Chapter four: The Strategic Position of Indian amongst the members states of INSTC
Indian Foreign Policy

India, with coastlines totaling 7,600 Kms and the world’s second largest population of more than 1.2 billion, has a great influence in the South Asia region. Being surrounded by many countries, its geographic position is significant for maritime traffic connection of the Asia Pacific region, with the Middle East and Europe. Thus India can play an important role in maritime security. India admits that it possesses military capabilities to protect its national interests and the minimum level deterrent against nuclear threats; and also international cooperation skills to deal with new threats such as terrorism and weapon of mass destruction (1). It can play a prime role in the draft of military security policies.

India has active participation in peace building assistance to U.N. peace keeping operation, as of May 2011, there were about 8,500 personnel involved in nine peace keeping operations (2). Some naval vessels off the coast of Somalia to conduct operation against piracy are being sent since October 2008 (3).

In January 2003, India committed explicitly to continuing export control of nuclear weapons and missile-related material and technology. It has participated in the Fissile Material Cut-off Treaty negotiations. It advocates the creation of a nuclear free world. Indian naval forces of two fleets have about 160 warships, which total approximately 360,000 tons, and its air forces have 19 combat air wings with roughly 810 combat aircrafts.

India has entered into agreements for procurement of equipment from foreign countries and also for their joint development. July 2009, saw the launch of India’s first domestic nuclear submarine. Russia proposes the supply of one Akula-class nuclear submarine to India. There are plans to procure 126 multipurpose fighter interceptors through auction and the current concern is the selection of an appropriate model (4). India is reported to have begun the development of the Agni-5 international ballistic missile (ICBM) (5) and the practical use of ballistic missile defense to defend and face threats against the homeland. The rapid expansion of military cooperation with friendly nations not only strengthens the security environment of the South Asia region, but also is expected to enhance security worldwide (6).

India is active in its efforts to strengthen bilateral relations with the United States, while the United States props India into competition with China and promotes it
as a force to reckon with in south Asia. This would lead to increase and stronger mutual relationships in various fields. In November 2009, Prime Minister Manmohan Singh made an official visit to the United States, to meet with President Obama and issue a joint statement that reaffirmed the global strategic partnership between the two countries. It would work to promote security and take anti-terrorism measures on a global scale. President Obama in turn paid an official visit to India in November 2010, to confabulate with the Prime Minister Manmohan Singh (7).

India has been working for improvement of ties with China through mutual visits by leaders, despite the unresolved national border issues and the issue of Tibet between them. During the visit of the Chinese Primer Wen Jiabao to India in April 2005, the countries have reached an agreement for the establishment of a strategic and cooperative partnership for peace and prosperity (8).

In November 2006, Chinese President Hu Jinta and Indian Prime Minister’ Manmohan Singh had agreed that a strategic and cooperative partnership between China and India was an issue that needed special attention (9). The third Defense and Security Consultation (10) between the two countries was held in January 2010. It was at this vice ministerial meeting held in Beijing, to celebrate the 60th anniversary of their bilateral relationship that an agreement to further promote mutual trust and collaboration was signed.

India has a close relationship with Russia. There are annual mutual visits between the leaders of the two countries. The Declaration of Strategic Partnership was signed then. In December 2009, Prime Minister Manmohan Singh visited Russia for talks with Russian President Dmitry Medvedev and Prime Minister Vladimir Putin. Russia has always supplied weapons to India. The two countries have also conducted joint military exercises since 2003 (11). In October 2003, they signed the Treaty of Amity and Cooperation in Southeast Asia (TAC) (12).

**India’s International Trade Policy**

The prime objective of the Indian International Trade policy has been the protection of its market from foreign competition. Until the 1980s its economic policy aimed to ensure the country’s independence and defend the swadeshi principle. The idea of a Free Trade Zone was abhorrent. When the International Monetary Fund’s 1991 Structural Adjustment program was launched, India launched a new policy of
privatization, deregulation and globalization of its economy, and embraced a multifaceted trade policy.

As a founding member of the General Agreement on tariffs and trade (GATT) in 1947 and of the World Trade Organization (WTO) in 1995 it has the most favored nation (MFN) (13), Status among GATT principals, which was accorded to fulfill India’s desire to be a more equal and powerful trading partners with the world.

As one of the few Third World-level founding members of GATT, India was an active participant. Today, Indian Regional Trade Agreements (RTA) are multilateral. India needs regional relationships that are more formal and comprehensive. The latest concerns of Indian trade policy are to secure its energy supply, as fuel is a major import item, which accounts for 33.7% of total imports. In August 2004 India signed a Framework Agreement with the Gulf Cooperative Countries (GCO) (14), while a Free Trade Agreement (FTA) is in the offing. Some agreement for cooperation with the United States and France in the civil nuclear sector, a preferential oil and gas supply from Russia to India have been signed and are on the anvil (15).

The recent trend in Indian economic and trade policy is to develop overlapping bilateral and regional trade agreements. Its “regional policy has two major parts, The first is for increased dealings with international blocs on other continents, in particular the United States (US) and the European Union (EU), (MERCOSUR), (SACU) (16), the second focuses on more commerce with East Asia. Although in this region India is not a multilateral or bilateral competitor, India strategy has been singular focus on trade and economic liberalization while defending its interests as a developing but already powerful country.

Although SAARC was one of the first international organizations for Asia, it has always been politically and economically under-powered. South Asian Free Trade Arrangement (SAFTA) has not made any notable success thus far, mainly due to the professed rigid attitudes of Pakistan and India which hamper progress. Pakistan refused to give India MFN status and until recently it had separate list of goods that could be imported from India (17).

**India as a Knowledge Economy (capabilities and attraction)**

No doubt India can reap tremendous economic gains by the development of focused policies and strategies that use knowledge effectively to augment the overall
productivity of the economy and the welfare of its population. The apt moment for India to make its transition to the knowledge economy has come. It must be an economy that creates, disseminates, and uses knowledge to enhance its growth and development. With high-technology industries or information and communication technologies (ICTs) India can improve the productivity of agriculture, industry, and services.

The Indian labour must move from low productivity and subsistence activities in agriculture, informal industry, and informal service activities to more productive modern sectors. For poverty alleviation and development of individual potential, India should leverage its strengths to become a leader in knowledge creation.

India has several advantages augmented by a critical mass of skilled, English-speaking knowledge workers, a well-functioning democracy, a domestic market, a large and dynamic private sector, institutions of a free market economy, a well-developed financial sector, and a broad and diversified science and technology (S & T) infrastructure. India has become an irresistible global provider of software services. India should boost its economic performance and concentrate on the welfare of its people.

There is a need to address each of the four pillars to spur growth and innovation. India does not attract as much of FDI as China does. The Indian diaspora show no inclination to invest back home. India treasures its spawned number of industries with the most cutting-edge, knowledge-base (in software, Infosys and Wipro and, in pharmaceuticals and biotechnology, Ranbaxy and Dr. Reddy’s Laboratories). The Forbes 2000, which gives annual ranking of the best small companies of the world, included 13 Indian firms.

India has developed strong infrastructure for the support of private enterprises. Though the capital markets operate with greater efficiency and transparency yet India is but a sprawling, messy democracy. India has a remarkable record in diffusion knowledge and technology, especially in agriculture domain. Post the “green revolution,” India managed to transform itself from a net importer to a net exporter of food grains; its “white revolution” in the production of milk achieved the twin goals of raising incomes of rural poor families and raising the nutrition status of the population. A continuous building of innovative domestic strength with unwavering efforts to
improve the productivity of agriculture, industry, and services even further would help in Indian tryst with destiny.

India needs bold steps to strengthen its R&D infrastructure, develop technological innovations and alter the mindset of its people towards the creation, acquisition and use of high technology. India can emerge as a major global R&D platform; about 100 multinational companies (MNCs) have already set up R&D centers in the country for deeper technological and innovative capability development among Indian firms.

The approximate revenues of the Indian Software and services industry in 2003-04 stood at $15.9 billion, it was inclusive of the domestic revenues of $3.4 billion. The Indian software and services industry is likely to grow to $20.5 billion in 2004-05, with domestic market revenues of $4.2 billion. The export of Indian software and services registered a growth of 30.5 percent in 2003/04, and brought revenues of $12.5 billion (18).

India has dramatically improved its global partnerships and New Delhi finds itself increasingly wooed by major powers. Indian commentators have not failed to notice that leaders representing Permanent members of the UN Security Council (China, France, Russia, the United Kingdom, and the United States) visited India in 2010 (19).

Yashwant Sinha, a senior Bhartiya Janata Party (BJP) leader and former Minister for External Affairs, opined that The U.S. needed India more than India needed the United States (20). For instance, the United States was compelled to withdraw the sanctions it had imposed on India after the 1998 Indian nuclear tests as these sanctions were more damaging to the U.S. than to India. India covets a permanent seat on the UN Security Council (21). Nationalists support the UN, as the key global multilateral forum to embody the collective will of its member states and impose the rule of law (22). But this has rarely extended to issues that might impact Indian interests and sovereignty such as Kashmir or arms control.

Central Asia’s security

Terrorism poses the most defying challenge to international stability. Terrorism has both global reach and ability to infringe upon sovereignty and integrity of a state. The sheer brutality of terrorism gives it a kind of hydra-headed personality, to inflict
large-scale suffering on innocent people. The objectives of extremists tend to draw upon specific issues and grievances. The recent ‘gun culture in the region is a byproduct of this trend where the objective of the extremists are both political and religious, or a combination of the two.

In the post Cold War environment, religious extremists strove to attract recruits from different backgrounds, professions and countries. Global mobility and communication also greatly facilitate their transnational reach and earn the reputation of a widespread dreaded phenomenon. Foreign recruits get lured to extremism by the offer of a large cache of money also.

The capability of Jihadi groups to acquire and absorb high technology and use of the latest communication media have proven to been a bane to all. The easy availability of modern technology and communications provide these groups with a global reach in Central Asia, and in Caspian region in particular which, is richly endowed with energy resources. For the past two decades this region has seen growing competition for the control of these vital assets. Central Asia acknowledges the need for external powers to maintain peace in the region, but is not open to one dominant power, wielding power irrespective of whether it is the US, China, or Russia (23).

India’s Strategic Vision for Central Asia

In the mind-nineteenth century, India and Central Asia had a close relationship. Post-1971 era, the India Soviet relations were close and brought cultural exchanges between India and the Central Asian Republics. The Central Asian region gained strategic significance for India following the break-up of the Soviet Union, and the birth of five independent states of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

Central Asia has been geopolitical and strategically significant for India. India had relied on Russia to protect and safeguard the new states from the tide of extremism. India did not object when Russia-led CIS peacekeeping stationed forces on the Tajik-Afghan border and acknowledged Russia as the sole guarantor of security and stability in Central Asia.

India launched its economic reforms in the nineties to emerge as a power to reckon with as the impact of the reforms became visible. The parameters of Indian policy became broad based to look beyond South Asia. As it did not use the Soviet
collapse as a springboard to develop new relationships with the states of Central Asia, Indian leaders thus lost an early opportunity to shape the Central Asian agenda to suit its own end. (24).

India vacillated and was slow to capitalize on the serious and earnest expressions of friendship from the Central Asian side. In the early 2000s India had to head off Central Asian support for Pakistan on the Kashmir issue and also take note of Pakistani nuclear preparations. The larger geostrategic compulsions gained more urgency when fresh forays into the region were made by China and America. The promise of energy resources and concerns for terrorism and religious radicalism drew both the major powers.

Indian strategy looks for the development of strong ties with the countries of Central Asia along the energy and security vectors. The Central Asian policy is an integrative framework that responds to the geographic compulsions of energy, religion, ethnic and tribal division superimposed on political boundaries to define the new CIS states. The central Asia policy follows its policy of triangular set relationships among China-Pakistan-India, China-India-United States and India-Russia United states where the Iranian factor is a major consideration.

The role of Central Asia in the grand new strategic vision can be gleaned from the articulations of Indian political leaders who dream of India gaining the status of a major global power in the 21st century. This grand strategic vision would involve active and purposeful engagement of the major powers and emerging power centers and countries in its immediate and extended neighborhood.

Needless to emphasize that Indian destiny is interlinked with that of Asia by geography. This imparts a unique geopolitical significance to India on the Asian continent. Indian footprint will move well beyond South Asia and its interests will straddle different sub-categories of Asia.

India shares one of the longest borders in the world with China, which verges on the northern frontiers of Central Asia. India has maritime borders with three South East Asian countries, The Andaman and Nicobar Islands of India are just over a hundred kilometers from Indonesia. The Indian exclusive economic zone spans the waters from the Persian Gulf to the straits of Malacca. This virtual stretch will help to impact the geopolitics of the region (25).
It views the neighborhood in sets of widening concentric circles as shown in Arthshastra Mandal. India has identified a web of cooperative energy security networks to be nurtured in Central Asia as the primary goal of its foreign policy. India shares the concern of Central Asian Government regarding the spillover of Islamic fundamentalism from Pakistan. The conduit of radical religious ideologies has the potential to destabilize the border regions of Uzbekistan, Tajikistan, Kyrgyzstan, China, and India. It has offered to share the secret of its unique unity in diversity development model and argued that economic growth and prosperity were the sine qua non to peace and stability in the region.

The basic premise of Indian belief is that a broad-based and integrated Asian security and economic community will only be able to deliver peace, stability and prosperity. There is need to accommodate the overlapping global aspirations of India and China without neglecting the worldviews of China, Russia and the United States who are the other prime players in Asia. India ambitions potentially clash with China.

China’s aspirations represent a more direct challenge to Washington and Moscow’s global visions. Chinese leaders are transforming the country into a major global power to make China the preeminent power in Asia.

The United States hopes to hamper Chinese influence in Asia in order to uphold and maintain its primacy over the globe. Russia meanwhile strives to help China prevent an encroaching American presence in Eurasia and Central Asia. This complex web of interactions reveals how all major power has continued to engage each other economically without qualms about pursuing their common competitive objectives in Central Asia. They have resorted only to demonstrative show of force from time to time.

It remains to be seen whether common objectives will lead to a cooperative security and economic architecture in Asia. This is largely possible if China defers to accommodate Indian ambitions in Central Asia and in the Asian region as a whole. A grand vision for a cooperative and synergistic economic and security relationship with Central Asia is the basis of Indian ties with its neighbors in Asia.

The pace of political, diplomatic, and economic engagement has been on an upswing in the last few years. In April, 2008, Vice President Hamid Ansari’s visit to Turkmenistan and Kazakhstan stamped them as significant countries on the
hydrocarbon corridor. The agenda for discussion included Trade and economic issues, and mutual concern for regional and global issues (26).

**The Relevance of Central Asian Energy for India**

Before the advent of recession in global economy, the U.S. Energy Information Administration (EIA) projection revealed that global energy consumption would grow by 50 percent from 2005 to 2030. The highest demand was anticipated from Asia, particularly in China. India is the world’s fifth largest energy consumer and has low per capita energy consumption. It is predicted to move to third place by 2030.

India needs to catch up with the rest of dynamic Asia by eradicating poverty. It is imperative for India to maintain growth of around 8-10 percent over the next 25 years and to increase its primary supply of energy. In 2006 oil accounted for 36 percent of the country’s primary energy mix. This underlines the importance of oil for India (27).

Since India has relatively low oil and gas resources, it depends on imports to meet its energy needs. More than 70 per cent of its crude oil requirements are imported and Indian oil import bill was close to US$90 billion in 2008-09. IEO affirms that if it considers the reference case projection of 5.8 percent rate of growth rate the Indian energy consumption between 2005 and 2030 can grow at an average annual rate of 3 percent (see table). Compared to this projection, the India economy has shown slow growth at an average of 9 % in the period between (2005-08).

The Central Asian Republics that definitely possess 3 to 4 percent of proven global oil and gas reserves will impact India. Kazakhstan could enact an important role in the diversification of Indian imports. India has mooted the idea of Asia wide regional cooperation in energy, and initiated a dialogue between the principle Asian suppliers (Saudi Arabia, UAE, Kuwait, Iran, Qatar, and Oman) and principle Asian buyers (India, Japan, Korea) to ensure an all round growth and development in the Asian region.
Table 4: Total Energy Consumption in India, 1990-2030 (Quadrillion Btu)

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After China and the U.S., India is the third largest coal consumer of the World. The Indian dependence on oil may rise to 90 percent by 2030. A proposed 1,680 Km pipeline would run from the Daulatabed gas field in Turkmenistan to Afghanistan, from where it would run alongside the highway of Heart to Kandahar, and then via Quetta to Multan in Pakistan. The final destination of the pipeline would be Fazilka in Indian state of Punjab. India has formally joined the project in 2006 after an invitation to participate as a full member of the project was extended on 15 February 2006 (28).

Trade Cooperation between India and Central Asia

The official figures for the annual trade turnover between India and the Greater Central Asia region stands at US$ 700 million. The main export commodities from India are pharmaceuticals, tea, readymade, leather goods, jute manufactures, cosmetics, cotton yarn, machinery, machine tools, rice, plastic, products, machinery and
instruments, electronic goods and chemicals. The Export-Import Bank of India has identified items for this region with a potential for export (29).

The Union Cabinet gave approval for the Land and Ports Authority Bill in July, 2008 to give a push to border trade. The new Land Ports Authority will have jurisdiction over the construction, management and maintenance of integrated check posts on Land borders. It will also regulate the functioning of various agencies, and coordinate with several concerned ministries and departments for the requisite action.

Beyond the Greater Central Asia (GCA) region, India has obvious trade links with other CIS countries, Iran, and certainly with the European Continent. With Iran, trade has shown unprecedented growth in the last few years. Should the political economy in the region show improvement with a little over 20 percent of this trade moving over the roads then an estimated, US$ 100 to 120 billion of India trade will pass through this region by 2015. Investment in this region, by Indian policy makers in the last decade has created an institutional framework which will facilitate both trade and investment.

The bilateral Inter-Government Commissions exist for trade, economic, scientific and technical cooperation with all the Central Asian countries. The joint working groups in various fields, such as IT, science and technology; hydrocarbons, military-technical cooperation, etc help institutionalize these relations. Indian banks have inter-banking arrangements with these countries in the region.

The Federation of Indian Chambers of Commerce and Industry (FICCI) have created Joint Business Councils with Kazakhstan, Uzbekistan and the Kyrgyz Republic (30). Uzbekistan and Kazakhstan have offered heavy marketing bounty of fiscal sops to Indian textile firms (31).

However it is not a cake walk because there are slow, difficult border procedures, multiple cargo inspections within a single country and prohibition regulations that prevent transportation of goods between countries. The other barriers to trade include transit fees and bribes for corrupt border officials and local police. Another restriction to trade is practices which require importers to register contracts and face currency conversion restrictions. This corridor has an important section passing through Iranian territory which can afford fast and cheap transportation routes, in comparison to other routes like the Suez Canal.
The Mumbai port in the Indian Ocean can connect with Bandar Abbas in southern Iran for maritime transport of the goods which will be shipped from Chabahar free trade zone to northern Iranian ports on Caspian Sea (Bandar Anzali) by roads and railway for dispatch to Astrakhan and Lagan ports in Russia (32).

On materialization of this initiative, the flow of goods, will be speedy. The energy, goods will move from Greater Central Asia to Iran and then to India. The World Development Report 2008 spines that, the regional initiatives in Central Asia could foster integration while bringing duplication and complexity to reform. A major regional economic initiative on behalf of all the countries of Greater Central Asia, as well as China, India, Iran, Japan, Russia, Pakistan, Turkey and the United States has already been carried out (33).

A Joint endeavor by all of these countries can ensure a successful economic cooperation. From an Indian perspective; if the South Asian Free Trade agreement (SAFTA) extended, to Central Asia it would prove beneficial. All these are separate pieces of a much larger picture for India leading to the development of new India-Europe linkages through Greater Central Asia. Certain Parts of India will be linked with the Trans Asian RLY plying route along the INSTC and the Mumbai port.

In the overall Asian economic architecture India has evolved into major player but the inclement bad blood between India and Pakistan could upset both countries greatly. The usual estimates based solely on foregone bilateral trade are true indicators of this loss.

**Russian-Indian Cooperation**

The Indo-Russian trade and economic cooperation has grown despite the global financial crisis. Indian experts emphasize that prospective lines of cooperation with Russia could bring joint Investment in industrial construction and mineral deposits development, and commercialize the licensed production of high technologies by Russian companies. They could utilize qualified Indian personnel to realize projects in Russia.

The intention of the mechanisms of interaction is identification of key areas for mutual cooperation and resolution of existing grouses at national and private levels. According to the Federal Customs Service of Russia, the period of January-April 2012 saw the trade turnover between Russia and India rise by 26, 1%.
The common geopolitical interest paved the way for a strong and stable relationship India and Russia hope to create a secular and democratic Central Asia. The Western military presence in Afghanistan and Central Asia radically affects the geopolitical landscape. The Russian conviction is that a multilateral approach would best solve the global problems and regional conflicts (34).

The Shanghai Cooperation Organization (SCO) has become a prominent regional group. The St. Petersburg Summit in 2002 reiterated that the UN was regarded as a universal organization of an international system with no other alternatives (35). The CSTO, a Russia initiative is also emerging as an active group that focuses on military and vigorous defense cooperation among the member states.

Indian is not a full member of any of this regional grouping. The Indian role gets stymied in such a situation. On India-Russia cooperation depends the economy of Asian states. India-Russia cooperation for the development activities of Central Asia can be accelerated if they can provide the landlocked countries access to the outside world. In this regard, the North-south Corridor connecting St. Petersburg with Mumbai is the best option. The corridor, with a combination of sea, rail, and road routes was planned in 2000 by Russia, Iran, and India.

Russia has a container terminal at OI’ ia and Makhachkala on the Caspian Sea. On July 1, 2003, Kazakhstan entered the North-South Corridor, and built a branch of the corridor that goes to Aktau on the Kazakh side of the Caspian Sea, from the Russian side. The provision of goods to this Eurasian region from India becomes easier and cheaper than from Europe. Although the North-South Corridor has become operational, it does not function to the full capacity yet.

The Siberian part of Russia is an isolated region that needs access to the outside world. The Trans-Siberian (transsib) Railway from Omsk Oblast could connect with Aktau in Kazakhstan.

India-Iran-Kazakhstan and Russia are the countries behind the (Omsk oblast link) through which this region gets an outlet to the South. A whole new vista for Indian goods would open up not only in Central Asia but in Siberia as well. Landlocked Siberia could open doors for participation with Southeast Asia, Africa, etc. Siberia has a acute shortage of skilled labor. Hence over populous India could play an important
part in the development of Siberia and ensure the smooth functioning of the North-South Corridor.

A sub-regional cooperation initiative is a prerequisite for Russia, Kazakhstan, Iran, and India. The committee would oversee and address problems faced during harmonization of trans-shipment rules, custom duties, tariffs, etc, to ensure the smooth functioning of the corridor. Thus physical infrastructure and development are implements for the development that will work to strengthen cooperation. The chief of the Indian Armed forces visited Russia to assure them that enhanced interaction with the United States by India would not sway it towards the U. S. on the question of defense cooperation (36).

In 2008 at the G 20 summit Russia as the leader proposed close cooperation in the quadrilateral Brazil, Russia, India, China (BRIC) framework. Russia has been open to full membership of India in the Shanghai Cooperation Organization (SCO). And also reiterated its support for India becoming a permanent member of the UN Security Council. There are several manifestations of the shared concerns that interlock with the national interests of both India and Russia. Though Russia will remain a highly valued and preferred partner in defense cooperation it will not acquire the best status of an exclusive partner or an automatic partner. There will be difficulties in sustaining a relationship based solely on core geo-political security issues. India looks forward to compatible ally in Russia. A strong, secure and prosperous. Russia is vitally important for India. There is a clear reciprocation of these sentiments by Russia with regard to India (37).

**India and Iran cooperation**

The geopolitical location of Iran is particularly important for India as it provides a unique access to Afghanistan and Central Asia (38). Though Indian – Iranian ties are benign they could be source for future policy disagreements between New Delhi and Washington or for large scale rapprochement of the Iran –U.S. woes (39).

Despite episodically coming under pressure from U.S. for its ties with Tehran, India acknowledges that broader relations with Iran would support its growing global aspirations. The promulgation of eastward glance policy aims to develop and sustain a multifaceted presence in the greater Middle East. The consolidation of its strategic presence in Central Asia has led to the setting up bases in Tajikistan and expending its
footprint in Iran and Afghanistan. The Central Asia as an important ally for diversification and sustenance of its energy needs is not lost upon India, which eyes Central Asia as a vast vista of possibilities for development (40).

Both Iran and India have an explicit interests in the advancement of commercial and energy ties. With the world’s third-largest reserve of oil and second-largest proven reserve of gas, Iran is naturally anxious to get its hydrocarbons out of the ground and capitalize them in the new markets, while energy-starved India has limited access to such bountiful resources (41).

Iran lacks the capability to produce LNG and may detract from its commitment to sell India liquefied natural gas. (LNG) is not commercially as viable as petrol, the two countries have progressed on the development of the North-South Transport Corridor, where facile transit of goods from Indian ports to the Iranian free trade zone at Chahbahar takes place. Then the goods move through Iran via rail to the Caspian Sea and onward to northern Europe and Russia (42). India claims that Chabahar will be a commercial port though China suspects that on completion, Indian naval vessels will find a harbor at Chabahar. Iran and India have formalized only three consequential bilateral agreements since the 1980 (43).

Prime Minister Aral Bihari Vajpayee’s visit to Teheran in 2001 saw the inking of the Tehran Declaration. An accord that focused heavily on energy and commercial concerns and reaffirmed the joint commitment to develop the North-South Corridor, which also enshrined an agreement to pursue scientific and technical cooperation (44).

The Indian Iranian relations framework was based on the New Delhi Declaration, inked during Khatami’s visit to New Delhi in January 2003 (45). It fiercely articulated a mutual interest in enhancing cooperation in various areas of science and technology. The issues of Hydrocarbon and water also figured prominently in that accord. They agreed to bilateral cooperation in infrastructure building in the post-Taliban era in Afghanistan (46).

Both nations benefit mutually in the domestic and international arena from the emergence of this novel relationship. Ties with Iran and other important Muslim-majority countries vitiate concerns at home and abroad that India is an anti-Muslim country. For Iran, India offers an important gateway out of its deepening isolation as a result of the election of the hard-liner President Mahmoud Ahmadinejad in 2005. India
worked assiduously to help Iran during the various IAEA standoffs and to ensure that France, Germany, the United Kingdom, and the United states did not” crunch Iranian interests under their boots (47).

Iran needs proactive persuasion by India to convince it that all players on the scene are interested in ending the current impasse and finding a way out of it. India could trumpet its access to Iran to its Western friends and allies who are not sold on the idea of nuclear proliferation by Iran. India could prove its mettle by facilitating U.S. Iranian rapprochement in the near future. It would need to pull out all the stops for such negotiations.

**Iran and India’s Cooperation in Central Asia**

Iran continues to be the “hot spot” of the global political affairs. Its location at the eastern end of the oil-rich Persian Gulf with a possible export route for the natural resources of Central Asia, makes it significant geopolitically. Iran views India as a cost-effective source of high-technology inputs. Together Iran and India can create a North-South corridor as a trade route between Central Asia and the Iranian free trade zone of Chabahar.

The growth potential of trade in this region will become evident with the development of Chabahar free trade zone, and the 200 kilometer North-South Corridor linking Uzbekistan, Afghanistan, Iran, and India in the future. The India-Iran-Central Asia relationship will provide a new link which could transform the face of trade in the region far beyond the wildest imagination.

After linking the Indian commercial capital of Mumbai with the Iranian ports of Chabahar and Bandar Abbas with maritime transports, the North-South Corridor will then rely on road and rail networks to connect, Chabahar free trade zone and Bandar Abbas with Central Asia and Afghanistan. In fact, Iran had land links to Central Asia in the past and its ports offer warm-water sea routes to India. (48).

**India is a signatory to the Inter-Governmental agreement on INSTC**

It Promises:

a) Organization of transport for passengers and goods along the international North-South transport corridor.

b) Assistance to international transport of goods.
c) Stable security.
d) Implementation of the agreement with harmonious policies, laws and legislations for smooth transport links.

Each party would strive to:

a) Reduce Time for passenger and goods transit in their respective territories;
b) Minimize Cost of transit transport.
c) Work for simple unified procedures for all administrative documentation.

India ranks 25th in terms of proven natural gas and oil reserves and 23rd in coal with 53 per cent consumption of Indian energy. They are main sources of energy in India. India cannot sustain the 7.9 cent annual growth of Indian economy unless it acquires different kind of energy resources from elsewhere (49).

Evidently, India needs dramatic increase in its hydrocarbon energy import so it must pursue a persuasive and geo-strategic relation with the CSR (Caspian Sea Region). The Indian interest on the CSR is based on energy needs, security concerns about balancing powerful China. U.S. aspires to create regional security architecture, that would marginalize and ultimately kill the influence of traditional actors-like Russia and Iran-and new stakeholders like China.

India is being lured into consultancy by the U.S. It promises growth for India in return for acquiescing in the role of creating an Asian balance vis-à-vis the emerging power of China. Washington hopes to exploit the suspicious undercurrents in the Sino-Russia relations too (50).

Indian CSR diplomacy for gas has been almost inactive in comparison to China or Pakistan’s diplomacy for energy. Indian CSR initiatives have been neither competitive, transparent nor persuasive. A calm democratic and secular CSR suits Indian interests too, though New Delhi is deeply concerned about Islamic extremists of Pakistan. China pursues a long-term measures vis-à-vis the CSR through SCO. India has been slow to incorporate or prescribe a long-term CSR doctrine in its foreign policy. TATA Energy Research Institute estimate that Indian import needs in crude oil is expected to touch 80 per cent and in natural gas would be 77 per cent. The supplies
are expected to flow largely from the Persian Gulf, Central Asia and Southeast Asia (51).

The demand for energy of the fast growing Indian economy puts a heavy weight on energy rich Iran. Geographically, Iran not only sits on Hurmoz check point in the Persian Gulf but also has direct access by both land to the East and West of energy rich CSR. With an oil or gas pipeline like IPI Indo-Iranian relationship can bloom to include energy transit routes from the CSR to the Indian subcontinent. Geopolitically, Iran is the best route for export of good and import of energy for India. The other three options of land routes are through the adversary territory. The instability in Afghanistan demands Indian help. China and Pakistan have since decades been rivals and foes. Perhaps, in near future these nations will bury the hatchet for development of trade and prosperity.

Indian can gain access to both sides of the Caspian Sea through the Iranian Persian Gulf ports of Bandar Abbas and ChahBahar and the Persian Gulf rail and road network. Iran is the only country in the world which has direct access to both Western and Eastern coasts of the Caspian Sea. In the Indian geopolitical calculation, Iran is a valuable partner. The context is regional than global. It is inevitable that India should ameliorate its close ties with Iran. Iran too requires Indian support and backing at the global level to face the stand-off in international organizations such as IAEA and the UN.

Any probable tie between Iran and the USA will alter the regional balance of power. In which case Iran would need no allies or big powers and it could become powerful enough to refuse the overturns of both Pakistan and India. Miss Rice had warned that any sale of Iranian gas to India would upset the U.S.

The U.S. however cannot remain a passive bystander while the cosmic forces urge the trade development of a landmass called the Heartland of the Globe. The imminent possibilities are many and varied. All nations can err on the side of peace, harmony and prosperity. (52).
Reference and Notes for Chapter Four

1. See: Indian national defense is linked to other neighboring countries. The emergence of terrorism aligned with ideologies and the spread of small arms, the proliferation of weapons of mass destruction (WMD), and the globalization of the economy also influence the defense security issues and challenges have become international concerns after the 9/11 attacks and other acts of terrorism taking place around the world after the end of the War. These are assumed to effect Indian defense.

2. See: Since 2001, India ranks 3rd on 4th for the number of personal of Indian forces engaged in U.N. peacekeeping operations.


4. See: Defense Minister Antony has called for contracts which calls for procurement of multipurpose fighters with sophisticated technology jointly developed. The contract is scheduled for March 2012.

5. See: Dr. V. k. Saraswat Chief Controller at the Defense Research & Development of India’s Ministry of Defense (in December 2007) opined the Agni-4 could not be scheduled for action as it was still in infancy in the design stage and operations could not be forecast. However, in February 2010 he categorized Agni-5 as an ICBM with a range of over 5,000 km that could be test launched in a year.


7. See: There was agreement on “global strategic partnership, with United States primarily supporting the move to permit India a permanent seat in the U.N. Security Council. The embargoes on India for supply of advanced technology for various fields including national defense was revoked.
8. See: Then China agreed and recognized Sikkim as a part of India. The two countries agreed to settle pending border issues soon through bilateral efforts.

9. See: The two countries set the target of doubling the bilateral trade amount to $40 billion by 2010 after summit meeting and agreed upon investment and establishment of new Consulates General.

10. See: In November 2007 the first China-India defense and security meeting took place in Beijing the second round was held in Delhi in December 2008.

11. See: There have been almost 5 meeting up to 2010. Many joint exercises have taken place since 2003.

12. See: India signed the framework agreement on comprehensive economic corporation between India and ASEAN together they jointly declared the need to combat International Terrorism.

13. See: MFN status was accorded one nation to another for international trade. No particular advantage is conferred on the receiving nation, grants all trade advantages, like low tariffs. MFN status treatment as any other nation for trade.

14. See: The Gulf Cooperation Council signed a unified economic agreement with member states in 1981. The Persian Gulf States were Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and UAE.


16. See: MERCOSUR, (the common market of the South) created on 26 March 1991 by (the Treaty of Asuncion) and included Argentina, Paraguay, Uruguay, Venezuela, and Brazil. It is on external tariff common market and the world’s oldest customs union, the SACU dates back to 1910 and became official by 1969 SACU Agreement. The sovereign states of Botswana, Lesotho, and Swaziland (BLS), and South Africa signed for it. Namibia became free in 19901 and the apartheid in South Africa ended in 1994. Then the member States signed the 2002 SACU Agreement, with provision for a joint decision-making
process and a new revenue formula to deal with the question of external trade (apart from SAC).


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32. For details about the INSTC see www. Instc.org.


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