

IN THE
NATIONAL
INTEREST

A COMPANION VOLUME

EDITOR
SANTOSH KUMAR

IN THE NATIONAL INTEREST

IN THE NATIONAL INTEREST
A Companion Volume

Editor

Santosh Kumar

Copyright © 2011 Indian Council for Research on International
Economic Relations. All rights reserved.

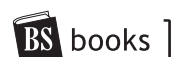
Copyright © of individual articles rests with the respective
contributors, 2011.

The views and opinions expressed in this volume are those of the
authors and do not necessarily reflect the views and opinions held
by the publisher or Business Standard Limited.

All information in this volume is verified to the best of the authors'
and the publisher's ability. Business Standard Limited does
not accept responsibility for any loss arising from reliance on it.

First published in 2011 by T N Ninan for
Business Standard Books, the book publishing imprint of
Business Standard Limited.

Typeset in 10.5/14 Caslon at RECTO Graphics, Delhi.
Printed at Brijbasi Art Press Ltd., NOIDA, India.



Nehru House
4 Bahadur Shah Zafar Marg
New Delhi 110 002
India

www.business-standard.com/books

ISBN: 978-93-80740-05-8

CONTENTS

List of Tables and Figures	vii
Preface	xi
Part I: Security Issues	
Chapter 1 Conventional Military Threats to India's National Security <i>Gurmeet Kanwal</i>	3
Chapter 2 India's Nuclear Deterrence <i>Gurmeet Kanwal</i>	14
Chapter 3 Space in India's External Policy <i>Ajey Lele and Kaza Lalitendra</i>	33
Chapter 4 External Policy Dimensions of India's Internal Security <i>Ajai Sahni</i>	45
Chapter 5 External Policy Implications of Islamic Militancy in India <i>Anwar Alam</i>	64
Part II: Economic Issues	
Chapter 6 India's Trade Strategy for Obtaining Greater Market Access <i>Amitendu Palit</i>	83
Chapter 7 Making SAARC Successful: India's Strategic Approach for South Asia <i>Rajiv Kumar</i>	93
Chapter 8 Inward Foreign Direct Investment (FDI) and External Policy <i>Ramkishan S Rajan, Sunil Rongala, Ramya Ghosh and Saon Ray</i>	104
Chapter 9 Development of Water Resources Shared by India and Its Neighbours <i>R Rangachari</i>	117
Chapter 10 Energy as a Factor in India's External Policies <i>V Raghuraman, Suman Kumar and Inder Raj Gulati</i>	134

Chapter 11	148
National Interest and Technology	
<i>B Bowonder, S Chandrasekhar, Santosh Kumar, Amitav Mallik and Y S Rajan</i>	
Chapter 12	157
India and Global Governance	
<i>Rajiv Kumar and Mathew Joseph</i>	
Part III: Country Papers	
Chapter 13	167
Bangladesh and India's National Interest	
<i>Santosh Kumar and NIP Team</i>	
Chapter 14	181
China in India's National Interest	
<i>Vinod C Khanna</i>	
Chapter 15	201
India's Japan Policy: A National Interest Perspective	
<i>Sujeet Samaddar</i>	
Chapter 16	225
Myanmar and India's National Interest	
<i>Ranjit Gupta</i>	
Chapter 17	251
Nepal in India's External Policies	
<i>Deb Mukharji</i>	
Chapter 18	264
Pakistan in India's National Calculus	
<i>Santosh Kumar</i>	
Chapter 19	277
India–Russia Relations: An Analysis	
<i>Kanwal Sibal</i>	
Chapter 20	297
Sri Lanka: India's Interests and Strategies	
<i>P Sahadevan</i>	
Chapter 21	315
The US and India's National Interest	
<i>Rajiv Kumar and Santosh Kumar</i>	
List of Abbreviations	336
Appendices	341
About the Authors	353

TABLES AND FIGURES

TABLES

Table 2.1: Pakistan's Nuclear Delivery Systems	17
Table 2.2: Estimated Nuclear Weapons Stockpiles, 2007	19
Table 2.3: India's Nuclear Warheads	22
Table 4.1: Sanctioned vs Actual Strength of State Police Forces	51
Table 4.2: Police Strength per 100,000 Population	51
Table 4.3: Troops : Population Ratio in certain Countries	52
Table 4.4: Population Trend 1950–2050: Asia and the World	59
Table 6.1: India's Merchandise Trade	84
Table 6.2: India's Merchandise Trade and Invisibles	84
Table 6.3: India's Trade in Services and Private Transfers	84
Table 6.4: Overall Tariff Profiles of BRIC Countries	85
Table 6.5: BRIC: Agricultural Tariffs	85
Table 6.6: BRIC: Non-Agricultural Tariffs	86
Table 7.1: South Asia's Share in World Economy	94
Table 7.2: Share of Member Countries in the South Asian Economy	94
Table 7.3: Growth Rates of GDP and GDP Per Capita in South Asia	96
Table 7.4: India and China's Total Trade with South Asia	98
Table 8.1: Selected Indicators of FDI and International Production, 1982–2008	106
Table 8.2: FDI Flows by Region	107
Table 8.3: Sector-wise FDI Inflows into India	110
Table 8.4: Country-wise FDI Inflows into India	110
Table 8.5: Inward Potential FDI Index 2004–06	111
Table 8.6: Ranking of India in World Competitiveness Index	112
Table 8.7: Doing Business in India	113
Table 8.8: India: Annual Investment Needs	113
Table 9.1: Water Resources Potential of Major River Basins in India	118
Table 9.2: Salient Details of the GBM Region	119
Table 9.3: The Indus Basin in India	121
Table 9.4: Electricity Consumption in Selected Countries	129
Table 10.1: Availability of Commercial Energy in India	134
Table 10.2: India's Primary Energy Demand in the Reference Scenario (MTOE)	135
Table 10.3: Energy Overview	135
Table 10.4: Oil Resources and Indian Imports/Assets	137
Table 10.5: Country-wise Natural Gas Resources	138
Table 10.6: Country-wise Crude Imports from 2003–04 to 2008–09	138
Table 10.7: Hydropower Resources of Neighbouring Countries	138
Table 10.8: Basin-wise Potential for Power Generation	139
Table 10.9: Country-wise Uranium Resources	139

Table 10.10: Promising Energy Technologies for the Long Term	140
Table 10.11: Suggested Technology Deployment Pathway for Power Generation	144
Table 10.12: Suggested Technology Deployment Pathway for End-use Sectors	144
Table 10.13: Country-wise Figures of Indian Workforce in GCC States	145
Table 10.14: Global Choke Points and Significance for India	146
Table 11.1: Future Technologies	150
Table 11.2: Critical Security Technologies	154
Table 13.1: Population Growth	168
Table 13.2: Bangladesh: Economic Indicators, 2003–09	171
Table 13.3: Production of Foodgrains in Bangladesh: 1981/82–2007/08	171
Table 13.4: Import of Foodgrains in Bangladesh: 1980/81–2008/09	171
Table 13.5: India-Bangladesh Trade	174
Table 13.6: India’s Top 10 Exports to Bangladesh	174
Table 13.7: India’s Top 10 Imports from Bangladesh	175
Table 13.8: Bangladesh Election Results	177
Table 14.1: India-China Bilateral Trade	187
Table 14.2: India’s Exports to China	187
Table 15.1: Japanese and Indian Positions on Various UN Resolutions	207
Table 16.1: Cumulative Foreign Investment Approvals	237
Table 16.2: Myanmar’s Foreign Trade	238
Table 16.3: Myanmar Imports and Exports	239
Table 17.1: Party-wise CA Result Status in FPTP	253
Table 17.2: Caste/Ethnicity and Region-wise Results of FPTP in CA Polls	253
Table 17.3: Age Group of FPTP Results in CA Polls	253
Table 17.4: FPTP and PRS Results of CA Polls	253
Table 17.5: Sectoral Shares in GDP	260
Table 17.6: Sector-wise Growth Rates	260
Table 18.1: Population by Language	264
Table 18.2: Party Position in Pakistan Elections	265
Table 18.3: Comparative Performance of Key Economic Indicators	267
Table 18.4: Pakistan’s Projected GDP Growth	267
Table 18.5: Sectoral Share in Gross Domestic Product	267
Table 18.6: Urban Population	268
Table 18.7: The Youth Bulge, 1995–2030	268
Table 18.8: Poverty Estimates	268
Table 18.9: Indo-Pakistan Trade	274
Table 19.1: The Russian Economy: Key Indicators	287
Table 19.2: The Russian Economy: IMF Forecasts	288
Table 20.1: India’s Trade with Sri Lanka	310
Table 21.1: US-China Trade	317
Table 21.2: US Direct Investment Abroad: Selected Items by Detailed Country, 2004–08	317

Table 21.3: The Top 10 Military Spenders, 2008	319
Table 21.4: Critical Security-relevant Technologies	319
Table 21.5: Real Gross Domestic Product	322
Table 21.6: US Population	323
Table 21.7: International Investment Position: Survey of Current Business	323
Table 21.8: Sectoral Share in US Gross Domestic Product	324
Table 21.9: Indo-US Trade	325
Table 21.10: Indo-US Trade: Market Shares	325
Table 21.11: Share of Investing Countries FDI Equity Inflows	327
Table 21.12: Gross Domestic Expenditures on R&D, 2008	327
Table 21.13: Future Technologies	328
Table 21.14: Approvals for Technology Transfer from USA	328
Table 21.15: R&D Outsourcing	328

FIGURES

Figure 2.1: China's Strategic Rocket Forces	16
Figure 2.2: Coverage of Chinese Missiles	17
Figure 2.3: Pakistan's Strategic Missile Groups	18
Figure 7.1: Share of Intra-Regional Trade in Total SAARC Trade, 1991–2008	95
Figure 8.1: Inward FDI Flows as a Percentage of Gross Fixed Capital Formation	105
Figure 8.2: FDI Inflows: Global and by Groups of Economies, 1980–2008	107
Figure 8.3: FDI Inflows into India, 2000–08	108
Figure 8.4: South, East and South-east Asia: Top 10 Recipients of FDI Inflows (2007–08)	109
Figure 8.5: Cumulative FDI Inflows, April 2000–October 2009	109
Figure 10.1: Indicative Pipeline Routes to India	142
Figure 11.1: Product/Industry Life Cycle	151
Figure 11.2: India and Global Industries	151
Figure 13.1: Changes in Sea Level	168
Figure 14.1: China's Credit Growth	182
Figure 15.1: GDP Growth Pattern	210
Figure 15.2: Japanese FDI in India	212
Figure 15.3: ODA from Japan to India	213
Figure 15.4: India's Trade with Selected Countries	214
Figure 15.5: Projected Sea Levels in the 21st Century	216
Figure 15.6: Beneficiaries of the World Carbon Trade	216
Figure 15.7: Japan's Demography	217
Figure 21.1: Total Per Capita Energy Consumption	329
Figure 21.2: Global Carbon Emission	330

Preface

This is the companion volume to *In The National Interest: A Strategic Foreign Policy for India*, jointly authored by Dr Rajiv Kumar and myself. This book is based on The National Interest Project which was undertaken at the Indian Council on International Economic Relations (ICRIER) to suggest external policies and strategies for the decade 2010–20 on the basis of an analysis of India's national interests.

This volume consists of specialised thematic and country papers which formed the building blocks of the project. We hope, in particular, that this thematic treatment of the subject will bring about new perspectives and benchmarks.

The papers are written by experts with theoretical and practical knowledge of their subjects, validated through peer

reviews. In fact, the papers would not have been possible without the contributions of reviewers, participants at the initial brainstorming sessions and members of the National Interest Project research team. The views expressed are, of course, those of the authors, as also any errors or omissions.

The volume attempts a forward-looking analysis and not a historical one. While some details will have inevitably become outdated since the papers were written during 2007–09, we have not found it necessary to update them as their focus is on long-term trends and strategies. In fact, we are quite gratified that they have presaged many subsequent developments and policy initiatives, though we do not claim any causal credit!

Santosh Kumar
Senior Consultant, ICRIER

About the Authors

Anwar Alam is Professor and Director of the Centre for West Asian Studies, Jamia Millia Islamia, New Delhi.

(Late) B Bowonder was an expert in Technology Forecasting and formerly Director (Research) and Dean of Studies, Tata Management Training Centre.

S Chandrasekhar is Professor, Corporate Strategy and Policy Area, at Indian Institute of Management, Bangalore.

Ramya Ghosh is Clinical Assistant Professor of Economics, LeBow College of Business, Drexel University.

InderRaj Gulati is an expert in energy policy and strategy and has worked closely with Indian industry, bureaucrats, government agencies and multinationals.

Ranjit Gupta is a distinguished Fellow at the Institute of Peace and Conflict Study and Visiting Fellow at the Institute of Chinese Studies. He was formerly Member of the National Security Advisory Board, Visiting Fellow at the Institute of Defence Studies and Analysis, Visiting Professor at the Academy of Third World Studies, Jamia Millia Islamia, and Ambassador-in-Residence at Jawaharlal Nehru University.

Mathew Joseph is currently working as Professor (Economics) with FORE School of Management, New Delhi. Earlier he worked as Senior Consultant at ICRIER.

Gurmeet Kanwal is Director, Centre for Land Warfare Studies (CLAWS), New Delhi.

Vinod C Khanna has worked extensively on China in the Indian Foreign Service and as Director, Institute of Chinese Studies.

Rajiv Kumar is Secretary General of the Federation of Indian Chambers of Commerce and Industry (FICCI) and an economist. He was formerly Director and Chief Executive, ICRIER.

Santosh Kumar is Senior Consultant at ICRIER. He was formerly Dean, Foreign Service Institute, and Secretary in the Ministry of External Affairs, New Delhi.

Suman Kumar is Head of Policy and Regulatory Affairs (India Operations), SunEdison Energy India Pvt. Ltd.

Kaza Lalitendra is a serving Indian Air Force Officer and was formerly with the Centre for Air Power Studies. He is an expert on the militarisation of space.

Ajey Lele is a Research Fellow with the Institute for Defence Studies and Analyses (IDSA), specialising in weapons of mass destruction (WMDs) and strategic and space technologies.

Neha Malik was formerly Research Assistant with ICRIER.

Amitav Mallik is a defence scientist and formerly Director, Defence Science Centre, Delhi.

Deb Mukharji is a foreign affairs commentator and has served as India's envoy to Bangladesh and Nepal.

Amitendu Palit is Head (Development and Programmes) and Visiting Senior Research Fellow at the Institute of South Asian Studies (ISAS), National University of Singapore (NUS).

V Raghuraman is a consultant on energy management, energy efficiency, energy policy and regulatory and technology issues. He served as Principal Advisor (Energy), Confederation of Indian Industry (CII).

YS Rajan is a space scientist and former Principal Advisor (Technology), Confederation of Indian Industry (CII).

Ramkishan S Rajan is Associate Professor at the School of Public Policy, George Mason University.

R Rangachari is Honorary Research Professor at Centre for Policy Research, New Delhi; and former Member, Central Water Commission, Ministry of Water Resources, Government of India and Indo-Bangladesh Joint Rivers Commission; Chairman, Brahmaputra Board, Ganga Flood Control Commission and Indo-Bangladesh Joint Committee for Implementation of the Agreement on Ganga Waters.

Saon Ray is currently Senior Fellow at the Indian Council for Research on International Economic Relations (ICRIER).

Sunil Rongala is an economist, presently working as Head of Business Strategy and Risk Containment at MRL Posnet (P) Ltd.

P Sahadevan is Professor of South Asian Studies, School of International Studies, Jawaharlal Nehru University,

New Delhi, and Editor-in-Chief of *International Studies*, A journal published by SAGE, New Delhi.

Ajai Sahni is Executive Director, Institute for Conflict Management; Editor and Executive Director, South Asia Terrorism Portal; and Editor, *Faultlines: Writings on Conflict and Resolution and South Asia Intelligence Review*. He is also Founding and Executive Committee Member of the Urban Futures Initiative.

Sujeet Samaddar is Vice-President (Operations) at NOVA Integrated Systems, a Tata Enterprise and former Principal Director, Naval Plans. He has specialised in Japanese studies, defence economics and security issues.

Kanwal Sibal is a former Foreign Secretary, Government of India.

This collection of incisive and engagingly written essays is a lucid exposition of the principle of national interest. It offers a wealth of analysis and debate on issues that were the building blocks for the National Interest Project and weaves together the painstaking research of scholars from multiple disciplines. The book builds a strong and persuasive case on the need to make national interest paramount in India's trade, security and foreign policy and as a companion volume to *In the National Interest*; it is an invaluable asset for researchers, policy analysts and academia.

Indian Council for Research on International Economic
Relations, Core-6A, 4th Floor, India Habitat Centre,
Lodi Road, New Delhi - 110 003.
www.icrier.org

ISBN 978-93-80740-05-8



₹ 1195