Ambassador Lalit Mansingh

Former Indian Foreign Secretary

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Thank you Mr Dudgeon and thanks to the AIIA for having invited me to Australia. This is my third visit in three years, so you can imagine that I am becoming a great fan of Australia.

I came to Perth to take part in a conference there, as Mr Dudgeon has mentioned, and what stuck me was the kind of informed audience that I found; that greatly surprised and impressed me. Now I have come to Canberra and it is an even more intimidating audience, with a lot of ex-ambassadors and members of the diplomatic services, professors and experts.

So I am a little nervous, but you have given me a wide subject to deal with and I realise it is not possible to do justice to it in such a short time. If you permit me, I will skim over the issues and see if we can have an interesting discussion afterwards.

The subject that Mr Dudgeon asked me to speak on was India's regional strategic priorities. I will try to stick to that subject, but inevitably I will go outside the boundaries.

I will start with an odd fact about India. There are many odd facts about India, but this one is that while there is a well defined concept of India as a civilisation for more than 5000 years, there is a less defined notion of an Indian nation and only a fairly recent concept of India as a state.

The earliest literature we have in India, the Vedas, which go back 5000 years, contained a lot of speculation, basically philosophical, about the nature of the universe and the relationship between man and the cosmos. But there is no concept that you can find of India as a country or an entity. There is no question of a territorial India; no question of a neighbourhood, just an existence that was taken for granted that we were dealing with the cosmos, nothing else. Even the name India, as you know, is not Indian. It is of Greek origin. We don't even have a name for our country.

So the idea for a territorial India and the neighbourhood actually crystallised during the British period. And this was brilliantly articulated by Lord Curzon, who was the Viceroy of India at the turn of the 20th century about 100 years ago. The British considered India to be the Crown Jewel of the Empire and the jewel had to be protected at all costs from the very acquisitive Russians, French and Chinese.

So Lord Curzon maintained that to protect India, Britain would have to maintain permanent influence over Iran, Thailand and maintain Afghanistan and Tibet as permanent buffers. It was assumed that the Royal Navy would dominate the seas and that is why the concept of Aden to Singapore or Suez to Singapore or the Persian Gulf to the South Asia Sea was the defined parameter of security that the British laid down.

When India became independent in 1947 Pandit Nehru was the first Prime Minister and Foreign Minister and he took a decision that India must reject the security paradigm that he inherited from the British. He argued that colonial India required protection but independent Indian did not require any protection.

He saw India as a global peacemaker or peacekeeper. In his world view Indian had no enemies and therefore did not need these parameters. If there was any regional concept in Nehru's mind it was very early on, in fact before independence. He was convinced of Asia's renaissance and he thought it would be led by China and India working hand in hand. This is what he pursued in the early years after independence.

Sadly Nehru's Asian dream and his entire vision of a globally-active, non-aligned India, received a brutal blow when the Chinese attacked India in 1962. With Nehru's death in 1964, India went through withdrawal symptoms and scaled down its global ambitions and was quite happy to play a role within the immediate region of South Asia.

What has happened today – and this is what I would like to speak to you about – is that Indian foreign policy has now come full circle. Today India has a global vision and India is approaching that global vision though various steps, though concentric circles or neighbourhood concepts. There is the immediate neighbourhood, there is the extended neighbourhood and there is the rest of the world.

So these are the three circles in which India is operating. And so we find in a curious way Nehru and Curzon have got fused together in a new approach that India has to global affairs.

The change in India's strategic perceptions came about in the decade of the 1990s. Basically, there were two major developments which I regard as watersheds. The first was in 1991 when India began the process of economic reforms and the other in 1998 when India undertook a series of nuclear tests and declared itself as a nuclear weapons power. These two events are not related to each other and are never linked, but in my mind they are the signposts of the new approach that India has taken since then to global affairs.

The economic reforms came first and these reforms released India from the shackles of a socialist system that the early governments of India had instituted. It liberated the Indian private sector with the consequence that the country's growth rates dramatically increased from about 2.5 or 3.5 per cent up to nine per cent – and that is the kind of growth that we have been maintaining in the past 20 years. These reforms were a big step and led India into the global economy.

The nuclear tests of 1998 underlined a kind of political liberation to go with the economic liberation of 1991. It brought about an end to almost three decades of technology sanctions against India and a kind of political isolation that the West had subjected India to after the first nuclear test of 1974.

Taken together, these were the two defining events that led to a new global approach. You can see there are three factors in India's foreign policy which I consider to be an entirely new foreign policy. Officially of course we don't have doctrines and we maintain that what Nehru established in 1947 continues to be our policy.

But as I will try to prove, we have nothing vaguely resembling Nehru's foreign policy now – and I will draw your attention to three major changes that have taken place in the past two decades.

One is that we now have an absence of idealism. There was a lot of ideological content in our early foreign policy - a lot of emphasis of anti-imperialism, anti-apartheid, anti-colonialism, anti-discrimination and so on. You will hear less of that in recent pronouncements. We don't seem to be anti-anything, just pro-India. We want to get on with business.

Secondly, there is a new concept of security, which was absent earlier. Nehru's belief that we do not need protection because we have no enemies is not the feeling anymore. We are, in fact, living in a very dangerous neighbourhood and we need to protect our people and our interests.

Thirdly, we have new priorities in foreign policy and we are cultivating relations with an entirely new group of people and that has completely changed the concept of India's foreign policy from non-alignment to what I call co-alignment or multiple-alignment. This is a feature of India's foreign policy.

But let me come back to the issue of our regional perceptions. As I mentioned, there are these three concentric circles – the neighbourhood, the extended neighbourhood and the rest of the world – and in terms of security threat perceptions, let me underline what I call the three areas of concern. And later on I will talk to you about the three zones of comfort which India is trying to cultivate in order to meet these areas of concern.

Three areas of concern are in the immediate neighbourhood, Pakistan and Afghanistan, then China and in the extended neighbourhood, the Indian Ocean. These are the three current areas of concern.

The three zones of comfort are one, the Indo-US strategic partnership, which is a major development in the past 10 or 15 years; secondly our involvement with ASEAN, and thirdly our bilateral ties with the Asia-Pacific nations, particularly Japan and Australia. These are the three zones of comfort.

Let me come to our perception of Pakistan and Afghanistan. I know Mr Dudgeon is a Pakistan expert and I have read his very interesting report on his recent visit there. But what I will give you is essentially and Indian point of view.

When you hear Indians speak on Pakistan you must be aware of where they stand. There are lots of hawks, a few doves and I am somewhere in between. I am a pragmatist. I do not join the hawks in saying let's be tough and attack and punish Pakistan, I don't think that is going to work.

Anyway, this is how we see Pakistan – Pakistan is a revisionist power. We both became independent in 1947, but India was happy with the status quo while Pakistan was not. Pakistan wanted to change the contours of the sub-continent. It was not happy that it did not get a bigger share of the Indian sub-continent; it was unhappy with what its founder, Muhammad Ali Jinnah, called a multi-religion Pakistan; it was unhappy that a Muslim majority state like Jammu and Kashmir did not go to Pakistan and stayed in India.

Basically the biggest frustration for Pakistan was that the majority of the Muslims of the subcontinent decided to stay where they were and consequently Pakistan did not become the promised homeland for the Muslims.

What has happened is that in the past 65 years Pakistan has done everything possible to change the status quo. It has fought four wars with India in 1947, 1965, 1971 and 1999 and has lost badly in all four. Pakistan acquired nuclear weapons to establish strategic parity with India, but since even nuclear weapons did not bring Kashmir to Pakistan, Pakistan has been deploying what is called the policy of bleeding India with 1000 cuts and this is our biggest danger now from Pakistan – terrorism. It is terrorism that is being deployed to bleed India.

But has this policy worked for Pakistan? No, it hasn't worked. What in fact has happened is that Pakistan itself is bleeding from 1000 cuts – 1000 self-inflicted wounds. The terrorism that it fashioned against India and the rest of the world is actually now attacking the Pakistani state and there is now, I feel, a civil war within Pakistan to claim the soul of Pakistan.

Who actually possesses Pakistan? The Jihadists who want an Islamic state in Pakistan, the military, which wants a military state in Pakistan, or a very small group of liberal democrats who want democracy? Sadly for people like me, this community of liberal democrats is getting smaller and smaller. So we keep our fingers crossed.

So what is our biggest nightmare about Pakistan? It is not terrorism – yes we have lost many innocent people to terrorist attacks, but terrorism is not our biggest concern. Our biggest worry is Pakistan's nuclear weapons - and in the turmoil Pakistan is facing, the possibility of nuclear weapons falling into the wrong hands.

There could be two sets of wrong hands. They could fall into the hands of the Jihadists – the various terrorists groups, Al Qaeda, the Taliban, there are any number of terrorists groups there. But what is worse is not nuclear weapons falling into the hands of terrorists, but nuclear weapons falling into the hands of a military Government in Pakistan that believes in Jihad – and that is not an unlikely scenario. Those of you who have studied Pakistan's recent history know that Muhammad Zia-ul-Haq converted the Pakistani Army into an Islamic army and prompted them to promote Jihad.

Any one of these days you may have a general that takes charge of Pakistan and if he is a Jihadist then the world is going to be greatly worried.

But nevertheless, despite all these concerns about Pakistan, the Government of India under Dr Manmohan Singh carries on a dialogue with Pakistan. This does not have too much popular support because people are angry at these repeated acts of terrorism, and particularly terrorism that kills innocent people or attacks our revered institutions like the Indian Parliament or the stock exchange in Mumbai. The biggest attack that took place was in Mumbai and there has been a lot of public anger.

My fear is that while the dialogue is going on – and so far so good – it does not have too much public support and if there is anything like the 26/11 Mumbai attack, then I am afraid this dialogue is going to be derailed.

Now let me come to Afghanistan, because Afghanistan is not a security threat for us. But if things go wrong in Afghanistan, then yes, we have reasons to be worried. We are stakeholders in Afghanistan because we have always been benign friends of Afghanistan. We have always taken part in Afghanistan's economic development, its social development and we have long cultural contacts with Afghanistan which go back thousands of years.

It is interesting that in the medieval period of India's history a succession of Afghan invaders came to India and we had Afghan rulers for close to 400 years. That is the depth of the contacts we have had.

So, in terms of recent history, while India was invited to the Bonn Conference, India was kept at arm's length because the Americans and the other Western countries were sensitive to Pakistan's feelings and did not want India to be very much involved. As a result India has also stepped back and our entire involvement with Afghanistan has been in terms of economic and development assistance.

We have not spent a large amount of money, about \$1.5 million. But I would like to think that our aid program is one of the most successful in Afghanistan and one of the highest rated by the Afghans themselves. This is because we are doing small things, we have brought electricity to Kabul by providing the transmission lines, we have built dams, hospitals and roads. We have built a road from Kandahar to the Iranian border so that Afghanistan can have access to the sea through Iran. So, many of these things are appreciated by the Afghans.

A lot of Indians question the Government for not taking more interest in the political process in Afghanistan, and I have also been critical because I thought that just economic assistance is not going to secure our strategic interests in Afghanistan. Therefore people like me felt that India should also play a role in the political settlement which is due to take place when the foreign troops leave.

When President Obama came in November last year, we had extended discussion on Afghanistan. These were followed up when Hillary Clinton came last month to Delhi, and now the Americans are inviting India to take a larger role in Afghanistan, and even on issues involving security.

So this is a happy development – we are now fully involved in Afghanistan and we have a special envoy that takes part in this very select group of ambassadors who deal with Afghanistan.

Let me now leave Afghanistan and Pakistan and turn to what I think is an even bigger danger in India's perception, because all said and done I think Pakistan is yesterday's danger. Tomorrow's danger is China.

Here, I want to make it clear – and thank you Mr Dudgeon for saying I was frank In Perth, I am going to be frank here.

Australia knows China well; Australia has important economic linkages with China, but I think we have had different experiences with China. Certainly you have the cushion of having a lot of distance between you and China, we do not have that luxury, we have 4000 kilometres of border with China and it is an undefined and unseparated border, it is a contested border. Therefore, what we have had in terms of experiences with China is something I am going to share with you, so that you will also understand the nature of the Chinese state you are dealing with.

So let me talk a little bit about China. As I mentioned to you Nehru approached China with kid gloves because he thought that China and India were going to lead Asia, therefore we are brothers in arms. That did not happen.

Then after the Chinese attack in 1962 we had 26 years of frozen relations; nothing actually happened. This ended with pragmatic leaders on both sides – Rajiv Ghandi on the Indian side and Deng Xiaoping on the Chinese side. They decided on a very pragmatic arrangement. What Deng suggested was, put the border issue, which will take a long time, maybe several generations, in a box and deal with it separately, but normalise relations in every other area. That is exactly what was done – and look at the dramatic results.

In terms of economic involvement, from a level of trade of \$1 billion in 2000 when I was Foreign Secretary dealing with China, today we have a level of \$65 billion, and China, in terms of commodity exchanges is our biggest trading partner – that is how far we have gone in economic cooperation.

But the fact remains that on the political side there has not been much progress. That box which Gandhi and Deng created has remained closed. There has been no movement.

I have chaired that special high-level group called the Joint Working Group on the China-India Border Issue. We have had discussions from 1988 onwards. Then we raised the level above Foreign Secretary to Special Representatives and they have been discussing it. They have had 15 rounds of discussions so far and not an inch of progress.

I am afraid we are at a stage where we feel that China is not interested in resolving the border issue. China has 14 neighbours; it has concluded border agreements with 12 of them, so keeping the India-China border open I think is a deliberate decision of the Chinese. The other border that is unresolved is the border with Bhutan and of course the Chinese know if they resolve the border with India, Bhutan's borders will also be decided.

So the border issue has not been solved. In fact the Chinese are making more and more outrageous claims on Indian territory, and this has happened in the last five years. There is a large state of Indian called Arunachal Pradesh in the north-east. Now the Chinese are making strident claims to the total territory of Arunachal Pradesh. Earlier it was just a little monastery called Tawang. They have given the state their own name – they call it Southern Tibet as if it is an extension of Tibet and therefore, by right, belongs to China.

They are questioning India's sovereignty over Arunachal Pradesh and Jammu and Kashmir and they have started an odd practice of not giving visas on Indian passports. They will give it on a plain sheet of paper then stapling it to the Indian passport. It is their way of saying 'we do not recognise your sovereignty'. This is unacceptable to India.

We have a second problem with China – and this is an old problem – the nexus with Pakistan. China has transferred wholesale nuclear, military missile technology to Pakistan. It is beyond Pakistan's defence requirements, the only purpose with this massive transfer is to deal with India, and Pakistan says so – it has no enemy but India, and anything it acquires is going to be used against India.

And now, when Pakistan is in turmoil, the Chinese have announced that they are going to give two new nuclear reactors to Pakistan, but without going through the approval route of the nuclear suppliers group.

A third issue, which is fairly recent, is a report that China is going to dam the Brahmaputra River and divert its waters for use in western and northern China. There are three rivers that flow from China into India, The Indus, the Sutlej and the Brahmaputra, which in Tibet is called the Yurlung Tsangpo.

For many years the Chinese denied there was any dam project whatsoever, until we produced satellite pictures showing that they were constructing something, so they admitted that they were constructing something, but it wasn't going to divert any waters, it was only the run of the river power project, nothing to worry about.

But details have come out of a series of seven dams that the Chinese are proposing to construct. The Brahmaputra has a bend before it comes into India and there a dam that is going to create the biggest gorge in the world – it is going to be three miles deep and 200 miles long. If this becomes a reality and the waters are actually diverted, then it is going to be catastrophic for India's north-eastern region, because that is the area that the Brahmaputra feeds. Beyond the north-east of India the entire nation of Bangladesh will be suffering if the waters are diverted.

There is another area of threat and this is in the Indian Ocean. It is an area in which the Chinese military presence has been more and more visible. What worries our military planners is what is euphemistically called a String of Pearls. These are naval facilities that China is building in our immediate neighbourhood.

It started in the Coco Island of Myanmar; they are building a facility in Chittagong, they have already built a port in Hambantota in the south of Sri Lanka, they are negotiating the building of naval facilities in the Muroa Island of the Maldives, and they have a gigantic naval facility, already constructed in Gwadar, in Pakistan which is close to the Straits of Hormuz. So there is a sense of anxiety within India about what this means for India's security.

I have mentioned two of the areas of insecurity, which is Pakistan and China, and the third one is the general area of insecurity which is in the Indian Ocean – the Chinese presence around India in the eastern Indian Ocean. That is something that we feel is going to affect the security of what we are now calling the Global Commons.

We feel that the sea lanes are for the use of all maritime nations and there is no way a single country, even a powerful country like China, can lay claim to exclusive use of certain parts of the Indian Ocean.

To the west of India in the Indian Ocean area is the problem of piracy. This is a serious problem, affecting not only Indian shipping but the shipping of the entire world, because a lot of global shipping passes through the waters of the Indian Ocean.

There are two choke points – in the west there is the Straits of Hormuz and in the east the Straits of Malacca. So let me talk a little more about the Indian Ocean and the kind of situation we face here, because this is very much part of our regional perception.

India is a maritime nation as you would imagine, we are surrounded on three sides by the sea. We have a coastline of 7500 kilometres, over 600 island territories and an economic zone of 2.5 million square kilometres. That is the size of the territory of our maritime interests that we are required to protect. Ninety per cent of our trade by volume passes through the Indian Ocean. The bulk of our oil also comes from there, mostly from the Gulf region. We imported 145 million tonnes of oil last year.

We estimate that by 2020 our import requirements will go up to 245 million tonnes. Therefore, you can imagine our anxiety if there are hostile elements at the choke point of the Straits of Hormuz. It might mean a collapse of the Indian economy.

So what is India doing to deal with these two threats – piracy and the threat to the sea lanes? India is doing everything it is supposed to do in terms of protecting its interests. To the doctrine of the String of Pearls, India has its own doctrine, the Necklace of Diamonds. Just as the Chinese are building port facilities, we are tying up naval cooperation with almost all the major powers of the Indian Ocean region. These include Mauritius, Maldives, Myanmar, Seychelles, Oman, Mozambique, South Africa, Vietnam, Singapore, Japan and Australia. I don't think we have left out anyone who is important in the Indian Ocean area.

These are very special naval relationships that are being extended at a time when we are also expanding our navy and making it a more effective blue water power.

A second point of policy is participation in the regional bodies of the Indian Ocean area. There are already existing platforms, like the ASEAN Regional Forum, the East Asia Forum, the Gulf Cooperation Council and the African Union. We are discussing maritime security, among other things, with these groups.

There is also a body called the Indian Ocean Region Association for Regional Cooperation. It is quite a tongue-twister. The bad news is that it has been a pretty ineffective institution since it was established in 1997. It has been particularly ineffective in the last few years when Iran has been heading this institution.

The good news is that the leadership is going to change and India will be the chairman and Australia is becoming the vice chairmen, so I hope this is the beginning of revitalising this organisation and making it a genuine platform for discussing the threats to the Indian Ocean, piracy and the sea lanes, and also developing the countries of this region and making them more robust in a kind of regional platform.

So these are the three areas of concern. Let me come to the three Zones of Comfort. How does India diplomatically deal with the threat perceptions in its neighbourhood and what are the thrusts of India's diplomacy in trying the meet these threats.

One of the three Zones of Comfort, as I have mentioned, is the US-Indo Strategic Partnership. Now this is relatively new. For the first 50 years after India's independence we had pretty prickly relations with the US. We were on opposite sides in almost every international issue.

In the last 10 years we have built up what is called a strategic partnership and I am lucky that I was in the administration when this whole thing developed, from the time President Clinton came on his visit in 2000 to the time when I went as Ambassador to Washington and President George W Bush came up with this idea of a strategic partnership with India. I think he was well ahead of his time. People don't think he was a very smart thinker but in this one particular instance he was much smarter than even most of his advisers.

This has grown into one of the most robust partnership that India has ever had. The only comparable partnership was with the Soviet Union during the Cold War period. But even our relations with the Soviet Union were not as expansive as the one we have with the US, largely because it is a combination of shared values and shared interests. So this is a much more powerful combination.

But we must be careful that this is a partnership but not an alliance, because there is one thing that India values and that is strategic autonomy. There is nothing in our relationship that suggests if America tells us to go in one direction we will meekly follow – we will not.

Having understood this we have found many areas of convergence and particularly in the security area. It is not really our security cooperation which is so striking. Imagine that a country that we oppose for 50 years, and didn't want their presence in our region, is the same country – the US – with which we are having joint military exercises. In all we have had 50 exercises with the Americans in the last 10 years - the largest number of military exercises we have done with any country in the world. This is a robust development.

But beyond just military cooperation and exchanging military intelligence and the supplying of military hardware, there is a very active dialogue that India is carrying out with the US. It started as a bilateral dialogue but it has expanded, and after President Obama's visit and Hillary Clinton's visit, this dialogue has expanded into new areas.

We have separate dialogues on the Asia-Pacific, because we have got a dialogue on the regional situation around India. We have got a dialogue on West Asia - in fact when President Obama came in November he was urging India to be more active and he actually said in his speech in the Parliament that India must not only look east, which is our policy, but India must engage the east. In other words we should do more visibly with the east – that is South East Asia and the Asia Pacific.

And when Hillary Clinton came last month, in her speech she said, that India should take a leadership role in the East Asia Summit, in South East Asia, in South Asia, in central and West Asia. The Americans want us to be active in the region, and we are not unhappy with this as we see ourselves as a net provider of security in this region,

So, the Indo-US Strategic Zone of Comfort. The second Zone of Comfort is ASEAN. We are late comers to the ASEAN scene, but we have been taken through the steps as a dialogue partner, members of the Asian Regional Forum and now members of the East Asia Summit. I think our integration into the region is complete. ASEAN discusses political and security issues so in terms of our security perceptions we have ASEAN as a great Zone of Comfort.

The third, as I mentioned, is our bilateral relations with the Asia-Pacific countries. This is principally Japan and Australia. With both we have developed strategic partnerships in the past 10 years only. But this has grown by leaps and bounds. At the moment, of course there seems to be a pause, because Japan is changing a Prime Ministers every year and so our dialogue there does not seem to be taking off, but we have plans, and after Mrs Clinton's visit we announced a revival of trilateral dialogue between India, the US and Japan, which is due to start by the end of the year.

With Australia, our trade is growing, our strategic partnership is doing well, and we are also looking to Australia for very important cooperation in terms of our security. I am personally a believer that India and Australia should do more with better security cooperation bilaterally and also multilaterally.

I think it would be a good idea to have a trilateral cooperation with Japan, India and Australia and even a quadrilateral with India, Australia, Japan and Indonesia. It might interest you to know what we are having stronger bilateral ties with key states in ASEAN, particularly with Singapore, Vietnam and with Indonesia.

So I think what I have tried to do is give you a sense of what are India's regional anxieties and what India is trying to do to meet them, and so let me conclude by saying that I hope that I haven't given you the impression that India is in a state of panic because of all these insecurities around us. We are not.

We are a pretty self-confident nation and I think we are competent to deal with our security, but we have friends also on whom we can rely. China's rise is something that we are looking at. We don't perceive a confrontation with China, certainly not militarily, but China is sending such confusing signals that we can't be sure and therefore as Oliver Cromwell said "trust in God, but keep your powder dry."

We are keeping our powder dry, but more than that, we are hoping we can succeed in having a network of friends who will keep an eye on China and if need be, persuade China to be a better stakeholder in our regional security. After all, our aim is that we need a stable, open, inclusive and balanced security architecture in the region and that is what we aspire to have.

Let me leave you with an image of India, and I think it is good to remember that countries are represented by mascots or symbols. The Americans have their eagle, the Russians have their bear and the Chinese have the dragon. So India does not have a formal mascot. I would like to suggest that it should be the Indian elephant.

It is a majestic creature, strong, a bit slow and unwieldy, but is always sure of the direction in which it goes. It has a long memory, and it is a pretty dominant as an animal and overall it is a peaceful animal and above all, it is a vegetarian.

Thank you very much.

QUESTIONS

NATO is closing its involvement in Afghanistan. There is every chance of more convulsions. What are your hopes and fears there and how will this be resolved? Will you have to play a stronger role there?

What we would like to achieve in Afghanistan after the foreign forces leave, is an Afghanistan that is secure, that is on its way to economic development and prosperity and an Afghanistan whose territorial integrity is guaranteed by all its neighbours, by the UN and the major powers. This is what we have in mind as an end goal in Afghanistan.

Afghanistan has always had a very troubled history. A lot of people don't think there is going to be a solution because there is a chronic situation within Afghanistan. You have a large Pashtun population and it is being ruled by the Pashtuns, but the non-Pashtuns are also claiming their rights. And then you have Pakistan as a neighbour that can't seem to leave Afghanistan in peace.

So keeping that in mind you would probably conclude that maybe peace is not coming to Afghanistan soon. But I am an optimist. I am an optimist because I have served in Afghanistan; I lived there for three years, but in a period when Afghanistan was exactly that – its territorial integrity was assured by all the countries and Afghans were making good economic progress.

The Soviet Union and the US were the two leading donor countries in Afghanistan and they were competing with each other to help. One was building roads, the other was building grain silos and the Afghans used to tell me, "we are more non-aligned than you are because we need wheat so the Americans build the roads and the Russians build silos.

I think we should aim at returning Afghanistan to those years in the 1970s before the political troubles started there. It should be possible.

I am also involved in discussions about Pakistan with a lot of Pakistani friends, including the former Director of the ISI and former Foreign Secretaries and so on. Interestingly, what we are hearing from our Pakistani friends is that they are also reaching the limit of their patience. They want a solution in Afghanistan. They are willing to set aside their claims of strategic depth in Afghanistan and they now want a political settlement; they want to work with India to achieve that. This is a sentiment, I am not quite sure if it is approved by the Government, but this is what we are hearing, and it seems a hopeful noise. So I am optimistic.

I am also hoping that when the foreign forces leave they will not leave Afghanistan in a state of chaos; that there will be an orderly departure. Are we involved in the political process? I have been critical of our Government for being so relaxed about it, thinking that as the Americans, the Australians and the others are there, so they are keeping the peace.

I think our Government was jolted by the news that the Americans are actually going to withdraw their troops and they have a deadline, so we are in discussions with Afghanistan's neighbours, with Iran, Russia and the Central Asian states. We had something called the Northern Alliance which consisted of Iran, Russia, India and Central Asian states. So we have good credentials with Pashtuns and non-Pashtuns and with the Americans allowing us to play a bigger role, I think you will see much more Indian involvement there.

You also placed stress on the relationship with China and the security paradigm you inherited from the British. One potential intersection is the Shanghai Cooperation Organisation. I wonder if there is anything you can tell us about India being an observer in that body and what is the nature of the Chinese invitation to participate in that group?

More and more, Indian strategic thinkers are sounding like the British in talking about the same security parameters. The divide with China is serious, but then again, China is going through its internal convulsions. There is going to be a leadership change very soon, and one does not know whether the Chinese will go back to their pragmaticism of Deng Xiaoping when he said "lie low don't take the leadership" or are we going to see a much more muscular and aggressive China. We have seen Chinese approaches to the South China Sea and we have seen how they have behaved on our border.

Is the Shanghai Cooperation Organisation going to be helpful? So far it hasn't been partly because while we are interested in joining as full members, the Chinese are not very keen. And here there is a pattern of Chinese behaviour. They have not supported us for permanent membership of the Security Council even though four of the five permanent members have openly endorsed India's claims – Russia, Britain, France and the US. China did not want us in the East Asia Summit, but we got in thanks to friends like Australia. They were not happy.

China dominates the Shanghai Cooperation Organisation and will resist India getting into it, unless, of course it becomes inevitable and then the Chinese, being pragmatists, will say yes. China did not want us to get a waiver from the nuclear suppliers group. If they had opposed it, we would not have got the nuclear deal, but eventually when they found they were outnumbered, they relented.

So with the Shanghai Cooperation Organisation, we are keen in participating but we are only observers and the question of membership has not been decided. Hopefully one day India will be a full members because we have strategic interests in Central Asia, we have always had them and we rightfully should become a full member.

What is India's view of US orientation towards a greater emphasis on the Pacific?

We have been studying the US Posture Review with great interest. We have also seen with great interest Australia's White Paper on Defence. There are many interesting elements there because when we look at regional security we find that there is a commonality – a common thread – that runs through our approach to regional security issues, the American approach and the Australian approach.

Again I come back to China. It is the way these countries are looking at China. I think all of us are looking at China in the same way – China as a friend; China as a collaborator; as an economic partner, but China also as a potential threat. What the US Posture Review says and what the Australian Defence White Paper says is the same thing: that in the long run China is a potential military threat. We fully subscribe to that.

This is why I think our dialogue should be much more focused on China and we should be exchanging notes on which way China is going, because it is vital for the future of all our countries, especially in this region.

Friends of India are saddened by the intractable nature of the relationship with Pakistan – or is it intractable?

Is it intractable? It will be intractable if both sides decide it is intractable. We have always held the view that it is possible to resolve the Kashmir issue, which is why our bilateral discussions with Pakistan always include the issue of Jammu and Kashmir.

But we have diametrically opposed ideas on how to resolve the issue of Kashmir. What I understand of the Pakistanis is that they think it is the unfinished business of Partition. Pakistan was created as a Muslim homeland and therefore this Muslim majority province rightfully belongs to Pakistan.

Our view is that the British laid down the rules; we did not create the rules. They are the ones who said that India was going to be partitioned. They provided the principles of partition. They actually drew the lines.

In the case of Kashmir, as in the case of 550-odd princely states, the British decided in their wisdom that they would leave it to the rulers to decide whether to join India or Pakistan. In this case – and I don't want to go into a complicated story – the ruler of Jammu and Kashmir hesitated, dithered, sat on the fence, because his supporters were saying 'don't agree to join either India or Pakistan, we can be the Switzerland of Asia, we can be independent.' But that was not the choice the British left.

So we are following that. We can't break the rules because that is how India and Pakistan were formed. But what we are now saying is 'so much has happened in the last 64 years and we had agreed at one stage to consult the wishes of the people, but that was subject to a couple of conditions'.

One was that Pakistan withdraws from the areas it has occupied since 1947-48 and then there will be a plebiscite held to decide on the future of Kashmir, but the plebiscite will be confined to two choices – join India, join Pakistan. So the question of independence does not arise.

Pakistan, meanwhile, has more or less integrated its part of Jammu and Kashmir and there is a segment that it has given away on perpetual lease to China and there is another segment that is administered separately. So on the Indian side we have integrated Jammu and Kashmir into our democracy, and it takes part in every election in India- the state elections and the national elections and we think that the people have expressed their views through their votes.

Because if people did not want to be in India, they had the choice of not voting, but in every election in Jammu and Kashmir the voting numbers are rising. On average 65 to 70 per cent of the people come out to vote despite the fact that the terrorists threaten to shoot people who vote. They defy the threat of the terrorists and at the risk of their lives they come out to vote.

We have been carrying out back-channel negotiations thinking that maybe, quiet diplomacy will lead to a solution and it actually worked. We appointed special representatives when Musharraf was President. Now Musharraf was no friend of India's. He was the man behind the 1999 war against India. But he came to the conclusion, like Deng in China, that it was not worthwhile, it will go on for generations; why don't we accept a settlement and get on with our lives?

So the back-channels came to a solution on Kashmir which was essentially based on the status quo, but having a lot of conditions which would have made the line of control between India ands Pakistan irrelevant. That is our vision of how the Kashmir issue will be solved. Accept the status quo but make the borders irrelevant, let there be a lot of coming and going between the two sectors, more trade, more contacts, more bus and train routes, and a cease fire. All that is in place today.

Unfortunately, since Pakistan changes its Government so frequently, Musharraf was replaced by the new Government. The civilian Government is a façade. Pakistan is still ruled by the military, General Kayani, Musharraf's successor in the military, wants to disown everything that Musharraf agreed and one of the casualties is the agreement we have on Kashmir. Mr Qureshi, who was the Foreign Minister of Pakistan at that time, made a statement recently saying that we were very close to a solution.

He said there is a file in the Pakistan Foreign Office which has an agreement between India and Pakistan over the Kashmir issue. All they need to do is bring out the file and get the leadership on both sides to sign it.

So there is a solution, provided Pakistan is willing to accept it. But if it is all or nothing, I think it is going to carry on for a long time. We have the staying power, we can last it out. I doubt that Pakistan has the staying power.

Can you foresee a future in which an Asian-style NATO with many countries in it, including India and Australia, will be facing China?

If you want a direct answer to this question, I think it is unlikely that there will be an Asian NATO. Firstly because we have not declared China as an enemy. NATO was based on the assumption that there is an enemy and NATO was there to fight it. So China is a threat, but we have not concluded that China is an enemy.

With all the pressure we are facing, India has not declared China as an enemy. Our Prime Minister has been very emphatic in saying that there is enough space in the world for China and India to grow as big powers and we believe that.

The concept of an informal NATO arrangement is intriguing. Short of having an alliance, if we have a partnership. India will never join an alliance, India will always have partners. I think it is possible to have a NATO-type partnership which will not only exist in military terms, but will have a comprehensive strategic outlook that will bind together countries that are facing similar threats from China.

In fact, this is shaping up in terms of the quadrilateral – India, US, Australia and Japan - an idea that was dropped. It was not a security alliance. The plan was that our four navies exercise in the Indian Ocean area. There was nothing wrong in that.

Certainly not an Asian NATO, but an Asian security architecture with countries that share the same values and the same concerns is entirely possible. And this is what we are looking for in our dealings with countries like Japan, Australia, Indonesia, Singapore and Vietnam, all of whom have this in the back of their minds – the shadow of China and possibly the threat from China.