



CENTRE FOR EUROPEAN REFORM

briefing note

INDIA'S ROLE IN THE NEW WORLD ORDER

By Charles Grant

With every passing year, India is making an increasing mark on the world's economic and political system. In July 2008, India, together with China, blocked a deal in the World Trade Organisation talks, provoking their collapse (though the US must share the blame for that outcome). Over the past two years Indian companies have bought Europe's two biggest steel-makers, Arcelor and Corus. Many European and American IT firms have relocated large parts of their operations to India. Indian diplomacy is increasingly active in Africa, Central Asia and South East Asia.

India's increasing global influence has been driven by rapid economic growth. But India's leaders should not assume that future economic success is a given. They must overcome crucial challenges such as inadequate infrastructure, poor outcomes in health and education, and dire rural poverty. If we assume that the politicians take enough of the right decisions to ensure that India remains a rising power, what will be its impact on the world's economic and political systems? The answer is far from clear. India's leaders proclaim their support for the principles of multilateralism. But reality often fails to match rhetoric. Like most of the other great powers in the world today, India is capable of acting multilaterally, unilaterally or bilaterally.

At the United Nations, India has a reputation for being one of the less constructive members. It sometimes reacts in a negative or hostile manner to the initiatives of others, and does not often take its own initiatives. Evidently, so long as India is denied a permanent seat on the UN Security Council (UNSC), its officials will have an excuse for occasionally taking the UN less seriously than some others would wish.

In its own neighbourhood, India has no compunction about acting unilaterally, as it did when it sent forces into Sikkim and Goa (both now part of India, in the 1960s), Bangladesh (in the 1970s) and Sri Lanka (in the 1980s). Today, India's government has its own policy on Myanmar, namely to boost Indian influence in the country and not to criticise the regime, and it is not enthusiastic about tackling the problems of Myanmar in a multilateral framework.

Some US commentators, like Robert Kagan, predict that the world's democracies will team up to confront the more authoritarian countries, like China and Russia. But India does not want to be part of an anti-China coalition, or a league of democracies. Indeed, it has seldom allowed its democratic political system to influence its foreign policy. If India does have a natural preference in international relations, it is to deal with other powers bilaterally. The fact that India is large gives it weight in its bilateral relations, notably with China, Russia and the US.

Although India does not want to be part of an axis of democracies, the most significant shift in its foreign policy over the past two decades has been the *rapprochement* with the United States. Traditionally, the focus of India's foreign policy was non-alignment, but a non-alignment that left it much closer to the Soviet Union and its allies than the US. Several factors explain the greater warmth towards Washington:

- ★ The collapse of the Soviet Union and the relative weakness of Russia since then;
- ★ Growing economic ties between the US and India, particularly in the IT industries;

- ★ The burgeoning educational and familial links between the two countries; many bright young Indians aspire to study at US universities, and some of those who go stay; and
- ★ Growing worries in India about the rise of Chinese power; as a result, many Indian leaders favour closer ties with the US.

Thickening ties between the US and Indian security and political establishments led to the nuclear deal between the governments of Manmohan Singh and George W Bush, which at the time of writing seems likely to go through, after several years' delay (it has passed the Indian parliament, the International Atomic Energy Agency and the Nuclear Suppliers Group, but not yet the US Congress). This deal will remove various sanctions against India's nuclear industry and allow the country to import uranium for peaceful purposes; in return, India will put its civilian nuclear facilities under international inspection.

The Indian left had long opposed this bargain, on the grounds that it would give outsiders control over nuclear facilities and make India dependent on the US. The leading opposition party, the BJP, also opposed it, but for tactical rather than substantive reasons. Yet when the Nuclear Suppliers Group approved the deal in September, it set off a wave of nationalist pride: India was getting special arrangements that no other nuclear power that had refused to sign the Nuclear Non-Proliferation Treaty had ever been granted, or was likely to be granted. The Indians saw that because their country was an emerging great power they were getting exceptional treatment.

Anti-Americanism remains a potent force in India, not only within the Communist parties but also in the left wing intelligentsia and some universities. But public opinion tends to be broadly pro-American, as are the political leaders of the two main parties, the governing Congress and the BJP. Meanwhile in the US, the leaderships of the Republican and Democratic parties both support close ties with India.

Few Indians want to be used as a pawn by the US in an effort to 'contain' China. And few think that, because India is a democracy, it should line up with other democracies against autocracies. Yet the friendly relations with Washington have affected India's relations with China.

At the level of political and business leaders, Indians talk up the relationship with China, stressing the growing trade ties between the two countries. But in the Indian military establishment and among foreign affairs commentators, and among some sections of the general public, there are growing concerns about the rise of China. In 'Rivals', a recent book on the triangular relationship between India, China and Japan, Bill Emmott observes that for the first time in its history, Asia contains three powerful and assertive states at the same time. "A new power game is under way, in which all must seek to be as friendly as possible to all, for fear of the consequences if they are not, but in which the friendship is only skin-deep."

Indians are concerned about a series of unresolved border disputes with their giant neighbour. China occupies several parts of what India claims is its territory. And China claims a whole state of India – Arunachal Pradesh – as its own. This series of disputes was supposed to be resolved during a visit to Delhi by President Hu Jintao in 2006. But something went wrong and a comprehensive deal on border disputes was never signed. Each side says the other was unwilling to compromise. Since then China has criticised Singh for visiting Arunachal Pradesh, and refused visas to government officials born in the state.

Whatever the truth about the diplomacy surrounding this border dispute, the perception of many Indians is that China has taken a tougher line on the border in the past couple of years. In Delhi, some analysts believe that India is paying a price for its closer relationship with Washington. If that is the case, China's tactics may be ineffective, since they are stoking up fears of Beijing in Delhi. On a visit to the Indian capital in early 2008, this author noticed how concerns about the rise of China had grown since his previous visit, in late 2005.

The Indians who worry most about China are military leaders and strategic thinkers. They note its soaring military budget, its armaments programmes and its ambitions to develop space weapons. And they are anxious about China's close relations with India's neighbours, with whom India tends to get on rather badly. Some Indian strategists fear 'encirclement' by China, via its relations with countries such as Sri Lanka, Myanmar, Bangladesh, Nepal and Pakistan.

Such concerns explain India's efforts to build close relations with Japan, Australia and Singapore (these three countries, together with the US and India, have staged joint military exercises). They explain its charm offensive in South East Asia, intended to prevent Chinese domination of the region. And they also account for some of India's ambition in Africa, where it worries that Chinese firms tend to outbid Indian ones to

win contracts to exploit natural resources. India hosted a summit for African leaders in New Delhi in April 2008, 18 months after China had hosted a similar gathering in Beijing. Trade between India and China continues to boom, though the overall level (\$36 billion in 2007) is less than that between India and the EU (€56 billion in 2007) and much less than that between China and the EU (€301 billion in 2007). India's trade deficit with China in 2007 was \$9 billion, and some Indians are increasingly concerned that while China exports manufactured goods to India, exports to China add less value (about half of India's exports to China are iron ore).

Tensions between Delhi and Beijing are unlikely to lessen, unless they can somehow find an accommodation on their border disputes. India is likely to maintain friendly relations with Washington, and that will continue to cause concern in Beijing. However, if China took a more positive attitude to reform of the UN Security Council, so that Japan and India could become permanent members, it would help to create a positive climate in India-China relations (when in Beijing last summer, this author picked up hints that Chinese leaders are rethinking their attitude to UNSC reform).

India's relationship with Russia is much less important than it was during the Cold War. There is very little non-military trade between the two. India continues to buy Russian armaments, but the military ties seem to be declining in importance. India sometimes wants US weapons in preference to those offered by Russia, which does not go down well in Moscow, and the two sides have been sparring over the price of an aircraft carrier that Russia is due to sell to India. One problem for the economic relationship is the lack of an overland route for trade between them (Pakistan does not allow transit). Politically, relations between India and Russia remain quite good. Some Indian strategic thinkers see Russia as a potential element in their strategy for preventing Chinese dominance of Asia.

India's relations with the EU have been mainly focused on the burgeoning trade and investment relationship. But not many Indians see the EU as a strategic partner, largely because of its inability to reach a united position on the issues that matter to India, such as reform of the UNSC and the India-US nuclear deal (for this author's analysis of the EU-India relationship, see 'Four pillars for an EU-India partnership' in the CER bulletin, June/July 2008).

So far, Indian diplomacy has been much more concerned with these key bilateral relationships than with the multilateral system. India has not yet displayed any willingness to sign up to a quantitative reduction in carbon emissions in the post-Kyoto system that is likely to emerge after 2012. And as already remarked, India has contributed to the demise of the Doha round of WTO talks by resisting a reduction of industrial tariffs and farm protection.

Like China and Russia, India is a strong supporter of the principle of non-interference, and reluctant to embrace the concept of humanitarian intervention. India has not been active in trying to reshape global institutions such as the UN, the IMF, the World Bank and the G8. However, India is one of the biggest providers of peacekeepers to the UN. Perhaps, when India is – as it must be, one day – admitted to the UNSC and the body that replaces the G8, it will start to take on a greater sense of responsibility for global governance. In the long run, India would benefit from a stronger and more effective rules-based international system.



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