

# India's Regional Connectivity and Indo-Pacific Partnerships

-By Constantino Xavier



Standing by one of the India-Nepal border pillars near Jogbani, Bihar State, one gets a ground view of the paradox of geographic proximity and lack of connectivity in South Asia. Through treaty and tradition between the two neighbors, this is an open border. In practice, however, the terrain and lack of infrastructure poses a formidable barrier to the rising demands of modern-day mobility. Whether it is trade, tourism, or transportation, this border still separates more than it connects.

Situated at the midpoint between the Himalayas and the Bay of Bengal, Jogbani offers an excellent panorama of the pivotal role India plays in the future regional and global economic order. Here lies the fault line between two geoeconomic blocs: the continental Eurasian landmass in the north and the maritime Indo-Pacific space in the south. India's capacity to deepen connectivity with Nepal and its other neighbors will be a major factor in determining the success of its Indo-Pacific policy. Northwest of Jogbani, toward Nepal, the snow-clad Himalayas separate the Tibetan plateau from the Indian subcontinent. In 1950, India's first Prime Minister, Jawaharlal Nehru, referred to the Himalayas as a "magnificent frontier," claiming "even a child knows that one cannot go to Nepal without passing through India."<sup>[302]</sup> Time and technology have since proved him wrong: modern roads and fiber-optic cables have replaced the trans-Himalayan caravan routes and there are even plans for a China-Nepal railway across the world's highest mountains.<sup>[303]</sup>

Looking southwest, in the direction of India, the Indo-Gangetic plain stretches toward the Indian Ocean. This is one of India's least developed regions, with poverty rates akin to Sub-Saharan Africa.<sup>[304]</sup> It takes at least 24 hours to drive the 700 miles that separate this area from the capital, New Delhi. But there are also encouraging signs of change. There is a new international airport only three hours away, a new cross-border rail link, and a revived shipping route providing Nepali exporters with faster access to India's seaports.

To the north of the border pillar stands a sprawling border management checkpoint, one of India's Integrated Check Posts (ICP). A massive infrastructure investment financed by India, the ICP facilitates the crossing of trucks, goods, and people to and from Nepal.<sup>[305]</sup> Fences, immigration officials, armed guards, and high-tech software monitor all official border crossings. This is the most visible aspect of India's regional infrastructure investments, including its focus on last-mile connectivity in these landlocked and traditionally neglected borderlands.

To the checkpoint's south, however, there are still farmers, school children, goats, and cows that freely cross the border, which bisects an entire village. The crossing serves as an apt expression of the centuries-old informal links between India and Nepal. Here, locals stroll leisurely across the sovereign line that only exists on the maps and minds of other, faraway people.



Photo // Mountain Goddess // the blue mountain goat // CC BY-NC-ND 2.0

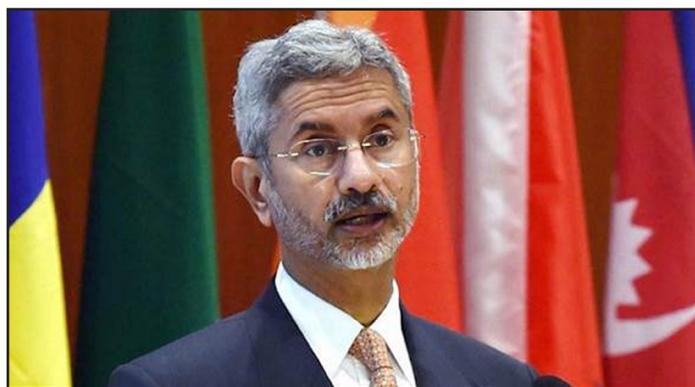
The concrete border pillar looks like a lonely, helpless witness to a village, an ecosystem, and a political economy that refuse to be separated or monitored. In New Delhi or Kathmandu there is talk about fencing the border, but such an idea does not appeal to the inhabitants of this village.

## ECONOMIC INTEGRATION AND STRATEGIC COMPETITION

This site by the India-Nepal border pillar highlights the forces of geoeconomic change sweeping across South Asia. But it also underlines the obstacles to integration, marked by a tension between modern controls and historical connections. India faces formidable obstacles to facilitating regional and geopolitical connectivity. Today, South Asia remains one of the world's most disconnected regions. Its history of political partitions, military conflicts, and economic insulation between the 1950s and 1980s left a legacy of regional barriers and disintegration.

While the rest of the world has grown closer through regional integration efforts and expanding interdependence, the countries of the Indian subcontinent have moved further apart, economically speaking. Today, South Asia's intra-regional share of trade is five percent, compared with almost 30 percent in Southeast Asia.<sup>[306]</sup> This explains India's infrastructure and connectivity deficit on the border with Nepal, as

well as with its other land and maritime neighbors. It is often easier to fly thousands of miles from an Indian city to Dubai or Bangkok than to next-door Nepal, Myanmar, or Sri Lanka. There is still no railway link between India and Myanmar, so the only way to travel directly from Iran to Thailand is via China, circumventing the Indian subcontinent.



S. Jaishankar // Minister of External Affairs of India // Public Domain

Correcting this gap in regional connectivity has therefore become one of India's most important foreign policy objectives. Under the Neighborhood First and Act East policies, announced in 2014, there has been slow but significant progress.<sup>[307]</sup> At the political level, this was reflected in a succession of top-level visits by the Indian prime minister to neighboring countries, including to Nepal after almost 20 years and to Sri Lanka after almost three decades. By intensifying the frequency of such visits,



Prime Minister Narendra Modi signaled that India can no longer afford to neglect a region it used to take for granted. Two factors explain India's urgency to reconnect with the neighborhood. The first is economic, driven by India's reforms since the 1990s, which have generated growing interdependencies with its immediate neighbors. Whether it is trade or investments, bilateral flows have seen significant growth. As Nepal or Bangladesh modernize their economies, escaping the lower income trap, the potential for trade with India and market linkages to New Delhi will grow further. Due to its centrality, size, and economic predominance, India should be a natural geoeconomic hub for most of South Asia.

The second factor is geostrategic, reflecting India's urgency to respond to China's growing economic presence in the region. Except for India and Bhutan, all other South Asian countries signed on to Beijing's Belt and Road Initiative. China's trade incentives, investments, loans, and grants for the region have grown exponentially in the last 10 years, often delivering on critical infrastructure projects that India had neglected for decades. Facing competition with China, India worries about Beijing's growing ability to convert economic ties into political, diplomatic, and security leverage over its neighbors, and the risk to its role as South Asia's predominant power.<sup>[308]</sup>

Driven by these economic and geostrategic factors, India has done much to prioritize the region. In Bhutan and Nepal, Indian hydropower projects have taken off after years of delays, and there has been progress towards an integrated regional energy market. In Nepal, India has also

completed several road projects and is now investing in the rail sector, including a new cross-border link to Kathmandu.

Bangladesh has witnessed the most significant progress in integration with the Indian economy; after more than half a century, rivers are again being used for bilateral trade and transit, and New Delhi is financing the construction of new cross-border roads, bridges, and railways. In Sri Lanka, India is investing in the ports sector, having secured one of Colombo's transshipment terminals, and it is fleshing out plans for greater energy interdependence. In the Maldives, India is financing one of the most ambitious infrastructure projects in decades, linking several islands through a new bridge. Finally, despite the coup in Myanmar, India is racing to complete important connectivity investments there, including a trilateral highway to Thailand.

These initiatives reflect New Delhi's geoeconomic priority to foster interdependency by deepening connectivity with its neighbors, especially in the infrastructure and transportation sectors. But this political determination is not always easily translated into effective policy implementation. It has stressed the Indian state's limited foreign policy capacity and exposed its institutional and economic weaknesses.

For example, India quickly realized that it does not have China's deep pockets to give out grants and loans. Nor are India's ebbing public sector companies as strong, nimble, and unaccountable as their

Chinese counterparts while operating abroad. India's private sector has also shied away from investing in neighboring countries, especially in the high-risk infrastructure sector.<sup>[309]</sup>

It will take the Indian government significant time to change gears after decades of stagnation, insulation, and disinterest in the region. Slow and bureaucratic decision-making processes across different ministries have delayed important projects.

Initiatives to recalibrate foreign policy requires mounting the hurdle of domestic mobilization: to allow for power to be traded with Nepal or to sign a new shipping agreement with Sri Lanka, there are a panoply of domestic organizations and interests involved, some holding veto powers. Political tensions between the central government and regional border states have proved to be a further impediment, for example in a water sharing agreement with Bangladesh.

So, while New Delhi has finally recognized regional interconnectivity as a foreign policy priority, the impact of these new marching orders is still limited. The paradox is that while India is now doing more — and doing so better and faster than before — in South Asia, this is still far too little and slow given neighboring countries' rising demand and China's formidable competition.

## DEVELOPING REGIONAL PARTNERSHIPS

This capacity gap, coupled with India's rising threat assessments about China's behavior across Asia, is driving New Delhi to deepen its regional partnerships with Indo-Pacific powers. This marks a sea change in India's attitude towards South Asia, where it traditionally resented involvement from extra-regional powers, including the United States during the Cold War. Proudly non-aligned, India could afford the luxury of predominance in South Asia, thereby insulating the region from outside influence. New Delhi was then the informal arbiter of the economic or political destinies of Nepal or Sri Lanka.

Today, this posture is no longer sustainable in an increasingly competitive, interconnected, and open region. India is thus learning when and how to deepen its extra-regional partnerships to better link up with the neighboring states of the subcontinent, as well as with Indo-Pacific countries. This cooperative approach marks a way to compensate for its increasingly obvious weaknesses regarding economic connectivity. In particular, India's growing relationships with the Quad countries — the United States, Australia, India, and Japan — exemplify New Delhi's novel strategic approach.

With Japan, India has developed an ambitious vision for regional connectivity under the "Free and Open Indo-Pacific" moniker. Tokyo and New Delhi now periodically

exchange assessments about infrastructure investment opportunities in Bangladesh or Sri Lanka. While India and Japan do not always operate jointly, they have benefitted from coordinating their policies to limit China's maneuverability in the region.<sup>[310]</sup>

Australia has also returned as a geostrategic actor to South Asia, after a long absence since its military supported the Allied offensive from Burma into India during the final phase of World War II. Canberra has recently embraced a geoeconomic role in partnership with India, focused on shipping, natural gas supply chains, and other connectivity initiatives involving Bangladesh, Sri Lanka, and the Maldives in the Northeast Indian Ocean.<sup>[311]</sup>

Finally, the United States's new Indo-Pacific strategy recognizes India as "a like-minded partner and leader in South Asia."<sup>[312]</sup> This explains, for example, Washington's financial support for a new power transmission line project in Nepal. While this was a strictly bilateral project between the United States and Nepal under the Millennium Challenge Corporation, it required India to play ball by agreeing to import future power generated in Nepal.

It is such India-Nepal connectivity projects, including the development of the border at Jogbani, which will determine the success of New Delhi's Neighborhood First policy. By connecting with Nepal, India is also accelerating the Indian subcontinent's geoeconomic pivot to the Indo-Pacific.

[302] Quoted in S. D. Muni, *Foreign policy of Nepal*, (New Delhi: National Publishing House, 1973), 29.

[303] On Nepal's deepening links with China, see Amish Raj Mulmi, "All Roads Lead North: Nepal's Turn to China" (*Context*, 2021).

[304] Amit Kapoor and Chirag Yadav, "By The Ganges: The death of development in Uttar Pradesh and Bihar," *The Economic Times*, May 23, 2021. <https://economictimes.indiatimes.com/news/economy/policy/by-the-ganges-the-death-of-development-in-uttar-pradesh-and-bihar/articleshow/82850652.cms?from=mdr>.

[305] Riya Sinha, "Linking Land Borders: India's Integrated Check Posts," *Centre for Social and Economic Progress*, June 21, 2021, <https://csep.org/working-paper/linking-land-borders-indias-integrated-check-posts/>.

[306] Sanjay Kathuria, *A Glass Half Full: The Promise of Regional Trade in South Asia*, (Washington, DC: World Bank, 2018).

[307] Constantino Xavier, "Sambandh as Strategy: India's new approach to regional connectivity," *Centre for Social and Economic Progress*, January 21, 2020. <https://csep.org/policy-brief/sambandh-as-strategy-indias-new-approach-to-regional-connectivity/>.

[308] Deep Pal, "China's Influence in South Asia: Vulnerabilities and Resilience in Four Countries," *Carnegie Endowment for International Peace*, October 13, 2021, <https://carnegieendowment.org/2021/10/13/china-s-influence-in-south-asia-vulnerabilities-and-resilience-in-four-countries-pub-85552>.

[309] Sharmadha Srinivasan, "Assessing India's infrastructure aid diplomacy," *Gateway House*, March 19, 2015, <https://www.gatewayhouse.in/assessing-indias-infrastructure-aid-diplomacy/>.

[310] Darshana M. Baruah, "Toward Strategic Economic Cooperation Between India and Japan," *Carnegie Center for International Peace*, December 1, 2016, <https://carnegieindia.org/2016/12/01/toward-strategic-economic-cooperation-between-india-and-japan-pub-66326>.

[311] "Enhancing engagement in the North East Indian Ocean," *Australian Minister for Foreign Affairs*, February 11, 2022, <https://www.foreignminister.gov.au/minister/marise-payne/media-release/enhancing-engagement-north-east-indian-ocean>.

[312] "Indo-Pacific Strategy of the United States," *The White House*, February 2022, 16.

Constantino Xavier is Fellow in Foreign Policy and Security Studies at the Centre for Social and Economic Progress (CSEP), in New Delhi, and a Non-resident Fellow at the Brookings Institution. At CSEP, he leads the Sambandh Initiative on Regional Connectivity, which examines India's political, security and economic relations with the South Asian and Indo-Pacific neighborhood. His research has been published in various journals and books, including *Asian Policy*, the *Oxford Handbook on Indian Foreign Policy*, and the *Routledge Handbook of China-India Relations*. He frequently teaches and lectures at different international universities, as well as at Indian training institutions, including the Lal Bahadur Shastri National Academy of Administration, the Foreign Service Institute, and the National Defence College. Dr. Xavier received research awards from the United States Fulbright program and the Indian Council for Cultural Relations and holds a Ph.D. in South Asian studies from the Johns Hopkins University, and postgraduate degrees from Jawaharlal Nehru University.