

Address by the Defence Minister Pranab Mukherjee at the Carnegie Endowment for International Peace, Washington, DC on India's Strategic Perspectives.

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Honoured guests,

It is a great privilege for me to be here in Washington, before this distinguished gathering at the Carnegie Endowment for International Peace, to speak on 'India's strategic perspectives'. I would like to thank Carnegie President Jessica Mathews for the opportunity, and Ashley Tellis for the initiative and arrangements.

Friends, I have been in public life now for over 40 years, a good part of it in Government, at different times, as Minister of Finance, Commerce and External Affairs. I have been here in my capacity as each of these. Times have certainly changed. The last time I was here, in Washington, in 1995, the world was very different. Public discourse on India-US relations was dominated by the baggage of the past rather than by a vision of the future. It was a perennial puzzle: how could two democracies, one the oldest and the other the largest, be so much at odds in their perception of the world?

Today, we see an objective convergence in many areas, in the area of **values** as well as **interests**, not least over the big issues of the day: democracy, fundamental freedoms, economic vitality on the one hand; and terrorism, proliferation of weapons of mass destruction, maritime security and international peace and stability on the other.

India's strategic perspectives have been shaped by geography, history, our own native culture and vision, and geopolitical realities and imperatives. Geographically, a few facts are particularly relevant. First, that India is both a **continental and maritime nation** with a territory of over 3 million sq kms, a land frontier of 15,000 kms, a coastline of 7,500 kms, and a population of 1.1 billion, the second largest in the world.

Second, its location at the base of continental Asia and the top of the Indian Ocean gives it a **vantage point** in relation to both West, Central, continental and South-East Asia, and the littoral States of the Indian Ocean from East Africa to Indonesia.

Third, India's peninsular projection in the Ocean which bears its name, gives it a stake in the security and stability of these waters. Nehru once said: "I look at India...on three sides, the sea, and on the fourth, high mountains...History has shown that whatever power controls the Indian Ocean, has in the first instance, India's sea borne trade at her mercy, and in the second, India's very independence itself".

Fourth, it **shares borders** with eleven neighbours, most of whom do not share borders amongst themselves.

Fifth, it is an **energy deficient** country located close to some of the most important sources of oil and natural gas in the Gulf and Central Asia and adjacent to one of the most vital sea-lanes through which 60,000 ships transit every year.

[Its natural features, particularly the high wall of the Himalayas to the north, and the vast Indo-Gangetic plain, incline natural movements to and from the north-west of India, from West and Central Asia to the plains. Curiously, while the plains attracted invaders, conquerors, and military campaigns, from Greece (Alexander) to Central Asia (Babur), the reverse was not true, though the 4th century B.C. Mauryan emperor Ashoka did leave his mark in Afghanistan through his edicts eschewing war and exhorting Buddhist non-violence and peace.]

Historically, India has been a **fundamentally ‘open’ society**. It has received and absorbed major influences from outside, like Islam and Christianity, and radiated cultural influences, outward. It was, with the Arab, Persian and Sinic civilizations, a source of cultural influence in Asia. India was one of the great well-springs of human intellectual and spiritual achievement, of the metaphysical insights of Hinduism, and the pacific mission of Buddhism. It is customary to talk of strategic perspectives in terms of ‘hard’ power: our strategic perspectives were those of trade, religion, culture, spirituality, and the arts; and later, the political morality of Gandhi.

[Developments from the 17th century onwards fundamentally altered these traditional orientations and moorings of India’s external relations with the outside world in profound ways. European mercantilism grew into the maritime domination of the Indian Ocean, disrupting traditional trade and contacts between India and its regional maritime partners to the east and west. Further north, in mainland Asia, it introduced relationships of domination and rivalry between imperial powers where earlier only local powers played out their dynastic destinies].

Several developments in the 20th century, with their roots in imperial history, affected India’s relationships with its historical neighbors in Asia. Perhaps, the most fateful, was the Partition of India and the emergence of hard frontiers in the form of a hostile and revanchist Pakistan to the west and east of India. As a result, for the first time in its 4000-year history, India found itself physically separated and shut out from its historical, cultural and commercial surroundings to the north-west of India and vice versa.

Viewed from this perspective, it can be argued that the 20th century has been a decided aberration in the pattern of India’s historical and traditional relationship with the outside world.

[On the economic side, the historical experience of the British East India Company and imperialism in general, left India suspicious of foreign trade. Post-Independence, this found expression in efforts to build a self-reliant economy wary of integration to the world economy. The model stood us in good stead for a while. It helped set up a technical and industrial base, and turn from a food-deficit to a food surplus country. Self-reliance gave us self-confidence.]

[While colonialism disrupted our traditional historic links, the Cold War delayed their restoration. In retrospect, this was an era of shadow boxing; a hall of mirrors. The breakdown of the Berlin Wall and the end of the Cold War liberated India (and much of the developing world), from the false problematic of 'East' and 'West'. It provided an opportunity to recover our traditional, historical reflexes atrophied in the chilly theatre of Cold War, and rediscover our real interests.]

[The end of the Cold War coincided with a balance of payments crisis, the liberalization of the Indian economy and the phenomenon of globalization. The revolution in information and communications technologies offered us the opportunity to transcend the limitations imposed by colonialism and its legacy of hard frontiers of the 20th century. Educated sections of our society found themselves in a good position to take advantage of globalization, though in parenthesis, it is ironic that the shrinking of the world as a result of technology and communications should be accompanied by an evolution of border controls that all but chokes travel and movement for the peoples of the developing world.]

Over the last two decades, India has recorded an average annual growth of around 6% and is now the fourth largest economy in the world in terms of purchasing power parity. Foreign exchange reserves have gone up from US \$ 1 billion in 1991 to US \$ 140 billion today. The size (GDP) of the economy has since doubled. We hope to redouble it by 2010 by a sustained annual growth of around 8%. Several recent studies suggest that India will be one of the three largest economies in the coming two-and-a-half decades.

Our demographic trends and our human resource base constitute two of our strongest assets. Our 'over-population' liability of yesterday is now an asset. Some 550 million Indians out of our billion-plus strong population are below the age of 25. The middle class of over 300 million is rising steadily. We have the second largest reservoir of trained manpower. Our universities and centres of higher education turn out over 2 million under-graduates every year. Our IT workforce is 650,000 today, and will exceed 2 million by 2010.

Our capabilities in high technology areas, including developing our own super-computers, complete nuclear fuel cycle facilities and placing our own satellites in orbit, are now proven. India's comparative advantage in knowledge-driven areas of economic activities has made it attractive both for outsourcing IT-enabled services and as a Research & Development hub. 190 out of the 500 Fortune companies already outsource to India.

We hope to maintain our comparative advantage in areas well into this century. The IT segment of the Indian economy itself is expected to grow from US \$ 1.5 billion in 2002 to US \$ 17 billion in 2008. We are trying to replicate this achievement in areas of biotechnology, biogenetics and pharmaceuticals.

It would be prudent to bear in mind that we have achieved what we have achieved within a largely unfavourable social, economic, technological and international environment,

and mostly on our own effort, without the benefit of special relationships and access to markets that most other major economic powers, other than China, have had.

But notwithstanding these achievements and prospects, the economic challenges are many and daunting, and remain: unconscionable levels of poverty; wide income and economic disparities; regional imbalances; a large and largely backward rural and agricultural sector; infrastructure constraints; chronic shortage of energy resources; and lack of adequate access to markets in the region and beyond. India's share of world GDP is less than its share of the world population by 9 per cent.

Nevertheless, seen in the long term, even our relative backwardness can be turned to our advantage. As we address the high levels of poverty and illiteracy in India, given our demographic profile and economic trajectory, there is a good chance that long after other countries plateau economically, we will still be growing.

I would like to set out some of our key strategic priorities against this background. These can be addressed in terms of what we can call, to take a leaf from the Chinese book, the 'Four Deficits': a historical deficit; a security deficit; an economic deficit; and a global decision-making deficit.

One of our primary strategic challenges is to restore our traditional linkages with the region and re-integrate ourselves to our immediate and extended neighbourhood, especially the region west of India to Central Asia and beyond, what I have called a strategic historical deficit.

Advances in information and communications technologies have helped us overcome physical barriers to mass culture and access to IT-enabled business, but land-routes remain the primary medium of trade with our neighbours to the West and East. We would like to see India well connected with Afghanistan and beyond in the north, and Bangladesh, Myanmar and beyond to South-east Asia, taking advantage of India's huge market through a network roads, trade and transport corridors, gas pipelines, tourism and communications etc in a zone of co-prosperity.

With this in mind, we have been active in trying to take advantage of arrangements like SAARC, ASEAN, BIMST-EC, the Mekong-Ganga Initiative, and trilateral cooperation with Thailand and Myanmar. We realize that not all our neighbors may be comfortable with this vision and India's place in it. Bearing that in mind, we have been ready to enter into normal, preferential, asymmetrical and free trade and development arrangements with those of our neighbors who are willing, provided of course our security concerns are not compromised.

The biggest challenge to this vision comes of course from our western neighbour. Our quest for a return to the grain of historical contacts to India's north-west, gives us a vested interest in peace with Pakistan. It is not an accident that virtually every major initiative for peace, be it Simla, or Lahore or Agra, or Srinagar, has come from India.

There have been several positive developments in our relations with Pakistan over the last one year-and-a-half. The ceasefire of November 2003 is holding. The composite dialogue has entered a second round. People-to-people exchanges have acquired a momentum of their own. The Srinagar-Muzaffarabad bus service started despite terrorist threats and attacks.

At the same time, we cannot still say for sure that the peace process is entrenched. The infrastructure for terrorism in Pakistan and Pakistan-controlled territory, remains. We do not hear of operations like the ones being conducted by Pakistan, in cooperation with the US against the war on terrorism at its western frontiers, towards its eastern borders with India. More importantly from the point of view of our strategic interests, trade and transit with and through Pakistan remain highly circumscribed. It is only when India and Pakistan resume direct, bilateral trade and transit, that there will be a vested interest in peace in both countries.

Trade and transit with Pakistan would be good not only for our two countries but also Afghanistan and Central Asia. India has had a traditional and long-standing relationship with Afghanistan. Today, Afghanistan needs economic support, markets and assistance. India has committed more than US \$ 500 million to reconstruction in nearly every region and province in Afghanistan. India has also made modest contributions to the Afghan National Army. India could do much more, if normal relations and trade and transit through Pakistan could flourish. We are concerned about signs of the resurgence of the Taliban, and the growth in drug cultivation in, and trafficking from, Afghanistan.

The restoration of traditional links with Central Asia is not important only for the sake of trade and economy. Traditionally, Central Asia has been at the crossroads of trade and culture, a major hub in the Silk Route. This is the region through which Buddhism spread as far as Mongolia and Korea. It is also the region through which Islam enriched India. Today, it is a theatre in the battle between fundamentalism and tolerance, extremism and moderation in Islam with fundamentalist outfits actively trying to destabilize the secular Governments of the region.

India has a secular polity that shares with liberal democracies, values of democracy, fundamental and religious freedoms. It is, by virtue of its inherited historical character, composition, size, population, economy and military strength and experience, a natural bulwark against fundamentalist extremism and a factor for peace and stability in Asia. By nature, India is not inclined to export ideologies, even ideologies it believes in and follows. India would rather promote democracy in the region by precept and example. Freer traffic between India and Central Asia would be a factor in favour of moderation and democracy there.

Beyond the immediate region, India has vital interests in the Gulf and South-east Asia. The Gulf forms parts of our strategic neighbourhood and important source of energy, home to over the 3.5 million Indians, and a major trading partner. Parts of it are also a source of ideology, funding and recruits to the cause of Islamic radicalism and terrorism. Iraq remains volatile. Iran's nuclear intentions and the response of the international

community have introduced a new factor of uncertainty in an already highly disturbed region.

South-east Asia too plays an important role in our strategic perceptions as a dynamic partner in our growing economy and on account of our ethnic and cultural ties. We also have a vital interest in preserving the traditions of peaceful coexistence and syncreticism amongst their diverse ethnic and religious communities against the intrusion of dogmatic, alien, fundamentalist and extremist religious tendencies.

Let me now turn to our **security deficit**. 21st century India faces peculiar security challenges. We live in a **dangerous neighborhood**. Few other countries in the world face the **full spectrum of threats** to their security as India does, from low intensity conflicts to an unfriendly nuclearized neighbourhood. Our response to such an environment has been anything but militaristic.

First, India is located at the centre of an **arc of fundamentalist activism, terrorism** and political instability between North and East Africa and South-east Asia that has witnessed some of the most dramatic acts of terrorism over the last decade, from the US embassy bombings of Nairobi and Mombasa, through incidents in Morocco, Egypt, Turkey, Saudi Arabia, Bali and Jakarta, not to forget the Bombay blasts of 1992. In the catalogue of terrorist events, it is not often realized that, the Bombay blasts were, arguably, the original act of mass terrorism, eerily similar in modus operandi and targets to 9/11 in its synchronized, serial character and targeting of state and economic symbols.

Second, though innately pacifist through its history, India has, since independence, faced **aggression** and **conflicts** with its two largest neighbors. At least one has been openly hostile and adventurist through this entire period. There are unresolved territorial and boundary issues with the other. Talks have commenced with both, but the situation is not yet such that we can lower our guard.

Third, India faces on a daily basis, a **proxy war** from across its borders **using terrorism** and local insurgencies. There are also spillovers of internal conflicts in neighbouring countries and threats to internal security from extremist movements from within.

Fourth, India is faced with an unfavourable **nuclear and missile environment**. Apart from two declared nuclear weapon states with whom we have had a history of aggression and conflict, and proliferation emanating from, and to, the region, we have to contend with the possibility of **WMDs** falling into the hands of terrorists and **non-state actors** in our vicinity.

Fifth, we have to contend with instability and **failing states** in our neighborhood providing the breeding ground for terrorists and other non-state actors.

Last, the maritime security environment requires more attention. As already indicated, the Indian Ocean region from East Africa to South-east Asia is an area busy with fundamentalist, terrorist, and militant, separatist or extremist organizations, and criminal

syndicates involved in trafficking in drugs, arms and humans, and piracy. 60,000 ships, and much of the energy from the Gulf to East Asia, transit through the Straits of Malacca every year. It has important ports and three vulnerable choke-points at Bab-el-Mandab, the Persian Gulf and the Malacca Straits. As the recent tsunami and countless cyclones of the past have shown, it is also a region prone to disasters.

These security concerns are not unique to India. To some degree, most nations face them in some degree or the other. But few face them all together like India does. But what they underline is a **convergence of our security concerns** with those of the international community at large, and with the US in particular, over fundamentalist activism and terrorism; proliferation of weapons of mass destruction; security of shipping, energy and the sea-lanes in the Indian Ocean region; and peace and stability in Asia. In all these, **India finds itself at the front-line.**

We do not have the time to dwell on each of these at any length. But I would like to touch briefly on our approach to, and our role, in **maritime security** in our region. Our approach to it is essentially cooperative. We now have coordinated maritime patrolling arrangements with Indonesia, Thailand and Sri Lanka. Our Navy has been providing hydrographic assistance to Indonesia, Seychelles and Mauritius, and maritime security cover for Summit Conferences in Mozambique. The Coast Guard and Navy have been active in anti-piracy, disaster relief, and environmental management and response operations. The Navy has also been conducting joint exercises in the Indian Ocean with the US, France, Singapore, Russia and Oman amongst others. In 2002, we provided escort operations for high value US naval assets passing through the Malacca Straits. The Indian Navy holds the MILAN Naval Exercises off Andaman and Nicobar islands every two years. On the security of Malaccas, we are comfortable with its management by the littoral states and would be happy to join a regional initiative, if necessary, and if the littoral states are comfortable with our participation.

I would like to highlight three aspects of our **economic deficit**. First, the **energy deficit**. India is a heavily energy deficient country. Of all the variables that could hinder India's economic progress, energy scarcity and dependence are probably the most serious. 70% of our crude oil is imported. Per capita energy consumption presently is only 1/5th of the world average. Considering a high growth rate of around 8% of GDP per annum in the coming years, growth of oil demand is projected to be 6% per annum. If so, dependence on oil imports could rise from 70% to 80-85% over the next two decades.

It is therefore imperative for us to look for cost-effective and long-term alternatives to meet our energy requirements. Indian oil companies are currently actively involved in a search for energy in the form of oil and gas fields, pipelines, LNG, and other new and non-conventional sources. But most hydrocarbon resources underline our dependence on limited reserves, and others, for this critical requirement. They also carry scope for avoidable strategic energy rivalries.

If indeed India is to realize its economic potential, India needs alternative sources of energy. Foremost among those available, is nuclear energy. India has indigenously

developed technologies for nuclear energy. But, as in many other areas of dual use or high technology, India faces serious impediments of access to materials and components. India's nuclear tests were a response to an increasingly untenable security environment. We have already announced a restrained and responsible doctrine for its role in our security. Our nuclear energy and security programmes are separate. Restrictions against India's nuclear energy programme are anachronistic. US and India have now commenced a dialogue through the NSSP and the energy dialogue to address some of these restrictions. Their easing will impact favourably on our economic prospects over the next 2-3 decades.

The second constraint is a **technology deficit**. Technology control regimes going back to the Cold War, and restrictions on transfer of dual use, nuclear and space technology imposed after our first atomic test in 1974, remain. One of the reasons for the economic gap between India and other comparable countries is the restrictive and discriminatory technology regimes imposed against India for 30 years. If India is to play its part as an engine of growth and factor of stability in Asia, it should be in the interest of the US and others that such regimes are liberalized as quickly as possible.

The third is the **agricultural deficit**. Agriculture is still India's chief livelihood. From a chronically famine-prone and food deficit country, India has moved to becoming first self-sufficient, and now a food exporting country. Yet, most agriculture in India is still that of subsistence farmers. While they do not have the benefit of access to, and integration with, the world economy, they suffer from the vagaries of both nature and the globalized market.

This is an area where the interests of the rich countries and their farmers, both traditional and commercial, diverge. We are trying to address the issue of a fairer deal to the problems of this vast agricultural sector, in the WTO. Unless this issue is addressed as an issue of livelihood that affects 600 million people in India alone, we run the risk of a schizophrenic economy where one half prospers from the globalization, and the other suffers. This would neither socially nor politically sustainable.

The last issue that I would like to touch on is the **global decision-making deficit**, or India's place in the major decision-making bodies of the world. If globalization is inexorable, multilateralism has to be its life sustaining mechanism. The world has changed dramatically since the constitution of the United Nations and its present composition of Security Council members. In the interim, the bipolar, confrontationist edifice of the Cold War has collapsed. The Cold War structure of global governance stands dismantled, but an enduring replacement that can address the economic and security challenges of our times and the future, is not in place.

As a new order struggles to be born, the obvious reality in our increasingly globalized world is the growing interdependence among nations. No one country, whatever its economic, technological, and military eminence, can take on the exclusive responsibility of ensuring peace and order in the whole world. In Asia alone, new powers, like China and Japan, have emerged. The European Union may have suffered a jolt, but the idea

remains powerful. Russia may be facing problems of transition, but is too important to ignore. A unipolar world is clearly not a sustainable proposition in the long run. India's vision of a multipolar world is one of partnership among the nations. It does not visualize the creation of poles in opposition to one another. It has sought geometries across continents, like the India-Brazil-South Africa (IBSA) Forum, the Russia-China-India consultations, the Group of Four for United Nations Security Council reform. The early reform and reinvigoration of the UN system to reflect changed ground realities acquire a certain urgency in this context. By any criteria – size, population, economy, military power, role in international peacekeeping, responsibility in international affairs, future prospects, etc. India is a natural candidate.

I have today, highlighted those factors that prevent India from realizing its potential to contribute to international peace, stability and development. Asia hosts a diversity of political experiences and experiments ranging from monarchies and military dictatorships, to nascent and established democracies. The region also faces the menace of terrorism and trafficking in, and proliferation of arms and drugs. In the midst of this, India stands as a bulwark against fundamentalism and extremism, a centre of economic gravity, a beacon of democracy despite challenges of human diversity, poverty and economic disparity, a bastion of stability, and a symbol of peaceful coexistence and non-violence.

India is not an aggressive country; it does not harbour any territorial ambitions; it does not espouse or export any particular ideology, except the spirit of peace, co-existence and tolerance. It has a strong military only to defend itself and protect its territorial integrity. It is one of the world's oldest civilizations, but a new nation; the largest democracy of a bewildering mix of people and populations that has learnt to accommodate and assimilate over the ages. It is a country with the second largest population of Muslims in the world, who have suffered loss of political power to the Europeans and partition after that, to embrace a secular constitution. It does not provide recruits to a global 'jihad'. Today, when a more mobile world looks for models of co-existence, where minorities live abroad as immigrants or expatriates, India's historical experience of co-existence could be a valuable reference point.

Which brings me to my last point this evening, India-US relations. The US and India have often been referred to as 'estranged democracies'. Perhaps history itself to blame. It is a striking historical coincidence that India came under the grip of colonialism just as the US found its independence. When India gained independence, the world entered the period of the Cold War. As if destined to ignore each other, the US and India looked in different directions. Today, more than ever, the US and India realize that they share common values and security concerns; and that there is an objective convergence of interests. It is crucial that India and the US work together with the international community to find a new order for the 21st century.

The United States has the richest collection of strategic think tanks in the world. We are here in one that has made a big contribution to the literature of international relations, and

the practice of conflict resolution. I look forward to a closer partnership not only at the level of government, but also, scholars, thinkers and people in general.

Thank you, ladies and gentlemen.