Foreign Policy in the Wake of Reform: New Options and Friends

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India's burst of internal economic reform in 1991 coincided with a fundamental shift in international geopolitics. The collapse of the Soviet Union, the end of the Cold War and the demise of the bipolar world it spawned saw the dawning of the US's moment in history as the sole superpower, her unipolar moment. We, in India, saw a unique conjunction of domestic economic crisis and international phase transformation opening up new possibilities and options for our foreign and security policies. Fortunately for us, we had a leadership that was ready to use crisis as an opportunity to remake the practice of India's foreign policy in the light of the changed situation, while keeping constant the pursuit of India's core interests and strategic autonomy and agency in the international system. In effect, since 1991, India has redirected, retooled and reinvented its foreign policy, making new friends and exploring new strategic options. While this may be clear and obvious in hindsight, it was P.V. Narasimha Rao, Manmohan Singh and J.N. Dixit's genius and, later, Atal Bihari Vajpayee, Jaswant Singh and Brajesh Mishra's perspicacity, to see the broader picture despite the fog of contemporary events, narratives and counter-currents, and to act on it.

In some ways, the reform of India's foreign policy by Prime Minister P.V. Narasimha Rao, Finance Minister and, later, Prime Minister Manmohan Singh, and Foreign Secretary J.N. Dixit in 1991–96 was as thorough as the Nehruvian ground work of the 1950s to cope with the bipolar Cold War world. But where Nehru wrote on an essentially blank slate and could count on solid domestic support, Rao could not. What they both had to cope with was a rapidly changing uncertain world as they laid the basis of future Indian foreign and security policy.

In effect, the end of the bipolar world in 1989 liberated India's foreign policy, creating space for new approaches and relationships that had been excluded by the rigidities of the Cold War. Of course, as with any great change, not everyone saw them as an opportunity. While most younger Indian diplomats and the top political leadership saw opportunity for India, there were also those, mostly older diplomats—the Cold War iron had entered their soul—who saw the changes as a threat to long-established and comfortable ways of dealing with the world. It was the simultaneity of the international changes (with internal economic crisis and the reforms they made inevitable) and the fundamental nature of the geopolitical changes around us that made thoroughgoing reform of our foreign policies possible and gave us the license to explore new options.

The new freedom that Indian diplomacy enjoyed was first visible in the country's relationship with the US and, simultaneously, with China; in the new economic diplomacy that domestic reform required; in the establishment of diplomatic relations with Israel; and in the expansion of functional exchanges with Taiwan.

With the US, the initial Indian reaction to the February 1991 Gulf War followed Cold War patterns: India was supportive of Saddam and sought a negotiated peace. This was largely because India's own polity was in flux, with short-term and unstable minority governments until P.V. Narasimha Rao's government came to power in June 1991. India's initial reaction to the 19 August 1991 coup attempt in Moscow by elements of the old Soviet order also seemed to suggest limited

understanding of how much the world had changed. However, economic reforms, liberalisation and Rao's pragmatism—reflected in the decision to establish diplomatic relations with Israel in January 1992—were welcome evolutions in Indian policy from the point of view of the US. The liberalisation and opening of the Indian economy bore immediate fruit in US–India trade, which almost tripled in the decade after 1991, from about $5 billion to $13.4 billion in 2001. It is also in this period that meaningful defence exchanges with the US and counterterrorism cooperation with the West began. American, British and French counterterrorism experts were invited to India for the first time after the 1993 Mumbai blasts, to see for themselves the evidence of Pakistani complicity in cross-border terrorism. This was, therefore, the period when the ground was prepared for the transformation of India–US relations under the subsequent Clinton and Bush administrations with the NDA-I and UPA governments, a bipartisan effort in both countries. The US no longer judged India through the Cold War prism of 'with us or against us', while India began removing the Pakistan incubus from India-US relations after the 1993 UNHRC meeting, when the US began to start accommodating core Indian national interests and acknowledging her concerns.

Rao realised the centrality of the US in the new situation and worked to overcome the detritus that the relationship had collected over several decades of mutual indifference. His was a subtle mind and complex approach. He began serious talks with the US on nuclear issues, the essential differences which had led to US sanctions against India after the May 1974 nuclear explosion and continued to poison the relationship for years. He simultaneously energized the nuclear weapon and missile programmes, making it possible for the new NDA government to carry out the nuclear weapons tests of 1998 within two months of coming to power. It was the space opened up by the new geopolitical situation that enabled India to explore these options. But with new possibilities came new complexities. The media has reported that pressure from the US prevented India from carrying out another nuclear test in 1993 when US satellites detected preparations at the test site at Pokhran.[i] One theory, however, suggests that this was part of signalling, that Rao wanted the preparations discovered, both to signal India's possession of nuclear weapon ready devices and in order to gain time to develop thermonuclear weapons, which were not yet ready. In doing this, he was also able to oblige the US in practice by postponing the tests and to begin a serious dialogue on nuclear issues with the US from a position of strength. The full truth of Rao's private calculations will never be known, but the theory matches the known facts. Evidently, the new situation after 1991 opened several policy possibilities in sensitive fields, which had not existed before.

For the US, the liberalisation and opening up of India's trade and investment policies and the dismantling of the rigid industrial licensing system was clearly of great interest. It changed India's stake in the international economic order in fundamental ways. According to the World Bank, India's merchandise trade as a percentage of GDP in 1990 stood at 15.2 per cent (compared to China's 38.4 per cent). By 2014, this proportion was 49.6 per cent (higher than China's 41.5 per cent in the same year). This increase required changes in India's external behaviour, a thorough revamping of the Government of India's machinery, and moving the focus of much of our diplomatic work to economic diplomacy. As India became increasingly integrated into the Western liberal globalised order through trade and investment, economic diplomacy became an increasingly important task,

multilaterally in the WTO and elsewhere where the rules for the future were being drawn up in the Uruguay Round and bilaterally, with the major economic powers, with new and vital partners, and with India's neighbours. India timed her reforms right, caught the international globalisation wave, and achieved over twenty years of unprecedented growth, ending up as the greatest beneficiary after China of the open global trading and investment economy from 1989 to 2008.

What also helped change the US's perception of India was the Rao government's 1992 January decision to open an embassy in Israel. India had recognised Israel immediately after its creation in 1948 (by a UN resolution that India voted against because we were against the UN partitioning a country by fiat). While Israel had a consulate in Mumbai from that time onwards, India had not opened a diplomatic mission in Israel, even though relations had extended to critical military supplies and regular ministerial, intelligence, economic, and development exchanges since the 1950s. India had even faced an eight-day Saudi oil embargo in 1974 for its continued dealings with Israel. When the Rao government decided to open the embassy in Israel, it did so with considerable diplomatic finesse—before the Madrid process had made it politically easy—and with a public blessing by Yasser Arafat of the Palestine Liberation Organisation.

Manmohan Singh and Rao were among the first to see the other logical consequence of the new economic focus of our diplomacy. When Rao announced in Tokyo in April 1992 that India would 'Look East', the choice of place and time were both deliberate and prescient of the shift of economic and, ultimately, political power to the Asia-Pacific. The Kaifu government in Japan had been helpful during the worst of our economic crisis and Japan was, in Manmohan Singh and Narasimha Rao's minds, a critical partner and pole of a Look East policy that sought also to leverage complementarities with ASEAN, Vietnam and South Korea—the last a country that Rao was the first Indian prime minister to visit. Primarily economic in its initial presentation, the Look East policy had implicit political overtones, which soon became apparent as the 1990s progressed and India began defence cooperation and other forms of political engagement in the region.

The beneficial effect of shifting geopolitics was also immediately apparent in India–China relations. For China, the collapse of the Soviet Union removed the glue that had held together her quasi-alliance with the US since the Nixon visit in 1972. Added to this were fears in the Chinese leadership that they would be the next target of US attempts to fell communist regimes, at a time when internal fragility in the communist party and society were glaring after the Tiananmen killings of June 1989. China was therefore open to Indian suggestions to legalise the status quo on the disputed border, setting in place measures to maintain peace and tranquility, and military confidence building measures in the Border Peace and Tranquility Agreement that was signed during Prime Minister Narasimha Rao's September 1993 visit to Beijing. Equally, China moved to a relatively neutral position on India–Pakistan issues, with President Jiang Zemin advising the Pakistan National Assembly in his address to them in 1996 to do with India what China was doing: discuss the difficult and divisive issues, but not let them prevent cooperation in other fields such as the economy. The proof of this shift came in 1993 at the UN Human Rights Council, when China and Iran joined others in urging Pakistan not to press her resolution on Kashmir, which was ultimately defeated. The shift was

confirmed in 1999 when China joined others in stressing the sanctity of the LOC in Kashmir when Pakistan violated it in the Kargil area, provoking a short, sharp war with India.

We had also been in touch with Taiwan during our economic crisis when they had indicated willingness, for the first time, to enter into a purely economic relationship with India, without political symbols or complications. This was a time when China, uncertain of the US's attitude after the fall of the Berlin Wall and needing a period of calm to restart reforms in 1992, was also reaching out to the Taiwan authorities. As a result of our quiet diplomacy on both sides of the Taiwan Straits, we became the only country with a long-established embassy in the People's Republic of China to open an office staffed by diplomats in Taiwan *without* provoking a political reaction from Beijing. Today, Taiwan's trade with India is over $7 billion a year and Taiwanese investment in India continues to grow.

It took some years for India's other immediate neighbours in the Indian subcontinent to recognize the changed priorities of India's neighbourhood diplomacy, in the post-1991 emphasis on separating the economic integration of South Asia from settlement of bilateral political differences and the pursuit of mutual economic gain bilaterally. Sadly, whether the changed approach has credibility in the subcontinent is still an open question twenty-five years after reform began. Negotiations on a South Asian Free Trade Area were slow to begin and gather pace, even after India changed its mind and indicated its willingness to attempt one. The first beneficiaries of the new approach were, therefore, neighbours with more open minds, such as Bhutan and Sri Lanka (with whom the Free Trade Agreement was proposed and negotiated over a three-year period from 1997, with three Indian governments).

After a slight lag, there was also a new realism in policy towards Myanmar, moving away from unthinking support of democratic elements and the cutting of all ties to calibrated engagement with the military regime—a policy that better served India's security interests in a neighbour where Indian insurgents had found sanctuary, and that was our only land route to the East that was the focus of future policy.

A similar realism was evident in the Rao government's reaching out to Iran, putting aside any ideological discomfort with the theocratic nature of the regime, to cooperate pragmatically in Afghanistan (where both worked against the Taliban through the Northern Alliance), in meeting India's energy needs, and in building an economic relationship that benefitted both. Iran's moderation and support to India's concerns internationally were noticeable.

If the new situation opened up space for India, it also did so for other countries. Pakistan, for instance, used the space created by the collapse of the Soviet Union and the conversion of the anti-Soviet Afghan War into a civil war to attempt to push their proxy, Gulbuddin Hekmatyar, and his Hizb-e-Islami into power in Afghanistan. When it became clear that he could rocket Kabul but not take it, Pakistan created the Taliban and supported them militarily and financially to bring them to power in Afghanistan. It took considerable time, domestic crises in Pakistan, other failures such as Kargil (a conflict in which their traditional allies supported the sanctity of the LOC and not Pakistan's effort), and the failure of cross-border terrorism in the 1990s to detach Kashmir from India, to convince the Pakistan establishment that they needed to be seen attempting to come to

terms with India. In the immediate aftermath of reforms, India's Pakistan policy had to cope with exaggerated Pakistani notions of the efficacy of jihad and the mujahideen as instruments of state policy. India's approach, therefore, was essentially indirect and defensive, countering terrorism in Jammu and Kashmir and ensuring that Pakistan's traditional supporters did not support her efforts in Kashmir and the UN. This the Rao government was successful in doing, both with the US and even, to a considerable extent, with China. In the UNHRC in 1993, Pakistan, misreading the international situation, found China, Iran and the US working against its attempts to internationalise Jammu and Kashmir, and traditional allies in the Afghan jihad, such as Saudi Arabia, distinctly lukewarm. Pakistan's support to Hekmatyar and the Taliban in Afghanistan, her nuclear weapons programme and proliferation, and the risk she posed to the beginnings of India–US and India–China rapprochement had contributed to this outcome.

For our part, we sought nothing more at this stage from Pakistan's traditional supporters than counsels of restraint and lack of support for Pakistan's sponsorship of cross-border terrorism and its attempts to create war crises to internationalise the Kashmir issue. That we were able to obtain.

The other challenge for India after 1991 was to stabilise India's relations with a hurt and angry Russia, with whom defence and strategic ties remained critical to India's security. This was not easy when Russia itself was not certain of the directions it was exploring under Yeltsin, when the extent of the changes in Russia and India were still unclear, and when India was diversifying its strategic relationships and sources of weapons procurement to include France and other western countries. Legacy issues, like settling the balances left by Rupee–Rouble trade, were relatively quickly settled as both sides wished to move on. While the relationship was preserved better than most other countries in similar positions with Russia, the real flowering of a strategic relationship had to await the coming to power of President Putin in the next decade.

One larger problem, never adequately addressed by Indian policy or the EU amidst the burst of Western triumphalism after the fall of the Soviet Union, was that of building a new relationship with a Europe that was redrawing boundaries in the East; uniting Germany; spreading NATO to Soviet borders and India's neighbourhood in Afghanistan; and embarking on the highly ambitious European integration project, opening internal travel through the Schengen and starting a monetary (but not fiscal) union in the Euro. From a policy point of view, India continued to look at Europe primarily as an economic factor and not as an independent political actor. Hence, the focus on India–EU economic arrangements, most recently the still inconclusive Broad Based Trade and Investment Agreement—inconclusive because there seems to be no political impulse behind it in either India or the EU. Strangely, Europe was trying to become an independent pole and actor on the global stage, just when the end of the Cold War meant that the East–West divide, and therefore Europe, was no longer central to global politics. So, just when Europe's geopolitical weight and significance diminished, Europe was seeking to play an independent role in the world, without the support of the sole superpower or its own most powerful members. This is a conundrum that India and the Europeans have still not solved to this day.

It is possible to argue that the end of the Cold War also reduced the sole superpower's interest or commitment to stability maintenance everywhere and in all cases around the world. A Kosovo or Bosnia would have been inconceivable between 1948 and 1989. This was also evident in the nuclear domain, where the Non-Proliferation Treaty (NPT) was made permanent, using legal means rather than relying on direct political intervention by the superpowers—as in the past—to maintain their nuclear-weapon monopoly. Pakistan exploited the opportunity created by the US distractions to speed up its nuclear weapons programme; China continued testing in anticipation of the Comprehensive Nuclear-Test-Ban Treaty (CTBT) in the 1990s; and the CTBT itself was written in convoluted ways to force India into the straight-jacket of becoming a non-nuclear weapon state. India had been threatened with nuclear weapons in the past and had complex relations with four of the five nuclear-weapon states recognised by the NPT. For India to be without nuclear weapons when both her neighbours, China and Pakistan, had them would have been politically intolerable for any Indian government.

The 1998 decision by India to overtly become a nuclear-weapon state can also be seen as a direct consequence of these geopolitical shifts and the international stakes that India had developed in the early 1990s as a result of reform. Those same stakes created by reform also ensured that, unlike the long-lasting sanctions that followed the 1974 explosions, normalcy was restored to most of India's relationships in about two years after the 1998 tests.

It is worth asking how fundamental a change in India's strategy was the Rao government's 360-degree reworking of India's foreign policy and seizing of opportunities with the US, China, Japan, Israel, Taiwan and others. Prime Minister Rao always denied that there was a fundamental change, saying that he was merely implementing what Nehru had laid down and completing what Rajiv Gandhi had begun. This was an understandable stance when domestic opposition was strong within his own party and from the opposition BJP, which later carried these policies to their logical conclusion when they came to power towards the end of the decade. Rao led a minority government and had to build coalitions to stay in power, and the claim to continuity certainly made easier the task of holding his flock together and finding allies.

But the fact remains that, in several respects, the new foreign policy differed from what had been followed earlier: sometimes reflexive anti-Westernism in the late 1970s; seeing the North–South divide as central to international relations from the late 1960s onwards; and, an occasional separation of foreign policy from India's development imperatives. The new willingness to acknowledge reality on the border with China, to recognise the essentiality of the US to India's aspirations, and to seize new opportunities to India's east and in Israel and Taiwan were certainly path-breaking, no matter how well masked as continuations of past policy.

Rao was convinced that the conduct of foreign relations on a transactional basis, like haggling over potatoes, ill-suited a civilisational entity like India, and that we needed to look at individual regions and countries not through peepholes but with our doors thrown open. This conviction governed his approach to the US, China and Russia, with differing individual results but none that diverted him from his beliefs. Rao's prioritisation of countries on the basis of how each

might influence India's core national interests never devalued those who might not figure equally prominently in this categorisation. Witness, for instance, the weight he placed on our strategic ties with the newly-independent former Soviet republics of Central Asia.

At the broadest level, however, Rao was right about his foreign policy carrying on a legacy. There was truly continuity in India's foreign and security policies after the 1991 economic reforms. The pursuit of strategic autonomy (as it was soon to be called), consolidation of the nuclear weapons programme, and India's growing international options and agency were actually the essence of nonalignment tweaked to fit new circumstances. What had not changed was the substratum of policy or its ideological underpinnings: the consciousness that India's was a unique situation, necessitating that India take care of its own security and prosperity, using the external world and shaping it when it could. Rao married his ambitious striving for strategic autonomy with domestic economic liberalisation as a reinforcing element—a combination that provided, he felt, the synergy sought by a nation whose international role was not at the time fully serving its national interests.

To the West, neo-liberalism seemed to have won in 1989 and was presented as the correct way to organise the world. But from India's point of view, with so many poor people and at our stage of development, neo-liberalism might have some utility but was hardly a panacea. Rao pronounced his prescription of a 'middle path' in global economic growth—where the siren songs of material progress would not drown out the appeals of the less fortunate—at the Mecca of the neo-liberal consensus, the Davos World Economic Forum. Of course, it was primarily a neo-liberal world that we had to come to terms with. While parts of the new Russian establishment embraced this ideology—with disastrous domestic results—India, like China, used parts of it, while keeping reservations close and preserving domestic policy space and autonomy. This was most evident in India's stance at the Rio Earth Summit in June 1992, which negotiated the UN Framework Convention on Climate Change. Rao was also concerned about the effects of the unilateralist and sectarian course advocated in the UN and elsewhere as part of the neo-liberal consensus under the guise of 'preventive diplomacy' or 'humanitarian intervention'. His misgivings led him to urge a note of serious caution bilaterally and in multilateral appearances and, in retrospect, have been proved correct in North Africa and the Middle East.

Nor was there a change in the fundamentally realist view of the world inherited from Prime Minister Indira Gandhi by Prime Minister Rao and his successors in the UPA government, particularly Dr Manmohan Singh. None of them were taken in by claims of a 'new world order' or expected existing power holders to willingly share power or adjust international institutions to recognise new economic and power realities and accommodate India. That, it was clear, would have to await the accumulation of economic, political and military power by India, and its transformation into a strong, prosperous and modern country.

On balance, therefore, Rao's reforms of Indian foreign policy, like all great and successful reform, was as traditional as it was inventive and as empathetic as it was pragmatic, reworking tradition where necessary and going well beyond it. He pragmatically concentrated on the

opportunities opened up by geopolitics while flagging but effectively postponing world order issues, such as a seat on the UN Security Council for India.

The fact that the adjustments and changes to India's foreign and security policies made in the early 1990s have been continued by successive Indian governments, irrespective of their ideological preferences and domestic bases of support, suggests that the foreign policy prompted and made possible by the 1991 reforms represented a remarkably wise set of policy choices, despite being made in the midst of the fog and confusion of a world in fundamental change. In essence, it is still Rao's vision of a re-invigorated India retrieving a place of dignity and worth in a fast-changing, sometimes erratic, often unpredictable world that drives Indian foreign policy. The foreign policy reforms of the early 1990s are worth studying, for what they teach us about dealing with fundamental phase change in the international system. For today, again, the international system is undergoing a fundamental transformation before our eyes: the US's unipolar moment is being challenged by a rising China; the globalised world economy is being fragmented and is shrinking or sluggish; and, populism, demagoguery and authoritarianism are on the rise everywhere. At the same time, the economic optimism and hope of the early 1990s seems far, far away from the post-2008 crisis prospect and the world of today. There is much that we might learn by looking back to the early 1990s as we contemplate an uncertain future.

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[i] George Perkovich, *India's Nuclear Bomb: The Impact on Global Proliferation* (Berkeley, 1999). See also, *The National Security Archive* (George Washington University) http://nsarchive.gwu.edu/nukevault/ebb412/.