

INDIA'S NEIGHBOURHOOD

Challenges in the Next Two Decades

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Editors

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CONTENTS

<i>Foreword</i>	<i>vii</i>
<i>About the Contributors</i>	<i>ix</i>
<i>List of Abbreviations</i>	<i>xi</i>
<i>List of Tables, Figures, Maps</i>	<i>xvii</i>
<i>Introduction</i>	<i>xix</i>
1. Afghanistan	
Likely Scenarios and India's Options	1
<i>Vishal Chandra</i>	
2. Bangladesh	
Illegal Migration and Challenges for India	19
<i>Sreeradha Datta</i>	
3. Bhutan	
India-Bhutan Relations in the Next Two Decades	35
<i>Medha Bisht</i>	
4. China	
Managing India-China Relations	55
<i>Prashant Kumar Singh and Rumel Dahiya</i>	
5. Maldives	
Harmonising Efforts to Mitigate Adverse Impacts of Climate Change and Achieve Growth	95
<i>Anand Kumar</i>	
6. Myanmar	
The Need for Infrastructure Integration	110
<i>Udai Bhanu Singh and Shruti Pandalai</i>	
7. Nepal	
Issues and Concerns in India-Nepal Relations	137
<i>Nihar Nayak</i>	

8.	Pakistan	
	Chronic Instability and India's Options	163
	<i>Ashok K Behuria and Sushant Sareen</i>	
9.	Sri Lanka	
	Challenges and Opportunities for India	191
	<i>Smruti S Pattanaik</i>	
	Conclusion	216
	<i>Index</i>	222

FOREWORD

The developments affecting India's neighbourhood over the past decade have led India to take a close look at her foreign and security policies. There is a widely shared belief that India has to formulate policy options to secure her national interests, keeping in view the changes occurring in her neighbourhood. This volume offers a well-rounded survey of India's relations with some of the important countries in her immediate neighbourhood, develops plausible scenarios for each of them, and proposes options for consideration by the policy establishment.

The chapters in the book take a prospective look at India's neighbourhood, as it may evolve by 2030. They underline the challenges that confront Indian policymakers, the opportunities that are likely to emerge, and the manner in which they should frame foreign and security policies for India, to maximise the gains and minimise the losses.

The key findings that emerge from this volume are: the geopolitical situation in the neighbourhood is likely to change significantly due to uncertainties in the global economy, chronic instability in the Af-Pak region, increasing salience of external factors in regional politics, continuing anti-India sentiments in some of the countries, demographic pressures, growth in illegal migration, and adverse consequences of climate change. However, there are also signs of greater desire for economic integration, strengthening of democratic institutions in some countries, and emphasis on regional cooperation. While India may face increasing security challenges due to instability in certain countries, there will be an opportunity for it to better integrate its economy with the region.

The authors in the volume argue that in order to deal with the uncertainties in an effective manner, India has to fine-tune its diplomatic apparatus to proactively deal with emerging realities in the neighbourhood, systematically pursue policies for inclusive and equitable economic growth at home, build networks of interdependence with all

neighbouring countries, significantly improve the quality of the country's governance and take measures to deal with internal security situation effectively. In order to deal with the emerging challenges, policymakers will need to build a domestic consensus on key issues affecting India's neighbourhood policy. Sustained economic growth and cooperative security approaches will be needed to deal with a dynamic neighbourhood. The development of appropriate and robust defence capabilities to meet complex security challenges which lie ahead should also be given due priority, to make our neighbourhood policy more effective.

I commend the efforts of Brig. (Retd.) Rumel Dahiya and Dr Ashok Behuria for coordinating this project efficiently, and for taking special care to edit the manuscript and put together all the chapters in the present shape.

I compliment the efforts of IDSA scholars who have contributed chapters to this volume, as well as others—especially Dr R N Das, Dr G Balachandran and Dr Namrata Goswami—who participated in the discussions and offered their inputs while finalising the chapters. I will fail in my duty if I would not acknowledge the valuable efforts put in by anonymous referees for their comments and suggestions on the earlier drafts which helped the scholars in enriching the content.

I thank Ms Neha Kohli for patiently copyediting the draft, and Ms Gulbin Sultana for helping the editors in finalising the manuscript.

I hope this volume will be found useful by the wider strategic community and promote a more informed debate on the vital question of formulating policy options for India's neighbourhood in the coming years.

New Delhi
July 2012

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LIST OF ABBREVIATIONS

AAI	Airports Authority of India
ADB	Asian Development Bank
Af-Pak	Afghanistan-Pakistan
AH	Asian Highway
AIS	Automatic Identification System
AITD	Asian Institute of Transport Development
AMHS	Automatic Message Handling System
ANA	Afghan National Army
ANI	Asian News International
ANSF	Afghan National Security Forces
ASEAN	Association of Southeast Asian Nations
ASIDE	Assistance to States for Developing Export Infrastructure and Allied Activities
BDCLIM	Bangladesh Climate
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BIPPA	Bilateral Investment Promotion and Protection Agreement
BJP	Bharatiya Janata Party
BoI	Board of Investment
BPO	Business Process Outsourcing
BRO	Border Roads Organisation
CA	Constituent Assembly
CBES	Chure Bhawar Ekta Samaj
CBM	Confidence Building Measures
CEO	Chief Executive Officer
CEPA	Comprehensive Economic Partnership Agreement
CIA	Central Intelligence Agency
CIRCL	Center for Islamic Research Collaboration and Learning

CPB	Communist Party of Bhutan
CPC	Communist Party of China
CPN-M	Communist Party of Nepal-Maoist
CSF	Competitiveness Support Fund
DCA	Department of Civil Aviation
DFID	Department for International Development
DPT	Druk Phuensum Tshogpa
DPR	Detailed Project Reports
EAS	East Asia Summit
EU	European Union
EXIM	Export Import
FATA	Federally Administered Tribal Areas
FDI	Foreign Direct Investments
FIA	Federal Investigation Agency
FICN	Fake Indian Currency Notes
FPAG	Foreign Policy Advisory Group
FTA	Free Trade Agreement
FY	Financial Year
GDP	Gross Domestic Product
GHQ	General Headquarters
GJM	Gorkha Janamukti Morcha
GLOF	Glacial Lake Outburst Floods
GNH	Gross National Happiness
GNI	Gross National Index
GoI	Government of India
GoSL	Government of Sri Lanka
GSP	Generalized System of Preferences
HCL	Hindustan Computers Limited
IB	Intelligence Bureau
ICAO	International Civil Aviation Organisation
ICICI	Industrial Credit and Investment Corporation of India
ICP	Integrated Check Post
IDSA	Institute for Defence Studies and Analyses
IED	Improvised Explosive Device
IFAD	International Fund for Agricultural Development

IGSC	Inter Governmental Sub-committee
IMDT	Illegal Migrants Determination by Tribunal
IMF	International Monetary Fund
IMTRAT	Indian Military Training Team
IRCON	Indian Railway Construction Company
ISAF	International Security Assistance Force
ISEAS	Institute of Southeast Asian Studies
ISI	Inter-Services Intelligence
IT	Information Technology
IWT	Inland Water Transport
IWT	Indus Water Treaty
J&K	Jammu & Kashmir
JVP	Janatha Vimukthi Peramuna
JWG	Joint Working Group
KKS	Kankesanthurai
KP	Khyber Pakhtunkhwa
km	kilometre
KVA	Kilo Volt Ampere
LAC	Line of Actual Control
LDC	Least Developed Countries
LDOF	Landslide Dam Outburst Floods
LEJ	Lashkar-e-Jhangvi
LEP	Look East Policy
LLRC	Lesson Learnt and Reconciliation Commission
LoC	Line of Control
L&T	Larsen & Toubro
LTTE	Liberation Tigers of Tamil Eelam
MEA	Ministry of External Affairs
MFN	Most Favoured Nation
MGC	Mekong-Ganga Cooperation
MHA	Ministry of Home Affairs
MJF	Madhesi Janadhikar Forum
MLM	Marxist-Leninist-Maoist
MP	Member of Parliament
MNC	Multi-National Companies

MoU	Memorandum of Understanding
MRP	Machine Readable Passport
MW	Megawatt
NATO	North Atlantic Treaty Organisation
NC	Nepali Congress
NDA	National Democratic Alliance
NDFB	National Democratic Front of Bodoland
NDN	Northern Distribution Network
NEFFA	Nepal Freight Forwarders Association
NER	Northeastern Region
NFC	National Finance Commission
NGO	Non-governmental Organisation
NH	National Highway
NHPC	National Hydroelectric Power Corporation
NHRC	National Human Rights Commission
NLD	National League for Democracy
NSG	Nuclear Suppliers Group
NTPC	National Thermal Power Corporation
Nu	Ngultrum (Bhutanese Currency)
ODA	Official Development Assistance
OLC	Official Languages Commission
ONGC	Oil and Natural Gas Commission
OPEC	Organisation of the Petroleum Exporting Countries
PBS	Performance Based Navigation
PDP	People's Democratic Party
PIL	Public Interest Litigation
PLA	People's Liberation Army
PML-N	Pakistan Muslim League-Nawaz
PNS	Pakistan Naval Station
PoK	Pakistan occupied Kashmir
PONM	Pakistan Oppressed Nationalities' Movement
PPP	Pakistan Peoples' Party
PRB	Population Research Bureau
PST	Pakistan Sunni Tehreek
PTI	Press Trust of India

PTI	Pakistan Tehrik-e-Insaf
RAW	Research and Analysis Wing
RGST	Reformed General Sales Tax
RTI	Right to Information
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asia Free Trade Agreement
SARDP-NE	Special Accelerated Road Development Programme for North East
SCO	Shanghai Cooperation Organisation
SDF	SAARC Development Fund
SF	Security Force
SIC	Sunni Ittehad Council
SL	Sri Lanka
SLFP	Sri Lanka Freedom Party
SLMC	Sri Lanka Muslim Congress
SME	Small and Medium Enterprises
SoFA	Status of Force Agreement
SPDC	State Peace and Development Council
SPS	Sanitary and Phyto-Sanitary
sq km	square kilometre
SSB	Sashastra Seema Bal
SSP	Sipah-e-Sahaba Pakistan
TAPI	Turkmenistan-Afghanistan-Pakistan-India
TAR	Tibet Autonomous Region
TAR	Trans Asian Railway
TERI	The Energy and Resources Institute
TK	Taka (Bangladesh Currency)
TMLP	Tarai-Madhesh Loktantrik Party
TNA	Tamil National Alliance
TTP	Tehrik-e-Taliban Pakistan
TYC	Tibetan Youth Congress
UAE	United Arab Emirates
UCPN	Unified Communist Party of Nepal
UK	United Kingdom
ULFA	United Liberation Front of Assam

UML	Communist Party of Nepal-Unified Marxist Leninist
UN	United Nations
UNDP	United Nations Development Programme
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNFCCC	United Nations Framework Convention on Climate Change
UNMIN	United Nations Mission in Nepal
UNP	United National Party
UNSC	United Nations Security Council
UP	Uttar Pradesh
UPA	United Progressive Alliance
URFB	United Revolutionary Front of Bhutan
US	United States
USA	United States of America
USAID	United States Agency for International Development
USD	US Dollar
VHF	Very High Frequency
WEF	World Economic Forum
WFP	World Food Programme
WMD	Weapon of Mass Destruction
WTO	World Trade Organisation
WW	World War
YCL	Young Communist League
YMEC	Yunnan Machinery & Equipment Import & Export Company Limited

LIST OF TABLES, FIGURES AND MAPS

Tables

2.1	Population Growth Rate in Bangladesh	21
5.1	Climate Mitigation and Adaptation Measures Listed by Maldivian Government	99
6.1	Upgradation of Roads Linking Northeast India with Myanmar	128
8.1	Debt Forgiven or Reduced (1999-2004)	169
8.2	ODA Received by Pakistan (1999-2009)	171
9.1	Foreign Finance Commitments to Sri Lanka in 2010	193
9.2	Doing Business in Sri Lanka	194

Figures

8.1	GDP Growth, Net ODA (as % of GNI) and FDI (as % of GDP) (1960-2011)	170
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Maps

5.1	Impact of One Meter Sea Level Rise on Various Maldivian Islands	108
5.2	Maldivian Islands where China has Shown its Interests	109
6.1	Stilwell Road (Ledo Road)	113
6.2	Proposed Rail Network	120
6.3	Kaladan Multimodal Project	122
6.4	Proposed Road Network	129

INTRODUCTION

The political, economic and social landscape in India's immediate neighbourhood has changed significantly since the end of the Cold War. A power transition is under way in the global order. The bipolar world has given way to a non-polar world in which several new powers have emerged. The centre of gravity of power is shifting towards the Asia-Pacific. The simultaneous rise of India and China is a development of great significance. The traditional concept of national security is being broadened gradually to include human security concerns. Non-military issues like climate change, energy security, competition for scarce resources, food and water security, pandemics, migrations, etc., are getting securitised. Globalisation, driven by technology, has created an unprecedented situation where borders are losing their relevance. People are able to connect with each other more easily and more quickly. At the same time, globalisation has also fostered the assertion of ethnic and linguistic identities. These massive changes, which are likely to further accelerate in the next 20 years, have also affected India and its neighbourhood.

Even a cursory glance at the developments of the last few years will show how significant the changes have been in India's neighbourhood. Who would have thought even a few years ago that the monarchy would disappear in Nepal; the LTTE would be militarily defeated; General Musharraf would be ousted and compelled to live in exile in London; a democratic government would be elected in Maldives; Sheikh Hasina would come back with a more than three-fourths majority; NATO would be fighting in South Asia; the Line of Control (LoC) in Kashmir would become a 'soft border'; insurgency in Kashmir would decline; insurgencies in the Northeast would be tamed; and China will become India's number one trading partner? The pace of change in the region will only intensify in the coming years.

What does this change mean for India's neighbourhood policy? While

several new avenues for cooperation among countries of the region are likely to open up, fresh security challenges will also arise. Dominated by security concerns for the last six decades, India's policy towards its neighbourhood will require a makeover in the light of the great political, economic and social changes that are taking place. The concept of national security emerged largely because of the arbitrary borders drawn by the British colonial masters. The solution to the many security issues facing India lies in resolving the cross-border issues like migrations, water-sharing, transportation, trade, etc. Non-military concerns will need to be incorporated within a broader understanding of national security. The neighbourhood concerns will need to be integrated with India's overall security and developmental policies. This will be a major challenge for India's foreign and security policies in the coming decades.

The present volume, put together by researchers and analysts at IDSA, is an attempt to examine the emerging political, economic, social and security trends in the neighbouring countries and to identify those that are likely to endure in the future. Each chapter studies some key drivers of change that have high uncertainty as well as high degree of impact and some scenarios are created on the basis of these drivers. Each chapter then makes certain broad policy recommendations relevant to each scenario.

The future cannot be predicted precisely. The scenarios presented in the different chapters are not predictions. But they encapsulate a range of possibilities that might materialise depending upon how the key, high uncertainty-high impact drivers unfold. The scenario building exercise alerts the policy makers to the likely possibilities and prepares them better to meet these challenges.

In each scenario building exercise, one scenario represents business as usual. This is simply the linear extrapolation of the current trends. More interesting scenarios are envisaged by conjuring up drivers which may be less certain but whose impact is huge. For instance, in a business-as-usual scenario over the next 20 years, there will not be much change in the dynamics of India-Pakistan relations. But, in a scenario in which Pakistan might collapse as its economy continues to go downhill and religious fundamentalist forces take control of the government, a totally new situation might emerge. The probability of Pakistan's collapse may be small but it is not so insignificant that it can be ignored altogether. How will India deal with a collapsing or failing Pakistan? What will India's foreign policy be if such a scenario materialises. What will be the trigger point for such a scenario to materialise: a revolt in Balochistan or a war

between Pakistan and Afghanistan over Pashtun regions? The policy maker is alerted to think of such low probability but high impact scenarios and think of policy options in advance. Many such examples can be imagined.

The volume covers Afghanistan, Bangladesh, Bhutan, China, Maldives, Myanmar, Nepal, Pakistan and Sri Lanka. The countries for study were carefully chosen after discussion with analysts and policy makers.

With regard to Pakistan, the question posed is: how will Pakistan's internal situation pan out and how will it impact India? With regard to China, it was important from the policy makers' point of view to understand the impact of China's rise on Sino-Indian relations. Sri Lanka is embarking on the path of high economic growth. Hence the question being posed here is: Will this be sustainable, and how will it impact Indo-Sri Lanka relations? Other questions being looked at in this study are: Is there anti-Indianism in Nepal? If so, how will it impact relations with India? How climate change would impact migration from Bangladesh and how India would cope with it? Likewise, in the case of Maldives, the issue was climate change, its impact on the country and relations with India. The Myanmar chapter seeks to look at the need for infrastructure development in India's Northeastern states and Myanmar, the rising influence of China in the country and its implications for India.

The authors have tried to answer these questions by drawing upon their own expertise, undertaking field trips to the respective countries and participating in several brainstorming sessions. The initial drafts of their chapters were reviewed by noted experts. The drafts were revised in the light of their comments and discussed further. Finally, the papers were put together and the entire volume was sent to two experts for final review.

In the backdrop of major uncertainties in the region, some interesting scenarios can be visualised.

AFGHANISTAN

What will the post-2014 Afghanistan look like? Most short-term scenarios for Afghanistan predict instability and even civil war. The foreign forces are leaving Afghanistan without having stabilised it. When they leave Afghanistan by 2014, their interest in the country will also decline. This will open up the field for the return of the Taliban. The prospects of national reconciliation are not bright. While there is still a question mark on whether the US will retain some troops even after 2014, it looks almost

certain that these troops will perform a geo-strategic role for the US and would not necessarily take part in stabilising the country.

India, which has contributed significantly to Afghanistan's reconstruction, will face the question of whether to continue with these programmes if and when the Taliban return to power and instability increases. In the 10-year scenario, India should maintain contacts with all sides in Afghanistan, deepen people-to-people contacts but remain cautious about getting bogged down in the country. The prescription is wait and watch. An unstable Afghanistan will also have a destabilising impact on Pakistan whose Pashtun-dominated areas will become more restive and lawless. This will have implications for India's Pakistan policy also.

The game changing event that might occur after 2014 could be the beginning of a civil war in Afghanistan. It is unlikely that the continued presence of the US troops in Afghanistan will be tolerated by the Taliban who would need to be accommodated in the political settlement. The prospects of a regional solution to the Afghanistan problem are limited given the lack of capacities in the neighbouring countries as also the vastly different political agendas. Pakistan might get sucked into the Afghanistan imbroglio which could threaten its own stability. In such conditions India will have limited options.

BANGLADESH

Bangladesh is critical for India's security, the development of the Northeast and the success of its 'Look East Policy'. The two countries have had a troubled relationship since the assassination of Sheikh Mujibur Rehman in 1975. However, there are hopeful signs of a turnaround in bilateral relations initiated by Sheikh Hasina's visit to India in 2010 and Prime Minister Manmohan Singh's return visit to Dhaka in 2011. The challenge before the two countries is to ensure that the positive beginnings in bilateral relations are sustained.

One of the most important issues taken up for study in this volume is that of migration from Bangladesh into India. Bangladeshis are in denial mode and do not accept that there is any migration from their side. Yet, many well-informed Bangladeshis not only accept the facts on the ground but also warn that migration would intensify as Bangladesh faces the consequences of sea level rise, coastal erosion and shortened cycles of floods and droughts. India and Bangladesh have many issues to resolve including that of transit and connectivity, illegal smuggling, water sharing, trade, etc., but, migration will remain the major issue on the agenda. As

connectivity between the two countries increases there will be demand for a more liberal visa regime. The next 20 years in Indo-Bangladesh relations will most likely be taken up with the issues of human security. The role of India's eastern states in Indo-Bangladesh relations will grow significantly. Bangladesh granting transit facilities to India, completion of the Asian highway and trans-Asian railways could be the game changing events in the region. Likewise a more liberal visa regime, which facilitates people-to-people connectivity, will change Indo-Bangladesh relations significantly.

BHUTAN

Bhutan is turning over a new leaf. It is transiting from a monarchical system to democracy. The process of debate and discussion on Bhutan's foreign and security policy has started in right earnest. So far, India has had a robust and comprehensive relationship with Bhutan. However, at the domestic level, issues of trade imbalance, disadvantages of overdependence on India and poor delivery mechanism are being debated in the media with increasing regularity. In the national assembly, the representatives are pushing for settling of border dispute with China and normalising relationship with China. With China extending rail link up to Yatung, economic relationship with Bhutan is likely to grow at a faster pace. Apart from Japan and India, China is likely to come up as a major economic player in Bhutan. On the ethnic front, the issue of Bhutanese refugees of Nepalese origin remains unresolved. This has the potential to strain Nepal-Bhutan relationship and complicate internal security situation in Bhutan. There is also the likelihood of Indian insurgent groups reusing Bhutanese territory against Indian interests.

In this context, there are several policy options for Bhutan. It may continue to strengthen its relationship with India and have a 'look south' policy, thereby establishing deeper linkages with India, Bangladesh and South East Asian counties. It may also use China as a balancer against India. There is also the possibility of Bhutanese popular concerns about increased migrations from India and Bangladesh translating into anti-India sentiments posing critical challenges for India-Bhutan relationship. India has to be mindful of the changing political discourse especially on India as democracy takes roots in Bhutan. It should be sensitive to local perceptions and encourage regular interactions at multiple levels, with an emphasis on greater people to people contact to dispel mutual misunderstandings and concerns.

CHINA

Most scenarios envisage the inexorable rise of China to superpower status. China has already overtaken Japan to become the second largest economy in the world. However, a more nuanced look at China's internal dynamic raises uncertainties about its rise. Will China be able to sustain its rise for the next 20 years or will its economic growth falter? Will China's one party system face internal challenges? Will Han nationalism in China accommodate the aspirations of the minorities? While fraught with uncertainties, political and social instability in China accompanied by economic decline in the next 20 years cannot be ruled out altogether.

For India, the main consequence of China's rise will be two-fold. First, India will have an unpredictable superpower at its borders. Cooperation and friendship with China cannot be taken for granted although that is the direction in which India's policy should move. The differential between India and China's national strengths might increase. This will restrict India's options in dealing with China. For instance, India will need to ensure that it does not get entangled in a military conflict with China. At the same time India will have to resist pressure from China on settling the border on unfavourable terms. If Tibet gets restive after the present Dalai Lama's exit, a new situation in Sino-Indian relations might arise. India will have to be on watch to see whether the post-Dalai Lama situation in Tibet offers any opportunities for India in dealing with China. On the whole, India will be compelled to increase its own economic and military strengths while improving governance in the areas bordering with China.

Could there be a military confrontation between India and China in the next 20 years? Both the countries have taken precautions to declare that they are in favour of developing a cooperative relationship. However, China's recent assertiveness vis-à-vis India cannot be ignored. There have been some incidents on the un-demarcated border; China's position on J&K appears to be changing; Chinese presence in Pakistan Occupied Kashmir (PoK) is increasing; China has expressed its disapproval regarding the presence of Indian oil companies in the South China Sea; it routinely describes Arunachal Pradesh as South Tibet; and its position on the diversion of the Brahmaputra waters is ambiguous. It has undertaken massive modernisation of infrastructure in Tibet and has constructed railway routes and airfields close to the borders with India.

The intentions behind Chinese action vis-à-vis India in the last two years are not fully understood. Are they aggressive or benign? In the context of uncertainty within China, it would be fair to expect the

recurrence of crises in Sino-Indian relations over the next 20 years which will have to be managed by both sides. The game changer within China could be a slowdown of economic growth leading up to internal instabilities and changes in foreign policy behaviour. Likewise, the exit of the Dalai Lama could usher in a new phase in Sino-Indian relations as the Tibet issue assumes greater salience.

Second, with the rise of China, its influence in South Asia will grow. This is already visible, particularly in Nepal, Pakistan and Myanmar. India will come under pressure to restructure its neighbourhood policy to ensure that India does not get drawn into an unsavoury competition with China. The trajectory of Sino-Indian relations— will it be confrontationist or collaborative, or will it have an element of both?— will have a decisive influence in South Asia.

The analysis cautions against adopting a confrontationist approach towards China. At the same time, the chapter strongly recommends the strengthening of India's own capabilities as quickly as possible to reduce the capabilities differential.

MALDIVES

Maldives' strategic importance due to its location in the Indian Ocean, close to India's borders and en route to the major shipping highway in the ocean cannot be overestimated. Maldives is facing an existential threat. The sea level rise of up to 1 metre predicted in this century due to climate change can obliterate the country. One of the key challenges identified by the leadership of the country is how to adapt to the adverse consequences of climate change. The relocation of the population to other countries is a possibility and India will be involved. India can help Maldives in adapting to climate change; greater cooperation between India and Maldives will help India from the security perspective also. The policy option for India is to promote a comprehensive and deepen engagement with Maldives at all levels including on climate change.

MYANMAR

Unlike Bangladesh, Myanmar, despite its critical importance for India's security, India's 'Look East Policy' and the stability imperative for the Northeast does not receive as much attention as it should. Part of the reason is that Myanmar has undergone long periods of insurgency and has suffered international isolation. During its years of isolation, China's influence in the country has grown while India's engagement has reduced.

The next 20 years will see greater interaction between India and Myanmar. The political changes in Myanmar are slow but promising. In a marked departure from the past trends, the US Secretary of State, Hillary Clinton visited Myanmar in November 2011 and in April 2012, Aung San Suu Kyi participated in the fledgling democratic process in Myanmar and won the by-elections to become a member of the national legislature. Myanmar is rich in natural resources and has a superb geo-strategic location. China has invested considerably and rapidly in Myanmar and there is a perception that it may seek to push India out of Myanmar. The challenge before India in the next 20 years will be to ensure that it invests in Myanmar, contributes to its growth and draws it into the various regional cooperation projects. The development and connectivity of infrastructure projects between Northeast India and Myanmar is of critical importance. The game changing event that might occur in the not too distant future is the completion of the oil pipeline from the Bay of Bengal through Myanmar to China. India will have to deal with this situation. Myanmar will be more integrated with the world and its isolation will end. This will open up fresh avenues for Indo-Myanmar relations.

NEPAL

Will the present comprehensive political, economic and social transformation underway in Nepal have a positive impact on India-Nepal relations? Despite the current political crisis emanating from the inconclusive process of Constitution making, in the next 20 years, a new Nepal will emerge. It is likely to be republican and more democratic. This could pave the way for a deeper and friendlier relationship between India and Nepal. But uncertainties remain. The new political system has not yet crystallised as the Constitution has yet to be finalised. The Maoists have been mainstreamed to a considerable extent and have contributed two Prime Ministers in the last three years. However, the big questions relating to federalism, the form of the Constitution, language, economic system, etc., are still unresolved. The next 20 years will most likely be taken up by the long and complicated process of nation-building.

Anti-Indianism in Nepal, hydro-electricity and open borders are the three major issues studied in this volume. Because India is a major factor in the life of an ordinary Nepali, anti-Indianism is a fact of political life in Nepal. While millions of Nepalis benefit from close relations with India, the media and political parties routinely accuse India of interference in their country. It is unlikely that this tendency will disappear altogether.

Likewise, cooperation for the generation of hydro-electricity, which could benefit both Nepal and India, has become a symbol of mistrust rather than a catalyst for friendship. This is likely to continue as the Nepalese people regard water as their most important resource which they would not allow to be 'exploited' by India. Open borders, which bring so much benefit to India and Nepal and are a unique symbol of friendship between the two countries, have become criminalised. In the business as usual scenario, Indo-Nepal relations will continue to be bedevilled by these factors.

However, it is possible to imagine scenarios where India emerges as a key contributor to prosperity in Nepal. India will need to review its policies and take steps to correct the existing impression as an interfering neighbour. Indian assistance should go towards building Nepal's economy and society irrespective of which party or coalition is in power. India's role should be that of a trusted partner in Nepal.

On the negative side, continued uncertainty in Nepal could push it into a deep crisis. In such a scenario, China's influence might grow. The unrest in Tibet could also fuel instability in Nepal. India's endeavour should be to involve Nepal in regional cooperation projects. India will also need to shield its own Nepali speaking areas from instabilities in Nepal. India should avoid getting drawn into Nepal-Bhutan tensions. India will have to craft policies that would mitigate the negative effects of an unstable Nepal and the growing influence of China.

The game changing event that can be imagined in Nepal could be the inability of the political leaders to resolve the federal issue that is causing major and minor revolts, particularly in Madhesh, close to the Indian border. The federal question could result in fragmentation of Nepal. The growing influence of China in Nepal could be a major factor in Indo-Nepal relations. India might perceive Chinese presence in Nepal to be an acute security dilemma. India will need to prepare itself for meeting such eventualities which may have low probability but high impact.

PAKISTAN

Most scenarios paint a bleak picture for Pakistan. Instability in Pakistan is likely to increase further. A section of the Army might get radicalised reflecting the broad trend in the society. Parts of Pakistan might become ungovernable. The escalating violence in Karachi and the inability of the government to control it is a symptom of the deeper malaise in Pakistan. The military will continue to play an important role in Pakistan's governance. India will need to develop policy options to deal with such a Pakistan. The danger of terrorist attacks on India might increase. There

is growing dissatisfaction within Pakistan over the way the country has been misgoverned in the past 60 years. But whether such disaffection translates into more rational approach towards India is still a question mark. The Pakistan government's decision to accord Most Favoured Nation (MFN) status to India is a positive step forward, but there are indications that spoilers are at work to stifle, if not reverse, the process of trade liberalisation with India. If India is able to stabilise its own part of J&K, the salience of Kashmir in Indo-Pak relations might diminish, making it easier for India to deal with Pakistan.

What are the game changing scenarios that can be envisaged? In the context of Pakistan's internal situation, the division within the Pakistan Army would radically change the internal situation in Pakistan. Pakistan's Army may not remain a monolith. A part of it may be radicalised. Will a section of Pakistan's Army favour rapprochement with India? The scenario has low probability but if it materialises, it would have a major impact on Pakistan's internal dynamics. Likewise, for Indo-Pak relations a direct or indirect dialogue with the Pakistani military could change the trajectory. The key adjustment in India's policy will require dealing with different segments of Pakistan's society and polity at both the official and the non-official level. India must deal with Pakistan beyond the government-to-government framework; India will need to build and nurture friendly constituencies in Pakistan.

SRI LANKA

With the defeat of the LTTE, Sri Lanka now has a unique opportunity to resolve the ethnic conflict and embark upon nation-building. It could potentially emerge as one of the major economies in the region. It is already registering impressive rates of growth. The India-Sri Lanka Free Trade Agreement has given a boost to the Sri Lankan economy. Sri Lanka has also diversified its foreign policy and now has a growing relationship with China, Pakistan and other countries. It could benefit from a comprehensive economic partnership with India.

Despite these positive developments, fundamental uncertainties which could block Sri Lanka's growth remain. The ethnic conflict has not been resolved. Sinhala nationalism is on the rise in the wake of LTTE's defeat. The Tamil minorities continue to feel discriminated. Sri Lanka's human rights record has also come under international scrutiny. This has seriously dented the country's international image. In light of these uncertainties, Sri Lanka's unhindered growth cannot be taken for granted.

Sri Lanka has strategic importance for India. What is the likely outlook

for Indo-Sri Lankan relations over the next 20 years? India has contributed significantly to resettlement and rehabilitation efforts in Sri Lanka. If the two countries can conclude CEPA, the foundation for durable relations will be established. But, the non-resolution of the Tamil issue will continue to cast a shadow on bilateral relations. Thus on the political front, volatility in bilateral relations could be expected. The politics in Tamil Nadu could also affect Indo-Sri Lankan relations. Sri Lanka could also be tempted to play the China card when there is a souring of relations with India. India's policy towards Sri Lanka should be to pursue engagement at the political, economic and people-to-people levels. China's military presence in Sri Lanka could prove to be a game changer in Indo-Sri Lanka relations. The bilateral relationship should be depoliticised as much as possible.

NEIGHBOURHOOD POLICY

While the volume looks at India's neighbours one by one, it is apparent that India should also fashion a comprehensive neighbourhood policy. The South Asian region constitutes India's immediate neighbourhood and is vital for its security and prosperity. India must remain a pre-eminent military and economic power in the region without becoming a hegemon. India's growing economy presents an opportunity for regional integration and the building of connectivity to the benefit of all countries in the neighbourhood. At the same time, given India's numerous security challenges, military power will remain important in its overall foreign and security policy in future.

CONCLUSION

India's relations with its neighbours will depend upon developments in individual countries but also the broader trends which shape the region as a whole. Several critical drivers that may influence the South Asian situation can be identified. These drivers are uncertain but can have huge impact. They include demography, internal stability, economic growth, energy security, climate change, food and water security, terrorism, anti-India sentiments and external powers. Depending on how these drivers pan out, South Asia could see either a cooperative or a conflict scenario. For a cooperative scenario to materialise, the rising population must be turned into an asset and the demographic dividend must be exploited through creation of educational and employment opportunities. There would be a need to invest in social and physical infrastructure as well as greater regional cooperation. Energy shortages must be overcome through

investment in renewable sources of energy. The emphasis must be on inclusive growth and regional cooperation.

However, a conflict scenario in South Asia can also materialise. This would happen if the security dilemmas faced by the countries of South Asia are not addressed. A slowdown in economic growth could also breed instability. The increasing population could create pressures on energy, food and water availability. India's policies might be seen as interference leading to rise in anti-India sentiments. Absence of meaningful regional cooperation could lead to tensions and conflicts.¹

In the 20-year-scenario, India's relations with its neighbours will be dominated by human security concerns. While Pakistan, its nuclear weapons and its nexus with China will continue to present national security dilemmas, for which India should be prepared at all times, India's foreign policy agenda will be packed with issues like terrorism, food, energy and water security issues and visa regimes. At present, regional integration in South Asia is limited. The situation will most likely change in the next 20 years. Borders will become softer and connect rather than divide. This will present both challenges and opportunities.

India, being the pre-eminent country, will have to take the lead in forging closer links with its neighbours and forging a sense of South Asian identity. Many of the instability scenarios predicted in this volume can be altered if India takes the initiative in crafting policies which put premium on connectivity rather than separation. India will need not only a different policy outlook but also human, diplomatic and financial resources to put in place policies which secure India by forging closer links with her neighbours at different levels. India's delivery mechanism must be improved significantly if it has to earn the respect of its neighbours.

The next 20 years will see a rapid change in the neighbourhood and will therefore be years of uncertainty. If nothing is done now to prepare the country for these uncertain years, India will suffer massively. At the same, time through proactive policies India can look for opportunities that will surely arise as the region changes. That is the larger message of this volume.

NOTE

1. See Arvind Gupta, 'South Asia in the Next Decade: A Futuristic Perspective' and Nirupama Rao, 'South Asia 2020: Moving Towards Cooperation or Conflict?' in Smruti S. Pattanaik (Ed.), *South Asia: Envisioning a Regional Future*, Pentagon Security International, New Delhi 2011.