to US dollars based on purchasing power parity for 1990.

Defence controls the Department of Defence Production and Department of Defence Research & Development, responsible for defense production and development, respectively, and which are horizontally arranged in the organizational structure at the same level as the Department of Defence. The Defence Research and Development Organisation (DRDO), which falls under the jurisdiction of the Department of Defence Research & Development, has a staff of some 30,000 personnel, including 5,000 scientists, and gets around 5.5 percent of the total defense budget.⁶⁶⁾ The fact that a DRDO staff member, scientist A.P.J. Abdul Kalam—who was promoted to deputy head of the Department of Defence Research & Development—was later named president of India in 2002 illustrates the high prestige of the department. Besides the indigenization of the Arjun and the Tejas, the DRDO is also involved in several projects, such as missiles and radars. The Department of Defence Production, has two categories of defense production corporations under its jurisdiction: the Ordnance Factory Board and Defense Public Sector Undertakings (DPSUs). The former consists of forty or so factories across India that produce such items as tanks, guns, ammunition, and uniforms. The latter, the DPSUs, are nine separate corporations, including Hindustan Aeronautics Limited (HAL), Bharat Electronics Limited (BEL), and Mazagon Dock Limited (MDL). Although the DRDOs and DPSUs have made several accomplishments in research and development, Indian strategic communities, especially retired officers, have come to openly criticize them in recent years for putting too much emphasis on acquiring technology and not enough on applying it.⁶⁷⁾

Another reason for the delay in development, manufacturing and delivery is the lack of competition. For example, HAL, which was awarded the contract to manufacture the Tejas, now has the capacity to make just four of them yearly, despite the original plan for eight to be produced yearly.⁶⁸⁾

New Delhi is aware of those problems in the defense industry, and has thus attempted to carry out various reforms since 2001. The series of reforms in defense production have sought to accelerate technology transfer and build up the production base, and are characterized by the clear positioning of foreign direct investment, or FDI, and offsets as the tools for achieving that. First of all, the government completely opened up the defense industry to Indian private-sector corporations in 2001 through the licensing system. Though the ratio of capital participation by overseas corporate bodies in the defense sector had been capped

Table 5.1. Defense Public Sector Undertakings

(Million rupees)

PSU	Equity	Value of Sales (2012-13)	Profit after Tax (2012-13)
Hindustan Aeronautics Limited (HAL)	1,205	143,240	29,970
Bharat Electronics Limited (BEL)	800	60,120	8,900
Bharat Earth Movers Limited (BEML)	418	32,898	799
Mazagon Dock Limited (MDL)	1,992	24,050	4,127
Garden Reach Shipbuilders and Engineers Limited (GRSE)	1,238	4,643	1,315
Goa Shipyard Limited (GSL)	291	8,441	156
Bharat Dynamics Limited (BDL)	1,150	10,747	2,884
Mishra Dhatu Nigam Limited (MIDHANI)	1,833	5,586	825
Hindustan Shipyard Limited (HSL)	3,020	4,838	▲ 552

Source: Ministry of Defence, Government of India, *Annual Report, 2012-13*, p. 95; *2013-14*, p. 80.

at 26 percent, the policy of 2001 announced at the same time to lift all caps on FDI in other industrial sectors, such as pharmaceuticals and hotels and tourism, clearly indicated that the government was aiming at the participation of overseas defense companies in the sector.⁶⁹⁾

The formula of using offset contracts as a tool to carry out technology transfer has been advanced along with the organization of procurement procedures for military equipment. In 2002, the Indian Ministry of Defence announced “defence procurement procedures” (DPPs) for the first time, specifying two different methods, namely, the “buy” category (overseas procurement) and the “buy and make” category (first overseas procurement, followed by domestic production through technology transfer). In 2006, a third method was added—the “make” category (domestic production)—and contracts exceeding 3 billion rupees involving overseas procurement required 30 percent of offset contracts.⁷⁰⁾ The offset is specified in two ways, the first being the “direct purchase” of defense products and components manufactured by, or services provided by, Indian defense industries, and the second being “direct foreign investment” in Indian defense industries for industrial infrastructure for services, codevelopment, joint

ventures and coproduction of defense products,⁷¹⁾ with technology transfer especially expected when the latter method is used. The Ministry of Defence only recognizes foreign procurement in exceptional cases, with most being “buy and make” contracts accompanied by licensed production. In the case of large-scale equipment transfers, such as the 126 Medium Multi-Role Combat Aircraft, reportedly 50 percent offset is required.⁷²⁾

Later in 2007, the Ministry of Defence announced its plan to introduce the market mechanism to the defense sector by recognizing specially screened private corporations as *raksha udyog ratna* (RUR) or “Domestic Champions,” according them the same treatment as DPSUs. A dozen companies were reported to have been selected from among around forty companies applying, and included such names as Tata Motors, Mahindra & Mahindra, Tata Consultancy Services, and Infosys Technologies. However, in the face of opposition from the DPSUs’ labor unions, the final certification of such RURs was shelved, and the category itself has since disappeared.⁷³⁾

In the face of both the demands to open the market by Indian industrial circles, primarily the Indian Chamber of Commerce (ICC), and the opposition by the DPSUs, the Ministry of Defence issued its revised “Defence Production Policy” in 2011.⁷⁴⁾ A short policy document that was only sixteen paragraphs long, it started out by reconfirming the principle of “self-reliance in defence,” then went on to clearly state that “preference will be given to indigenous design, development and manufacture of defence equipment,” adding that “whenever the Indian industry is not in a position to make and deliver the equipment as per the SQRs (supplier quality requirements) in the requisite time frame, procurement from foreign sources would be resorted to.” It also actively encouraged the participation of private Indian corporations in order to build a foundation of defense production. The Ministry of Defence announced the policy of establishing joint ventures (JVs) between DPSUs and private corporations as an attempt to protect the existing privileges of DPSUs while introducing the vitality of private companies. The “Guidelines for Establishing Joint Venture Companies by Defence Public Sector Undertakings,” a memorandum announced in 2012, said that “it is therefore important that a list of affirmative rights of the DPSU should find a clear mention in the Share Holders’ Agreement (SHA) of the JV Company” without prejudice to DPSU rights.⁷⁵⁾

Thus, ever since 2001, the policy direction has been established that advances

technology transfer via FDI, while improving the efficiency of the defense sector through the participation of private Indian corporations. Still, the reforms have only been incremental, as they do not intrude upon the vested interests of DRDOs and DPSUs. Some 131 private corporations have been licensed by the Indian Ministry of Commerce and Industry (MOC) as of September 2014, and forty-six of those have already started production, according to reports. Also, there have been thirty-three instances of joint ventures with FDI being approved and set up.⁷⁶⁾ However, despite the significant growth of direct investment by foreign entities in Indian overall market, investment into India's defense sector remained at \$4.94 million as of September 2014, which stands at a mere 0.02 percent of the total FDI in India.

For foreign companies, however, such involvement can be highly risky, given not just the strict requests for technology transfer, but also the equity cap of 26 percent. There have been several cases in which corporations that flinch at those kinds of risks have pulled out of the bidding process after receiving details about procurement proposals, while other companies, having made successful bids, have abandoned signing the final contracts during the negotiations held thereafter. For instance, BAE Systems of Britain withdrew from bidding for a 15 billion rupee contract for the 62-caliber Mk 45 Mod Naval Gun System, judging that it was unviable, as it would have to be responsible for all management until the delivery date, while letting the Indian public corporation Bharat Heavy Electricals Limited (BHEL) handle quality control beyond its supervision.⁷⁷⁾

Also, one instance in which production has been delayed because of an excessive fixation with indigenous technology was the Scorpene submarine construction project, which the Indian DSDU Mazagon Dock Limited (MDL) was to construct through technology transfer from the French DCNS (Direction des Constructions Navales Services). Although the contract had been concluded in October 2005, with delivery slated for 2012, several factors have led to the delay in construction. One of those is the complexity of MDL's procedures for procuring materials and components, and another is the reliance on the manufactured goods of a single vendor.⁷⁸⁾ In addition, delays have occurred in the development of an air independent propulsion (AIP) system by the Defence Research and Development Organisation (DRDO), with DCNS reported to be proposing the use of a French AIP system.⁷⁹⁾

(2) Defense Production Reform by the Modi Government

The Modi government is earnestly pursuing the reform of defense production. There is a section of the party manifesto includes a section entitled “defense production,” that states, “With its skilled human resources and technical talent, India can emerge as a global platform for defence hardware manufacture and software production.” It goes on to pledge, “BJP will strengthen the DRDO” and “encourage private sector participation and investment, including FDI in selected defence industries.”⁸⁰⁾ As previous BJP manifestos had never touched upon defense production reform, it is likely the personal initiative of Prime Minister Modi. In May 2013, Modi, as chief minister of Gujarat, praised the scientists involved in India’s nuclear development in his blog commemorating the fifteenth anniversary of India’s Pokhran nuclear tests of 1998. In that context, he posed the following question: “Why must we still spend thousands of crore of rupees to procure defence equipment from overseas?” Also, he wrote, “We should think of a larger debate, encourage free flowing of ideas to think of how India can develop human resources in defence manufacturing. ... Going a step ahead, we should even think of how we can export defence equipment.”

Defense production is bestowed two-prong emphasis by Prime Minister Modi’s thinking. The first is the security perspective, asserting that the only way to realize a “strong India” is by absorbing the state-of-the-art technology that is distilled in defense technology, connecting it to the construction of an indigenous technological foundation, thereby sloughing off external dependence. The second is the industrial perspective, expecting defense industry to provide employment as well as to lead to the economic development of the country.

After the Modi government was launched, the Cabinet decided on August 6, 2014, to raise the cap on foreign equity participation in the defense sector to 49 percent, up from 26 percent, where it had been fixed for many years. Defense production is now considered part of the Modi government’s “Make in India” campaign, as it has taken a clear step in favor of removing hindrances of the inflow of foreign capital. For example, it abrogated the restriction by which 51 percent of company capitalization must be from a single Indian firm, and allowed foreign capital exceed 49 percent, provided that the venture is approved by the Cabinet Committee on Security as contributing to the transfer of highly advanced technology. Furthermore, it also abrogated the rule that forbade investment transfers of three years.⁸¹⁾ The Modi government will pursue defense reform as part of industrial policy, vigorously

involving the private sector. The key to its success is whether government can pursue public sector reform, and whether a favorable business environment can be sustained for domestic private corporations to invest in the defense sector.

India and Japan: A Special Strategic and Global Partnership

From the end of 2013 and throughout 2014, frequent high-level visits were mutually made between India and Japan, demonstrating the high importance placed on the partnership by both sides. In December 2013, Emperor Akihito and Empress Michiko paid a visit to India, which was the first ever visit by a Japanese Emperor to India. On January 26, 2014, Prime Minister Shinzo Abe visited the country as the first-ever chief guest to the Republic Day celebrations from Japan. In turn, Prime Minister Modi, who assumed office at the end of May 2014, chose Japan as the destination for his first bilateral visit outside of the South Asian region. On September 1, the two prime ministers released the Tokyo Declaration for Japan-India Special Strategic and Global Partnership, which elevated the relationship to the level of a “special strategic and global partnership.” For Japan, the only other country with which the strategic partnership is described as “special” is Australia, and for India, that country is Russia. India’s relationship with Russia, however, is described as “special *and* privileged,” with the term “privileged” accorded to relations of the most closeness.

The Tokyo Declaration goes beyond the mere enumeration of items of cooperation and clearly demonstrates a strategic direction. In defense and security, cooperation in defense equipment and technology is addressed this time in addition to maritime security, which the two countries have been working on during the last decade. The Declaration welcomed the progress made in discussions in the Joint Working Group (JWG) on cooperation in the US-2 amphibian aircraft and directed it to accelerate the discussion. The JWG on

US-2 is co-chaired by Japan’s administrative vice-minister of defense and India’s secretary of commerce and industry, and is attended by ministries and agencies from both countries, including those for defense, foreign affairs, and commerce/trade and industry, as well as ShinMaywa, the private manufacturer of the US-2. Establishment of the JWG was agreed upon in the joint declaration made in May 2013 at a summit between India’s then-Prime Minister Manmohan Singh, who was visiting Japan, and Prime Minister Abe. The JWG has met several

times. Given that much work is needed as this is the first experiment for both India and Japan, it is highly significant that public and private sectors from both sides are working together toward finalization. As India had joined maritime search efforts for the missing Malaysia Airlines flight MH370 in March 2014, dispatching the P-8I and Dornier,⁸³ the US-2, if added to the Indian Navy, should be able to contribute to such search and rescue operations in the Indian Ocean.

In the sphere of the investment, Japan expressed the intention to make 3.5 trillion yen (around \$30 billion) worth of public and private investment and financing to India over five years to finance projects in the infrastructure and manufacturing sectors. Besides the visions of the Delhi-Mumbai Industrial Corridor (DMIC) and Chennai-Bengaluru Industrial Corridor (CBIC)—both flagship projects for connectivity and the transport system—the latest declaration adds “Japan’s cooperation for enhanced connectivity and development in the Northeast India.” By cooperating in connectivity in the Northeast, along with connecting India with Southeast Asia over a sea route exiting from Chennai and a land route exiting through the North Eastern Region via Myanmar, Japan can be said to be engaged in the new Indo-Pacific regional vision, along with India, from a geo-economic perspective.

The India-China Border Dispute

India and China share a border approximately 3,500 kilometers long along the Karakoram and Himalayan Ranges, all of which is undefined, it is effectively called the Line of Actual Control. The line consists of three sectors—eastern, middle, and western—and the two nations find themselves at loggerheads mainly in the eastern and western sectors.

The western sector comprises the area in which India’s Jammu & Kashmir state adjoins two of China’s autonomous regions, Tibet and the Xinjiang Uyghur Autonomous Region. The two countries dispute an area of some 38,000 square kilometers known as the Aksai Chin. India claims that Aksai Chin is part of Kashmir, but China already built a road in the area in 1957, connecting Tibet with the Xinjiang Uyghur Autonomous Region. In fact, China concluded a border agreement with Pakistan in 1963, and India has taken the position that Pakistan illegally ceded part of Kashmir to China.

The eastern sector comprises the areas east of Bhutan in which Arunachal Pradesh, administered by India, adjoins Tibet. In 1914, representatives from the United Kingdom, the Republic of China and Tibet met at the Simla (now Shimla), the summer capital of British India, where they signed the Simla Accord dealing with the status of Tibet (the Republic of China rejected the treaty immediately after the agreement). India considers the Simla Accord’s so-called “McMahon Line”—named after Sir Henry McMahon, the main British representative at the conference—as grounds for the legitimacy of the border, but China still

customarily regards the southern edge of Arunachal Pradesh as its border.

The origin of Sino-Indian border dispute in the eastern sector dates back to China's annexation of Tibet. When China took Tibet under its control in 1951, the buffer zone between China and India vanished. In 1954, the Agreement between the Republic of India and the People's Republic of China on Trade and Intercourse between Tibet Region of China and India was reached. While the preface of the document is famous for its *Panchsheel*, or "five principles of peaceful coexistence," it was intended to manage a potential collision of interests in Tibet. The border issues were put on the back burner while setting down regulations on border trade and pilgrimages. It effectively kept an uneasy peace between both sides until an uprising occurred in Tibet in 1959, with the 14th Dalai Lama fleeing to exile in India. The relation between China and India soured thereafter, leading to war in 1962.

After that, several skirmish took place between the two nations' militaries at various points along the border. The turning point came in 1988, however, when then-Prime Minister Rajiv Gandhi visited China, initiating the process of the Joint Working Group on the border issue at the secretary level. When India's Prime Minister P.V. Narasimha Rao visited China in 1993, and when China's President Jiang Zemin visited India in 1996, respective agreements were signed each time, outlining confidence-building measures along the LAC in the border area. In their joint declaration of 2003, both countries said that they "affirmed their readiness to seek a fair, reasonable and mutually acceptable solution to the boundary issue through equal and friendly negotiations," with India officially recognizing that the Tibet Autonomous Region was Chinese territory. In the memorandum on border trade signed at the same time, the identification of Nathula in Sikkim as a border trade post meant that China recognized India's de facto control of Sikkim as well. Those developments were the result of the principle of reciprocity. However, the fact that China succeeded in including a statement in the above Declaration the text "rules out activity by anti-Chinese activity by Tibetans in India" demonstrates how deeply the border dispute is linked to the Tibetan issue.

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