

Annual Reports 1998-1999

Introduction and Synopsis During the year under review, India's external relations were guided by well- established principles. These have formed the basis of our foreign policy over decades. They enjoy a broad national consensus, thus providing a strong foundation of stability and continuity. We view foreign policy as an integral part of the larger effort of building the nation's capabilities: through economic development, strengthening social well-being and the quality of life, and of protecting India's sovereignty, territorial integrity and security, not only in its defence and economic aspects, but in the widest strategic sense of the term.

In this framework, the country's foreign policy was devoted to realisation of the following objectives:

- (i) To develop understanding and support in the international community for India's aspirations, essential national interests and concerns, and to build relations of mutual confidence and respect;
- (ii) To develop broad-based, mutually beneficial, and synergistic structures of cooperation in trade, industry, investment and technology transfer and other functional areas, with all countries, also to actively facilitate business and professional contacts for this purpose;
- (iii) Specifically, a major priority and focus of our foreign policy is the strengthening of friendship and cooperation with our neighbours in South Asia and to work with them to build a climate of durable trust and understanding in this region;
- (iv) At the same time, our concerns and interactions go well beyond South Asia. They include other neighbours, and countries immediately adjoining this region - our "extended neighbourhood", as well as the wider world. Our geography, historical experience and civilizational character inspire a wider global outlook and vision. This applies not only in a geographical sense, but also in relation to the large issues of development, and security;
- (v) This vision requires that we harmonise our essential national interests with

our abiding commitment to international cooperation.

(vi) It also calls on us to work constructively with other countries - bilaterally and in multilateral institutions and international organisations, such as the UN, NAM, etc. to find answers to the complex and highly profiled political, social and economic problems which the international community faces.

These include concerns relating to peace and security, especially the goal of nuclear disarmament in a universal, non-discriminatory framework with equal security for all; establishing a rational and equitable international economic order; globalisation; the environment; public health; terrorism and extremism in different forms; the narcotics menace; the far reaching impact of technology; the information revolution; culture and education, etc.

India views the conduct of foreign relations as a dynamic exercise, which incorporates our basic objectives, as well as the many dimensions and factors outlined above. We recognise that our foreign policy is a forward looking engagement with the rest of the world, based on a rigorous, realistic and contemporary assessment of the regional and global, geo-political and economic milieu.

It also involves awareness that in a period of rapid and continuing change, foreign policy must contribute to building a national capability to respond optimally to new opportunities and challenges. In this context, the year under review was notable for major decisions taken in regard to our national security, through the exercising, after years of restraint, of our nuclear option. It also saw a progressively greater focus on the international economy, particularly in relation to developments such as WTO, and on economic diplomacy.

We approach relations with our South Asian neighbours as a composite process comprising different elements; i.e. a joint endeavour to build a stable structure of long term cooperation, optimally using our many commonalities, in particular those of economic and social development; strengthening confidence; and settling outstanding issues peacefully through direct negotiations. We have reiterated our commitment to working with all the countries in the region, to realise these objectives, in a practical and business-like manner, with mutual

goodwill and respect for each others concerns. Of major significance for the future of the region is the emergence in recent years, of a clear trend and increasingly well articulated urge for greater cooperation, especially economic, and better people-to-people contacts, i.e. among the business sectors, professionals, cultural personalities, etc. This trend was further confirmed during the past year. India continued its initiatives to strengthen this process.

The tradition of high-level exchanges with countries in South Asia was maintained during the year. Leading among these were our President's State visit to Nepal, the subsequent visits to India of the King and Queen of Nepal and of the King of Bhutan, the Presidents of Sri Lanka and the Maldives, and most recently, of our Prime Minister to Pakistan. There were also several exchanges of visits at the level of Foreign Minister and at other Ministerial levels, as well as official contacts, for example, between the Foreign Ministries, Ministries of Commerce etc., which contributed to the identification and implementation of programmes for cooperation. This was supplemented by enhanced interaction among Parliamentarians, businessmen, professionals and in the world of art. culture, science and technology and education. These wide ranging contacts have helped create better understanding, especially of the possibilities of cooperation. Trade, economic and other functional exchanges progressed satisfactorily. Among the noteworthy bilateral understandings reached last year with countries in South Asia, were the agreement signed with Sri Lanka for the, establishment of a bilateral Free Trade Area, which is expected to stimulate trade and investment through a graduated reduction in tariffs, and the renewal of the Transit Treaty with Nepal.

India continued its efforts to build a relationship of trust and confidence with Pakistan, to put in place a stable structure of cooperation, and address outstanding issues through peaceful bilateral negotiations. We emphasised the value of reactivating a sustained and comprehensive dialogue, which would not be issue-fixated, but which would enable the relationship to move forward in a broad - based manner. The first round of the renewed composite dialogue was held in October - November 1998 to discuss the eight identified subjects i.e. Peace and Security, including CBMs; J&K; Siachen; Tulbul Navigation project;

Sir Creek; Trade and Economic Cooperation; Terrorism and Drug Trafficking, and Friendly exchanges in different fields. These talks indicated common ground on some issues - such as Peace and Security including CBMs, economic/commercial cooperation, and Friendly Exchanges in various fields, but agreement could not be reached to reflect this jointly in public statements.

We have reiterated our constructive approach to the composite dialogue. Our concerns regarding Pakistan's continued, and active involvement in instigating and sponsoring terrorism in J&K and other parts of India, were made clear to them on several occasions during the year - and reiterated during the composite dialogue, and conclusive evidence to this effect was also presented. It was emphasised that our resolve to defeat cross-border terrorism and to safeguard our security interests was total. We have advised them that abandonment of this activity, and full respect for their commitments under the Simla Agreement, including avoidance of provocative acts across the LOC and hostile propaganda, were essential steps.

In keeping with our overall policy, our Prime Minister took the historic initiative of travelling to Lahore, on the inaugural run of the Delhi - Lahore - Delhi Bus Service in February 1999. This was the most significant high-level engagement between the two countries in over a quarter of a century. In his talks, our Prime Minister reaffirmed India's commitment to friendship and cooperation with Pakistan. He also highlighted the futility of the path of violence. The Lahore Declaration, the MOU on CBMs and the Joint statement issued during the PM's visit, represent in their totality, a vision for the development of the relationship. They spell out concrete steps to be taken by the two countries in translating this vision into reality, including, in particular, a joint commitment to work through a bilateral process in the framework of the Simla Agreement - for establishing a durable structure of cooperation, of building confidence and of resolving outstanding issues through peaceful, bilateral negotiations.

It is noteworthy that the Prime Ministers agreed on the need to combat terrorism in all its forms and manifestations. Also significant is the decision that in addition to the continuing official dialogue, there would also be regular interaction at the

political level - to impart momentum and direction to the dialogue. This envisages regular meetings between the two Foreign Ministers. India will follow the path set out during the Prime Minister's visit to Lahore. We hope Pakistan will also do so in a spirit of realism and cooperation. India continued its active participation in the ongoing SAARC process for regional cooperation in South Asia. These efforts gained further momentum during the year, especially through the consolidation of cooperation in the core economic area, with the conclusion of the third round of the negotiations for setting up a South Asian Preferential Trading Arrangement (SAPTA) in November, 1998 and the agreement among the leaders of SAARC countries, on establishing a South Asian Free Trade Area (SAFTA), and to commence negotiations for this purpose in early 1999. India also contributed substantially to the exercise conducted by the Group of the Eminent Persons, a non-official body, constituted by the SAARC leaders in 1997, for working out a perspective plan for further development of SAARC. The report presented at the Tenth Summit in Colombo in July 1998, sets out a broad agenda for economic integration in three phases, and for cooperation in the social sectors up to the year 2020. We strongly support the consensus reached by the SAARC leadership at the Tenth Summit, reaffirming the desire to further strengthen regional cooperation, particularly in the economic sphere.

India took further constructive initiatives to help trade liberalisation and stimulate investment within the region - i.e. the decision to lift quantitative restrictions on imports from SAARC countries into India, with effect from 1 August, 1998; the further raising of the ceiling for Indian investment in SAARC countries; proposals for enhanced exchanges in Science & Technology, and for a regional energy grid; and suggestions for strengthening cooperation in the social sectors, as also in working out common positions on key international economic issues.

During the year, we continued to develop another important dimension of our foreign policy - i.e. the strengthening of our relations with our extended neighbourhood which encompasses the countries in the ASEAN - Pacific region, Central Asia, the Gulf, West Asia and North Africa, and the Indian Ocean Rim. This involves a revival, in the contemporary context, of our traditional, cultural, commercial and maritime linkages with these regions. This is reflected, for

example in the "Look East" approach, developed over this decade, applied in the first place, to South East and East Asia, as well as in the progressive expansion of our relations with countries in the other regions mentioned above. A step of special significance in the growth of cooperation in our larger eastern neighbourhood, is the formation of a new sub-regional association BIMSTEC, involving Bangladesh, India, Myanmar, Sri Lanka and Thailand. This is the first grouping of its kind, in which two ASEAN members have come together with three countries from South Asia to form an economic cooperation association. This is a manifestation of our growing interactions with our extended neighbourhood. Established in 1998, this grouping has already identified important areas such as communications, infrastructure, energy, trade and investment, tourism and fisheries, etc. for cooperation, with each country assuming a specific responsibility for coordination. Important projects, which are currently under consideration by the forum, include the Asian Highway Link, as also an Asian Railway Network and a Natural Gas pipeline grid. Constituted on the Bay of Bengal Rim, BIMSTEC aims at tapping the vast potential of resources, both natural and human, in this sub-region. Nepal became an Observer at the last Ministerial Meeting in Dhaka in December, 1998. The year saw a further development of our traditionally friendly ties with the countries of South East Asia, an important part of our extended neighbourhood. Regular and effective contact was maintained with individual countries in the ASEAN and the Pacific region, through Ministerial and official visits and other exchanges. Joint Commission Meetings were held with Vietnam and Laos. Visits were also exchanged with Myanmar which enabled us to identify the directions of cooperation. The Cambodian Prime Minister is scheduled to visit India in next April. Goodwill visits of naval ships to the region have helped develop contact in the defence field. There were regular exchanges with all the other countries in ASEAN.

Apart from individual states in the ASEAN region, we also worked to further develop our interaction. with the ASEAN collectivity - through the Full Dialogue Partnership initiated in 1996. The post-Ministerial Conference held in Manila provided an opportunity for Ministerial-level-meetings with all ASEAN members.

Cooperation in the India - ASEAN framework covers trade and investment, S&T, tourism, people-to-people contact, academic exchanges, human resource development, information technology, etc. The dynamic progress of ASEAN countries over the past two decades have made them important economic partners and investors. While normal growth during the year was inhibited by the constriction of the S.E.Asian economies, aggregate two-way trade with ASEAN countries was maintained at the earlier level. India expressed its great concern over the continuing economic and financial crisis in South East Asia, and its adverse social consequences for large sections of population in these countries. We conveyed our solidarity with ASEAN through our statements, as well as measures such as intergovernmental and EXIM Bank credit, counter guarantees, additional facilities in technical cooperation and training. India is confident that the ASEAN countries with their proven institutional strength, as well as high growth in human development and infrastructure, will overcome the effects of this crisis and will be able to recover before long. Another important feature of our evolving interaction with ASEAN is our continuing and active participation in the ASEAN Regional Forum (ARF), at Ministerial and other levels. We have contributed to the dialogue with this plurilateral regional grouping, which functions as ASEAN as the core and driving force, ARF is playing a valuable role in developing confidence between ASEAN and its dialogue partners. The ARF meeting last year also provided us with the useful opportunity to clarify the rationale of our nuclear tests to ASEAN, as well as our overall security and nuclear disarmament policy.

During the year under review, we continued the systematic effort initiated in the early 1990s to build diversified and mutually advantageous relations with the newly independent countries of Central Asia, which is also a vital part of our larger neighbourhood, giving a contemporary focus to our age old ties marked by strong cultural and historical affinities as well as commercial and people to people links. Our recent contacts have confirmed a common commitment to secularism and a pluralistic society, opposition to extremism and terrorism, as also similar security concerns. Our economic engagement with the countries of Central Asia, notably in sectors such as pharmaceuticals, small & medium

enterprises, human resource development etc. also continued to grow. We maintained a fruitful political dialogue with all the countries of this region.

Countries of the Gulf, occupy a vitally important place in our extended neighbourhood because of their geographical proximity, cultural linkages and economic complementarities. About three-and-a-half million Indians - unskilled and semi-skilled workers as well as professionals, live and work in these countries - contributing significantly to their economic development. The countries in this region are also the main source for our energy imports and among our most important trade, investment and joint venture partners. Our interactions with this large region have continued to grow during the year. Our Prime Minister's visit to Oman symbolised India's desire to maintain regular high level contact, and develop long term economic cooperation with the region. Visits of Indian naval vessels to the Gulf, participation in defence exhibitions and exchanges of visits, complemented our close political/economic ties with this area.

India closely followed developments relating to Iraq. We deplored the unilateral military action taken against Iraq, reiterated that use of force would serve no useful purpose and called for a resolution of issues through peaceful, diplomatic means. India also expressed deep concern at the continued suffering of the people of Iraq and continued our tradition of rendering humanitarian assistance. Visits were exchanged between the two countries and the Joint Commission was revived, and possibilities of economic cooperation identified.

Our dialogue with Iran has reflected an identity on views on the situation in Afghanistan and its impact on the region. Our economic cooperation and cultural exchanges have developed satisfactorily; it was agreed that there was considerable scope for further growth. India's multifaceted relations with the countries of West Asia and North Africa were further strengthened through exchanges of visits. Leading among them were the President's State visit to Turkey, and the Prime Minister's visit to Morocco. There were Ministerial and official level contacts with several other countries in the region and a number of agreements were signed. India's gesture of humanitarian assistance to Sudan

and the human resource development under the ITEC programme were a manifestation of our commitment to South-South Cooperation. India maintained its steadfast support for the Palestine cause and for the right of all countries in the region to live within secure, peaceful borders. We shared the widespread concern with lack of progress in the Middle East Peace Process. India has welcomed the Wye River Memorandum signed between Israel and the Palestine Liberation Organisation on 23 October, 1998 and supported its unconditional implementation.

India's traditionally close contact with Afghanistan formed the backdrop to our current policy. We closely monitored the continuing, tragic conflict there which impinges directly on India's national interests, and in particular, our security concerns. The events of the year strengthened our conviction, shared by most of the international community, that there can be no military solution, and further, that a peaceful outcome can be found only through establishing a broad based government in which all the ethnic groups of Afghanistan find their rightful place. There was, however, no indication that the one group, which made some territorial gains in 1998, and its foreign mentor, had abandoned their attempt to achieve their objective through the instigation of violence and civil war. We maintained active contact with major Afghan groups, as well as our humanitarian assistance to the Afghan people both bilaterally, and through the U.N. We continue to support the role of the U.N. in restoring peace and normalcy in Afghanistan. However, in order for this to become effective, the structure and mechanism of the current UN effort needs to be broader-based. India, like China, is among the largest and most populous countries in the world, representing a major civilisation. It is engaged in the important task of economic development and modernisation and growing interaction with the global economy. Friendly, good-neighbourly, constructive, and mutually beneficial relations between India and China, on the basis of the Five Principles of Peaceful Co-existence, serve the interests of both countries, and are an important factor in peace and stability in Asia and the world. In this context, India has consistently endeavoured to develop good relations, enabling cooperation to be maximised and tensions minimised, mutual concerns addressed and thus, issues resolved. Our concerns

on issues involving our sovereignty, territorial integrity and security, in particular, the adverse effect on our security of China's cooperation with Pakistan specifically in its nuclear weapons and missile development programme, have been made known to China. India's nuclear tests are not country-specific. They are intended solely for enhancing our national security, and, do not represent a threat to any country. Our nuclear weapons and missile development programmes are based on the principles of minimum sufficiency and deterrent capability. Like China, India has declared a no first use doctrine.

China's strident criticism of our actions does not contribute to enhanced understanding, goodwill and friendship. We see our relationship as one in which the two sides should be responsive to each other's concerns, including those relating to security. We favour the resolution of all outstanding issues through dialogue. The two sides have evolved mechanisms for this purpose at various levels. We value our relations with Japan. We are both Asian countries, which uphold democratic values and the entrepreneurial tradition. We have a shared interest in peace, stability and development in our respective regions and the world. India perceives no conflict of interest based on ideological, economic, security or other factors. Japan is one of India's largest trading partners and investors.

For all these reasons, Japan continues to have a certain priority in our foreign policy. India also shares with Japan the goal of a nuclear weapon free world. Our views in this regard have been communicated at the level of the Prime Minister and External Affairs Minister as well as through official level contacts. India is ready to work with Japan for the attainment of a universal, comprehensive, non-discriminatory global regime for nuclear disarmament. Relations between India and the Republic of Korea were marked by cordiality and understanding as well as high level exchanges. While India maintains normal relations with the Democratic Peoples' Republic of Korea, we have serious concerns about credible report of transfer of missiles and missile technology from the DPRK to Pakistan. India's relations with Africa continued to enjoy their traditional emphasis. The priority attached to this region was underlined by the visit of our Prime Minister to Namibia, South Africa and Mauritius, his first foreign visit

outside our region. These and other high level exchanges, supplemented by a wide ranging official level political dialogue, as well as people to people contacts with several countries in the region, confirmed mutual goodwill, and also indicated a considerable appreciation in Africa of India's legitimate concerns, including those relating to security. The year also saw a steady expansion of cooperation, including overall growth in areas of trade with the region. There is growing appreciation of the relevance of India experience in small and medium scale enterprises, agriculture, pharmaceuticals, frontier technology. India continued to play a prominent role in cooperation with African countries in human resource development. These exchanges constitute a vital input for effective South-South Cooperation. The interaction between India and Africa in multilateral fora reinforced a common vision of a new world order, fully democratic, representative and characterised by peace, justice and equality. Our policy towards Central and South America and the Caribbean was aimed at widening and deepening our cordial political relations with the countries of the region. In recent years we have also sought to expand the scope of this relationship to include a significant economic content. As part of this new emphasis, a coordinated effort was made to promote India's business ties with the major countries in the region and to strengthen institutional linkages with economic and political bodies like the Rio Group, the OAS, MERCOSUR, CARICOM and the Andean Community. The State visits by our President to Peru and to Brazil greatly helped to strengthen economic and technical cooperation with these countries across a wide range. The visit of our Prime Minister to the Republic of Trinidad & Tobago in February, 1999, served to highlight the cultural commonality and potential for mutually beneficial economic links with a country which is home to large number of persons of Indian origin. Our friendly and time-tested ties with Russia are based on continuity, trust and mutual understanding. Our traditional cooperation encompasses a wide range of areas of mutual interest, especially trade, industrial cooperation and exchanges in important sectors like power, steel, oil, coal and information technology.

Interaction in the field of science and technology has moved beyond academic exchanges and encompasses commercial applications. Cultural cooperation was

given a new emphasis with the inauguration of the Mahatma Gandhi Chair in the Russian Institute of Philosophy. Cooperation in the fields of peaceful uses of atomic energy and space continued in accordance with the existing bilateral arrangements. The Russian Federation continued to be an important partner in defence cooperation.

There were continuing high-level exchanges. The visit to India by the Chairman of the Government of the Russian Federation was yet another milestone in the relationship. Both countries have reaffirmed their determination to impart a qualitatively new character and long-term perspective to our multifaceted ties and develop a strategic partnership in the 21st century.

Europe is going through a dramatic period of change. Economic integration and monetary union, the institution of the Euro as well as the progressive development of a European identity in foreign and security policies, has far-reaching implications for countries such as India, apart from impinging on the security architecture of Europe. We have accordingly strengthened our traditional emphasis on good relations with the countries of Europe individually, and with the European Union collectivity as a whole. The EU is India's largest trading partner, the second largest source of foreign investment and a leading source of technology. There was further growth in all these areas as well as increased political interaction. This trend of relations with Europe was reflected in the state visit of our President to Germany, Portugal and Luxembourg, of our Prime Minister and subsequently of Raksha Mantri to France, as well as visits to India by the President of Switzerland, the Crown Prince of Belgium and the Prime Minister of Luxembourg, the holding of the Indo-EU Troika Ministerial meeting, and official level strategic dialogues. with France, UK, Germany and Italy.

India maintained its traditionally active interaction with the Commonwealth. We are represented in all important controlling bodies of the Commonwealth Secretariat and other organisations. India is the fourth largest contributor, a major source of expert assistance and a leading destination for Commonwealth trainees. We participated substantively in the Senior Officials' Meeting which reviewed implementation of the 1997 CHOGM.

There was a steady development of our traditionally close and cordial ties with the countries of East and Central Europe. High level exchanges which contributed to further building a broad-based relationship continued throughout the year, with an emphasis on enhanced trade and economic cooperation. The visits to India by the Presidents of Bulgaria and Estonia generated a particular momentum for the further consolidation of relations with these countries. India closely followed developments relating to Kosovo and reiterated our support for the principles of sovereignty, territorial integrity and for the resolution of the issue through peaceful means and not through any unilateral actions.

Developing stable, normal relations with the US remains very important objective of our policy. There is a growing sense on both sides, that Indo-US relations have been too narrowly and for too long focussed on two or three areas about which there exist differences, whereas many areas of convergence and commonality have not been adequately explored. It was in order to develop a broad based relationship which would rectify this shortcoming, that we entered into a wide ranging and forward looking dialogue. The harshly critical reaction of the US government to India's nuclear tests in May 1998 viti