



Delhi Policy Group

Advancing India's Rise as a Leading Power



POLICY BRIEF

India's Deteriorating Strategic Neighbourhood

Author

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Indian High Commissioner to Bangladesh, Pranay Verma, paid an introductory call on Muhammad Yunus, Chief Adviser of Bangladesh in Dhaka, Bangladesh on August 22, 2024. (Source: [India in Bangladesh/Official X Account](#))
External Affairs Minister of India, Dr. S. Jaishankar, called on Dr. Mohamed Muizzu, President of the Republic of Maldives in Male, Maldives on August 10, 2024. (Source: [Dr. Jaishankar/Official X Account](#))

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Introduction

The sudden removal of Sheikh Hasina from power and installation of an interim government in Bangladesh following large-scale protests has brought the focus back on India's "Neighbourhood First" policy. It is of particular concern that the mob violence perpetrated by students, and permitted by the Bangladesh Army, is an internal construct that has also been supported by external forces inimical to Sheikh Hasina's rule. As matters stand, there is an interim government led by Nobel laureate Mohamed Yunus in place, comprising retired bureaucrats, military generals, and student and civil society representatives, including a theologian as a religious guardian. From recent statements, it is clear that the student leadership is calling the shots, with tacit Bangladesh Army support. Even as the interim government strives to find its feet, large-scale violence against the Hindu religious minority and Awami League cadres continues. A state of civil disorder exists, with no clarity on who is in command.

New Delhi's concern is that even as Bangladesh strives for normalcy, each one of the other neighbouring South Asian states are equally in a state of political ferment and economic decline. In the case of Pakistan, there is also a deep-seated animosity with India over what it still perceives as the unfinished agenda of partition.

These developments carry deep national security and political implications for India, which is the fulcrum around which these unstable states are located, while none of them have any geographic contiguity with each other. In terms of the ethnic and religious construct, affiliations among South Asian states are limited, while each one of them have social and ethnic linkages with India of varying degrees. An adverse development in any of these states thus has a direct consequence for India. Nothing can be a better example than the ransacking and destruction of temples and killings of Hindus in Bangladesh.

Another important paradigm is that to overcome their own internal political and economic deficiencies, as well as to balance an allegedly "overbearing" India, South Asian states are prone to flirting with extra regional powers. As a result, to overcome dependence on India for trade, energy, and essential commodities, they tend to seek financial and developmental support from

regional and distant powers, mainly China but also the US, Europe and Japan, turning them into regional stakeholders.

South Asia lacks functional multilateral institutions which could help resolve regional issues and deliver economic progress. SAARC has remained moribund on account of Pakistan's intransigence. BIMSTEC connects South and South East Asia to bolster regional economic development, but has also not evolved. Developments in Bangladesh and the ongoing civil war in Myanmar have further vitiated the opportunity for BIMSTEC to play a meaningful role.

In his book "Monsoon: The Indian Ocean and Future of American Power", Robert Kaplan explains the increasing importance of South Asia in shaping global power dynamics, as a major trading artery and future arena of US-China competition. The aim of both these competing major powers is to shape the discourse in India's neighbourhood through multiple instruments, including political, economic and social engagement, infrastructure investments, and the search for "bases and places". These initiatives often come at the cost of India's interests.

With the above backdrop, this policy brief will examine the following issues:

- The obtaining political climate in South Asia and its implications.
- South Asia as a part of great power competition.
- Strategic implications for India's regional strategy.

Political Climate in South Asia

Understanding political dynamics in South Asia is to consider the region as a classic "Shatter Belt" from the geopolitical perspective¹. "Shatter Belts" are areas of geopolitical importance exhibiting great political instability, caught between the interests of competing states. Their typical criteria include:

- Area (India) surrounded by weak states, where governments are fragile or ineffective, and national unity has not been achieved.
- Their borders contain ethnic or religious groups with a history of mistrust and animosity (e.g., Jammu and Kashmir, migrant issues with Bangladesh, Tamil rights in Sri Lanka, ethnic groups in Myanmar).
- Legacy of partition and ethnic and societal turbulence continues in more than one country and among leading groups, with constant in-fighting, or even ethnic cleansing.

¹ <https://www.studysmarter.co.uk/explanations/human-geography/political-geography/shatterbelt/>

- One or more global players asserting their diplomatic, economic and military presences in the region (China and the US), to secure their interests.
- Geostrategic location: straddling globally critical trade routes, meaning that if conflict occurs, the regional economy would be greatly harmed by choking off flows of goods and resources (choke points).
- As a result, they are constantly prone to tensions and conflicts, including attempts at ethnic cleansing (e.g., Hindus in Pakistan and Bangladesh).

Seen in the context of "Shatter Belts", despite decades of independence and experiments with democracy, several South Asian nations surrounding India continue to experience political and economic instability. Their domestic scenario is marked by political struggles for power, exacerbated by autocratic traditions, resulting in political fissures, dissensions, extremism, intolerance, and narrow visions of national identity. What is more, their state institutions have failed to provide peaceful ways to resolve grievances, encouraging people to seek violent alternatives. In most of these countries the agriculture, development, health and social sectors have suffered, creating vulnerability in governance and undermining economic stability.

Despite trade and socio-economic linkages with India, the majority of these states look at external actors for meeting their development and economic needs. India's persistent attempts at providing developmental assistance, project financing, essential services and goods, or even strategic materials and products, are largely taken for granted. Politics in these countries are often marked by an anti-India discourse, which has a political fallout in India with various interest groups taking stands in concert with their ethnic affiliations and other alignments across the border.

Given their autocratic tendencies and with only notional electoral democracy, political elites in India's neighbouring states are prone to use military power to quell internal disturbances and maintain law and order. As a result, their militaries have emerged as an important political actor occupying a central space in governance. Pakistan is a classic case where the military has either ruled directly, or by proxy, through most of its history. Even in Bangladesh, the military has always been a major force, and even now stands behind the "interim government" with an important say in the reordering of democratic institutions. Notably, even when the military has gone back to the barracks, they have left their indelible imprint (Pakistan, Sri Lanka or even Nepal) as the force behind the democratic façade. Bhutan is the sole exception, having made a successful transition from monarchy to a democratic order, supported by a benevolent king.

Another facet of South Asia is that despite close cultural bonds and ethnic similarities among states, people-to-people contacts have declined, leading to migrants from these countries seeking opportunities outside the region (in the Middle East or the West). As a result, regional institutions, nongovernmental organisations and think tanks have not gained much traction. Visa restrictions, financial constraints and lack of job opportunities have further hampered growth in fostering a sense of regional identity².

These developments have resulted in a general lack of interest and commitment among Indian elites and policy makers towards neighbouring states. With little or no regional trade, absence of demand for greater interaction, and India focused on its own growth and development, relations have languished. By terminating ambiguity on Kashmir, India has sent a clear message to Pakistan that the bilateral relationship must be built on a more substantive and cooperative agenda, that could include trade and connectivity. Pakistan's anti-India fixation has only resulted in a bloated defence budget and economic slowdown, making it the basket case of South Asia surviving on IMF loans and Chinese doles, and caught in a vicious cycle of competing interests of China and the US. While China is attempting to make Pakistan a frontline state in its IOR strategy through investments in CPEC, the US is interested in maintaining a foothold in South Asia to counter terrorism and the growing Chinese footprint. Similar US-China competition is ensuing in Nepal and Sri Lanka, and is now emerging in Bangladesh.

India on its part remains deeply invested in the region, respects the independence and importance of regional states, and is committed to trade, transit and infrastructure support. In the case of Bangladesh, India supplies critical minerals and refined fuels, electric power, and textiles for the garment industry, while investing in infrastructure projects that include railways and cross-border connectivity. Similarly, India has provided Sri Lanka with crucial financial support and major developmental assistance packages, which is also the case with Nepal and the Maldives as well.

Indian policy towards its South Asian neighbours is consistent and clear: we have strong, social, ethnic and cultural connections, and as a large and more developed neighbour, we will do everything possible to provide support without jeopardising our own interests. As sovereign nations, each one of you can shape your independent path, but not at the expense of India's strategic or economic interests. Essentially, you cannot be a pawn in any South Asian 'great game'. In the case of Pakistan, India offers sound and peaceful relations, but will not countenance a proxy war as part of a strategy of a thousand cuts.

² Happymon Jacob, "End of South Asia: Region in name Only", Foreign Affairs, July 22, 2024

Despite periodic political belligerence in the Maldives and Nepal, India persists with a credible outreach strategy. India's message is that it wants to live in peace and harmony with neighbours, in a spirit of commitment and cooperation.

Emerging Great Power Competition in South Asia and IOR

The second element of this discussion is the emergence of South Asia as a part of great power geopolitical competition. As US-China strategic competition extends to the South China Sea (SCS) and South East Asia, it is also increasingly evident in South Asia and the Indian Ocean Region (IOR), drawing the region into the broader Indo-Pacific strategic construct. Recent events in Bangladesh underscore that both China and US are in the fray for strategic leverages in the region.

(i) Chinese Outreach in South Asia/Indian Ocean Region

China's regional ambitions in South Asia are driven by two prime objectives. First, it seeks warm water access for its landlocked south-west and western regions as alternative routes to the Malacca Straits. Equally important is "bases and places" in the Indian Ocean, particularly as its economy grows and IOR sea lanes become critical life lines for trade, commerce and energy. In terms of strategic competition with the US, China is getting increasingly constrained in East Asia and the Western Pacific on account of a strong alliance network being put in place by the US and its allies. More importantly, through the Philippines the US is creeping into the South China Sea (SCS) and challenging Chinese primacy. For China's two ocean strategy, while maintaining a holding operation backed by a "threat in being" to Taiwan, maintaining a critical breakout route in SCS/IOR is becoming crucial for the security of trade routes, power projection, and contesting Western dominance in West Asia/East Coast of Africa. This is well illustrated by the increasing number of Chinese maritime outposts dotting the region.

The above discourse highlights the importance of Chinese maritime inroads in the Bay of Bengal region: Bangladesh (Chittagong and Cox's Bazar), Myanmar (Kyaukphyu) and Sri Lanka (Hambantota), to eventually develop naval facilities for its surface and submarine fleets. These efforts are further underscored by the search for alternatives to Malacca, through possible alternative shipping routes across Thailand, such as the Kra Canal or rail-port connectivity on either end of the Bay of Bengal and the Gulf of Thailand.

The second element of the Chinese strategy is to dominate India's continental periphery, leveraging BRI-centric investments as also capitalising on anti-

India sentiment among its South Asian neighbours. As an example, China is seeking to extend trans-Himalayan connectivity (including railway lines) through Nepal, right up to India's open hinterland. Similarly, China has made major investments in the infrastructure and defence sectors in Bangladesh. Some 73% of Bangladesh's arms acquisitions are from China. Just prior to her overthrow, Sheikh Hasina's government had signed a memorandum for expanding BRI investments and conducting joint military exercises. Similarly, Chinese inroads in Sri Lanka (Hambantota) and the Maldives are well known. An element of concern is that owing to overriding Chinese influence and debt dependency, these countries are unable to counter Chinese arm twisting, such as on the deployment of the PLAN's spy ships and similar activities in the Indian Ocean.

Essentially, what the foregoing highlights is the reality of China's economic, trade and military inroads in the South Asian neighbourhood, in which India's neighbours are all complicit. As a result of infrastructure investments and development assistance through BRI projects, South Asian states have piled up huge debt burdens which are constraining their policy and strategic choices and bending them to China's will.

(ii) The US as a Factor in South Asia

Even as China extends its influence, the US has emerged as an increasingly involved player in South Asian regional dynamics, even though the region is not the primary zone of US-China competition. US interests in the region are driven by three important factors. First, countering Beijing's influence in the region in the backdrop of an expanding Chinese footprint, that aims to seek warm water access to the strategic maritime zones of the Bay of Bengal and the Arabian Sea and linking these to the South China Sea. Second, to restrain a strategic arms race in the region, and particularly keeping watch over growing China-Pakistan cooperation in the context of both countries attempting to upgrade their strategic deterrence. Iran's quest for nuclear weapons and support from both China and Russia is another factor, forcing the US to maintain close ties with Pakistan's military and quasi-democratic regime.

The third element is promoting bilateral ties with South Asian states, leveraging democracy and economic development. In the US perspective, the breakdown of democratic order like in Bangladesh could result in regional turbulence, much to the advantage of China's diplomacy which emphasises working with local elites, whether democratic or autocratic.

The complex dynamics of regional perspectives have created differences in the perceptions of India and the US. Take Bangladesh for example. The former

Bangladesh PM's policy of friendship with all, while remaining sensitive to India's concerns regarding Islamist extremists and keeping radical elements in check, suited India's security interests. Despite concerns about her governance style, India continued to support her.

The US on the other hand saw Sheikh Hasina as an authoritarian figure cracking down on the opposition and retaining power through flawed elections, which in the US view made Bangladesh vulnerable to Chinese influence and possibly pushed the country towards a theocracy. As a consequence, the US has persistently pressurised Bangladesh on human rights, sanctioned its leaders and flirted with the opposition.³ Similar instances have been noticeable in the US approach to Sri Lanka and Nepal as well.

Given that there are clear differences in perceptions here between India and the US, the message for India forthcoming from the US is that while we respect your strategic autonomy and foreign policy choices, we too have our concerns. If the two do not align, we will have to do things our way, which includes seeking influence in India's backyard, and working with several smaller regional partners to achieve US goals and protect its strategic interests. It is this policy which is marking the US outreach to the interim government in Bangladesh, and to Nepal and Sri Lanka. In so far as Pakistan is concerned, given this longstanding special US relationship, it still remains outside the purview of the India-US strategic discourse.

Furthermore, China containment is emerging as a major factor in the US regional strategy in the backdrop of the growing Chinese push towards the IOR, West Asia and East Coast of Africa. Growing Chinese outreach in the Bay of Bengal, and the possible emergence of Gwadar as part of a future Chinese overseas military command, sharpens this US interest. While the US would be happy to work with India, it is keen to create its own listening and monitoring facilities, for instance at the strategically located St. Martin Island along the Bangladesh-Myanmar coast, among others.

Strategic Implications for India's Regional Strategy

Growing turbulence in South Asia and the role of major powers has important geopolitical and strategic repercussions for India. First and foremost is the issue of regional instability. The Indian subcontinent comprises multiple "Shatter Belts", including the Afghanistan-Pakistan region, the lingering Kashmir issue, the Bangladesh internal crisis, the Nepal-India border, and fragile Sri Lanka.

³ Aditya Gowdara Shiva Murthy "India-US Cooperation in SA: Beyond What Meets the Eye", ORF Research Brief, May 06, 2024

Each of these regions are drawing in external powers, fuelling instability and tensions. As a rising power, India faces challenges in navigating these "Shatter Belts", balancing relationships with external powers, and maintaining regional stability.

India's most critical challenge in South Asia is Pakistan's position in the "Shatter Belt". It has leveraged its location to seek proximity with the US during the war in Afghanistan, and now with China as it seeks access to the Arabian Sea through CPEC. The Kashmir dispute remains an unfinished agenda of partition, towards which Pakistan continues to pursue cross-border terror. Tacit support received by Pakistan from both the US and China perpetuates this challenge.

The smaller nations of Nepal and Bhutan are also affected by the "Shatter Belt" dynamics with India. Nepal is increasingly coming under China's economic, trade and political influence as it grapples with its political and economic challenges. Bhutan, although an important partner of India, faces an enormous coercive challenge from China, which is seeking resident diplomatic relations to counter India.

The virtual coup in Bangladesh has further vitiated regional dynamics. The post-Hasina political situation remains fragmented; the interim government is struggling to maintain order even as student leaders are bent on redrafting the existing constitution. As things stand, fresh democratic elections are nowhere on the horizon. What is extremely worrisome is that atrocities against the Hindu population and religious minorities continue, along with heightened anti-India rhetoric. For India, this growing internal instability in Bangladesh has grave repercussions, as it could lead to an influx of refugees and the ushering in of an Islamist order that can be capitalised by radical elements to conduct cross-border terror or insurgency.

It is important to underscore that each one of these states have highly unstable polities. Despite the semblance of elections and the people's mandate, governing entities are dependent upon the Army, as in the case of Pakistan and Bangladesh, or in Myanmar where the Army usurped power post elections in 2021. A troubling facet of their internal discourse has been to raise the anti-India bogey as a short-sighted political strategy to garner public support.

Despite this worrisome trend, India remains deeply invested in regional stability and security. There is some discussion that India should pre-emptively intervene as an honest broker to prevent internal crises from boiling over, and suggestions that India should have used its influence over Sheikh Hasina's regime to prevent events leading to her ouster from power.

The reality, however, is that despite India developing deep linkages through development assistance, financing, supply chains, power and petroleum exports that create a network of dependencies, for most neighbouring states India bashing remains a popular sentiment among local elites. This is on full display in Bangladesh, where the discourse is becoming increasingly hostile and India is being blamed for everything, from unequal trade and transit treaties to both diversion of waters and causing floods.

The map below provides a snap shot of the current state of India's relations with South Asian neighbours.

India and South Asia



India's Approach

India is following a two-track approach in its neighbourhood policy. First is the policy of “**strategic patience**” accompanied by outreach at the express request from neighbours. Two examples illustrate this approach. Despite the Maldives’ dalliance with China at the expense of India, the realisation is slowly dawning in Male that India remains the most viable option for economic and public goods that are essential for national sustenance. This includes food and essential supplies, and public projects like drinking water and sanitation facilities across 28 islands. A reality check of India’s proximity and past investments and support has largely forced this course correction⁴. Similarly in Sri Lanka, the internal political and economic turmoil of 2022 has worked to India's geopolitical advantage. New Delhi was the first responder to Colombo's financial crisis, helping with liquidity on crucial occasions and then to secure an IMF package.⁵ Importantly, this was done without overt attempts at political influence, even though India has issues of concern regarding the treatment of the Tamil population, among others.

Next is the economic dimension. The “Shatter Belt” theory highlights the need for economic cooperation and regional integration to reduce tensions and promote stability. Towards this end, India has built deep linkages in four key areas of finance, supply chains, petroleum products and power. Take the example of the power sector. India supplied 2656 MW of power to Bangladesh in 2022-23, with 1600 MW coming from the Adani Group’s Jharkhand Power plant in Godda. India has also recently signed a power purchase agreement with Nepal to purchase 10,000 MW of power in next ten years. These examples are being cited just to highlight India’s positive economic outreach to its neighbours.

The reality is that South Asian states are economically interlinked with India, and any alternatives to India are costlier in the long run. Neighbouring states now have a good idea that China’s infrastructure and development investments have pushed them towards a debt trap. India on the other hand has an interest in building a stable and economically prosperous neighbourhood, with minimal external influence.

India’s neighbourhood concerns relate to terrorism and extremism, as external powers continue to support proxy groups to further their own interests. Added

⁴ economictimes.indiatimes.com/opinion/et-commentary/operation-opportunities-how-india-is-gaining-influence-regardless-of-shifts-in-neighbourhood/articleshow/112475183.cms?from=mdr

⁵ Ibid.

to these are humanitarian challenges in terms of refugee and migrant flows, from which India has suffered in past and which remain a sensitive issue for India's border states.

Finally, strengthening regional institutions is another priority. With SAARC remaining ineffectual, BIMSTEC is the only regional institution that can be leveraged to address the various challenges that have been outlined.

Possible Strategies

Based on the preceding discourse, four possible strategies that India can pursue in South Asia are outlined below.

- Political and diplomatic engagement: Strengthen relationships with neighbouring countries through increased political and diplomatic outreach. This is easier said than done, but nonetheless there is need for greater engagement as a policy of assurance.
- Economic integration: As already outlined, there is a fair degree of bilateral economic engagement. Multilateral engagement is an issue. SAARC remains ineffectual owing to Pakistan's diffidence, and BBIN as an alternative has not succeeded. BIMSTEC is the only initiative with potential which needs to be pursued for South Asia – ASEAN connectivity and cooperation. This can also help address concerns of Bangladesh regarding economic domination by India.
- Maritime Links: Most SASEC (South Asia Sub-Regional Economic Cooperation) countries rely on maritime transport for their international trade, and stronger maritime links are crucial for harnessing the sub-region's economic growth potential. For example, improved ports and port access will create better connectivity with Southeast Asia, one of the world's fastest growing economic regions. However, enhanced cooperation among the seven SASEC countries is essential to strengthen these maritime links.⁶
- Security cooperation: There is a need to enhance bilateral and multilateral security cooperation with neighbouring countries to address common security challenges. This also includes discussion and dialogue with extra-regional players, most importantly the US. This is particularly so as the US appears to be following its own regional agenda, with only partial collaboration with India, which can lead to avoidable misperceptions and misunderstandings.

⁶ <https://www.adb.org/publications/sasec-maritime-cooperation>



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