



# A GIANT SLOWLY RISES

*From Southeast Asia to the Indian Ocean, New Delhi's reach is growing – sometimes incrementally, but sometimes significantly*

**I**n trying to assess the strategic environment in which India finds itself in 2018, it may be useful to make eight broad observations.

**One**, the Indian economy is growing. In 2018, according to the International Monetary Fund, India surpassed France to have the world's sixth largest gross domestic product (GDP). In the coming year, India is expected to overtake the United Kingdom to have the fifth largest GDP. Even assuming a slowdown in annual growth, India is on track to become the world's third largest economy by 2030 or thereabouts. This is not to suggest that India's




BY  
DHRUVA JAISHANKAR

economic future will be seamless. According to its own government's Economic Survey, India faces daunting challenges when it comes to the quality of its human capital, including healthcare, education and employability; agricultural productivity and modernisation; and administrative reforms including law and order. Nonetheless, despite these challenges, the difference between a \$1 trillion economy,

which India was in 2007, a \$2.5 trillion economy today and a \$4.5 trillion economy by 2030-2035 will have significant strategic implications.

**Two**, Donald Trump's election as US president has – contrary to many expectations – accelerated strategic convergence between the United States and India. This applies



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to his South Asia strategy (focused on Afghanistan and Pakistan) and the free and open Indo-Pacific strategy. Both approaches, as articulated in the White House’s National Security Strategy, find resonance in India and align broadly with New Delhi’s preferences. We have therefore seen an acceleration in maritime cooperation from the Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region agreed to by President Barack Obama and Prime Minister Narendra Modi in 2015, to the joint statement between Trump and Modi in 2017. In real terms, this has manifested itself in the elevation of the 2+2 Dialogue to the cabinet level, which will be held in 2018 for the first time, and the activation of a logistics supply agreement between the two militaries. Cooperation has also accelerated with various US allies, including Japan, as on an infrastructure working group, with Australia on bilateral naval exercises and the resurrection of a working-level quadrilateral dialogue, as well as with Europe, especially France, with whom India’s security dialogue and cooperation has deepened significantly over the past two years.

**Three,** India and China have not had a reset in relations, despite the informal Wuhan Summit between Modi and President Xi Jinping. Differences remain wide, as on the boundary disputes, issues of sovereignty and sustainability concerning China’s Belt and Road Initiative (which India has boycotted), on a trade deficit which has widened to \$52 billion per year, and on matters of global governance. Contrary to widespread reports, the Wuhan Summit had been under consideration for almost a year, and neither India nor China made significant concessions to each other.

**Four,** India has had little choice but to pay greater attention to its neighbourhood. The demands on India have increased, and China

is now providing considerable competition for influence. As such, India has significantly increased its aid and lines of credit (\$7.7 billion to all countries last year) in an effort to stimulate private sector investment in the region. The largest recipient of Indian credit approvals has been Bangladesh. There has also been an extra push on regional connectivity, with the biggest change in the exchange of electrical grids. Regional institutions, beyond the South Asian Association for Regional Cooperation (SAARC), are also being reconsidered, including informal groupings and a long-moribund Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) involving Myanmar and Thailand.

**Five,** the Indian Ocean has increased in strategic importance for India. In 2017, the Indian Navy began year-round deployments in seven zones in the Indian Ocean, from the Gulf of Aden to the Straits of Malacca. India also entered into a maritime agreement with Singapore and initiated or activated defence agreements with France, the United States and Oman. This network of arrangements theoretically gives India access to ports and refuelling/replenishment facilities across the Indian Ocean from Réunion and Djibouti to Duqm, Bahrain and Singapore. The fact that an Indian Navy frigate could be refuelled in the Sea of Japan by an American vessel, as happened last year, is an indication of the tangible benefits of such arrangements to the operational reach of the Indian military.

**Six,** India will have to continue building upon the momentum in ties with the Association of Southeast Asian Nations (ASEAN). In January 2018, India hosted all ten ASEAN leaders in New Delhi for its Republic Day celebrations. Security cooperation with ASEAN member states is actually proceeding at a fast pace, albeit from a very low base in many instances. Today, India participates in regular training and exercises with several regional militaries, provides technical assistance and conducts coordinated naval patrols. The closest security relations are with Singapore, followed by Vietnam and Myanmar, and lately Thailand, Indonesia and even Malaysia. However, despite these improvements, India’s economic and commercial connectivity with Southeast Asia is lacking and progressing only slowly. A number of efforts are underway to improve this – including the India-Myanmar-

Thailand trilateral friendship highway – but so far indications are that change will be incremental.

**Seven,** India-Pakistan relations are on hold, as they have been since July 2016, and are likely to remain so. This is for five reasons: the recent Pakistani general elections, Indian general elections in 2019, Indian concerns and Pakistani confidence as a result of the China-Pakistan Economic Corridor, a continuing stalemate in Afghanistan, and political developments in the Indian state of Jammu and Kashmir. At the same time, India is continuing its state-building efforts in Afghanistan. Of particular significance is the fact that the air freight corridor between the two countries has helped to make India the second largest destination of Afghanistan’s legal exports and, with almost 40 percent share, it may soon surpass Pakistan to become Afghanistan’s largest export destination.

**Eight,** India will have to continue balancing diverse interests in West Asia. Iran remains important for Indian connectivity to Central Asia and Afghanistan via the port of Chabahar and the International North-South Transportation Corridor. India’s relations with the Gulf Arab states have seen more significant improvement, particularly with the United Arab Emirates, Saudi Arabia and Oman. This appears to be, in part, a consequence of the drop since 2011 in oil prices, the excesses of the Arab Spring, and concerns about the reliability of the United States. All of these factors have slightly increased India’s importance in the region’s strategic and economic calculus. For India, these countries are important because they host a sizeable Indian diaspora, provide the bulk of India’s imported oil and natural gas, and provide some security assets and occasional intelligence. Finally, India-Israel relations have become more visible and public after return visits by the two countries’ presidents and prime ministers over the past two years. Israel is a major defence supplier to India.

Overall, the developments of 2017 and 2018 suggest a great deal of strategic flux from an Indian standpoint. But these are also regional and global circumstances that India is monitoring closely and attempting to respond to appropriately within its capabilities. ■