

India and the World -I

❖ Reasons for India's growing clout in the World!

1. Globalization and India's Economic Boom

Growing at 8.5-9%, Indian economy has been the 2nd fastest growing economy for the last few years. Today it is the 10th largest economy in the world. It is expanding by 350 billion annually- equal to Belgium's entire GDP. India is the 3rd largest economy according to PPP. India attracted FDI of \$ 47 billion in 2011-12 as compared to \$24 billion in the last financial year. Its 300 million strong Middle Class and its huge 'Demographic Dividend' makes it one of the largest markets in the world. India's defense budget of \$50 billion makes it further attractive.

India is the largest country in the world with underdeveloped physical and power infrastructure with a capacity to soak almost \$1 Trillion in the present 12th five year plan. The 800 to 1200 million people below BPL who can one day form 800-1200 million strong middle class consuming international products is another big positive.

2. A Free Society

The West sees India as a natural ally because India is the largest Parliamentary Democracy in the world. India's growth story vindicates the western perception that only Democracy leads to Development and is a message for all the 3rd world nations to adopt democracy instead of communism to make a transition from underdevelopment to development. India has been able to maintain a Rule of Law unlike many other developing nations which does not easily provide peace and stability. A strong culture for Entrepreneurship and Technology driven industry makes India an attractive destination.

3. The China factor

China being the world's strongest Communist nations is an old foe of US. China and India have their own share of border conflicts which doesn't allow them to come close. USA and other capitalist nations want to counterbalance Communist China by Democratic India.

❖ India's relations with other countries.

1. INDO-PAKISTAN

1.1) Bone of Contentions:

a) Border Conflict- Kashmir

When the British left, the 584 princely states had three options: Join secular India, Join Muslim Pakistan, or Remain independent. Maharaja Hari Singh, the ruler of Kashmir, chose to remain independent. In Oct 1947: -Pakistan invades Kashmir fearing a Hindu King would ultimately choose Hindu India. Hari Singh accedes to the Indian Union and asks for Indian military support. Despite military superiority, India does not use force to vacate the occupied regions, instead goes to UN. UN Resolution: Jan 1949 Called for 3 actions in this sequential order.

- a. Pakistan must withdraw all its troops
 - b. India should withdraw the bulk of its troops, EXCEPT those required for law and order
 - c. Only thereafter would the wishes of the Kashmiri people be ascertained through a plebiscite
- Pakistani Response:
 - a. Refused to withdraw forces, thus rendering the UN resolution null and void.
 - b. Joined major power blocks and received economic and military aid.

b) Siachen Glacier

c) Pakistan attacked India in 1965

d) The Bangladesh war of 1971

India and Pakistan signed Shimla Agreement in 1972 following the military defeat of Pakistan in the 1971 conflict, which led to the separation of East Pakistan from West Pakistan. East Pakistan is now known as Bangladesh. It required all disputes between India and Pakistan to be resolved bilaterally and established the Line of Control in J&K. The Shimla Agreement was endorsed in the 1999 Lahore Declaration.

e) Yet, India had to face Kargil attack in 1999.

f) **Pakistani sponsoring and training of terrorists** and intermittent terrorist attacks on Indian cities and other important installations is another problem.

g) Possession of nuclear arsenal by proliferation from China.

1.2) Recent Developments:

- a) 26/11 attack on Mumbai, involving ISI along with terrorists from LeT has become the major impediment in the ties. Pakistan is not helping India to apprehend the perpetrators.
- b) However recently India hanged Ajmal kasab, one of the perpetrators of the Mumbai attack.
- c) Deteriorating US-Pakistan ties after US located Osama in Pakistan forced Pakistan to improve ties with India
- d) Pakistan hinting at awarding MFN status to India

2) INDIA AND ITS NEIGHBOURS

	Relationship	Major Treaties	Key Features
Afghanistan	Strong and Friendly	-----	Epicenter of International Terrorism, Pakistan's interference
Pakistan	Worse	1972- Simla Agreement	Islamic Fundamentalism, Chinese support, Kashmir etc
Nepal	Cycles of hiccups	1950- Treaty of Friendship	Maoism, Chinese interference, Anti India propaganda
Bhutan	Smooth	1950- Treaty of Friendship, 2007-Revived	Free Trade Agreement Security pact
Bangladesh	Cycles of hiccups	-----	Islamic Fundamentalism Awami League Favors India and is in power Border talks are on and amicable solutions suggested
Sri Lanka	Cycles of hiccups	-----	Civil War between Sinhalese and Tamils
Mauritius	Strong and Friendly	Good economic and Security relations
Maldives	Strong and Friendly	Good economic relations

3) INDIA and SAARC (South Asian Association for Regional Cooperation)

Introduction: Established – December 1985, SAARC was established to promote peace and security in the region of South Asia. It provides platform to discuss and come to agreement on various issues related to economic, social & political cooperation in South Asia. Its secretariat is established in Kathmandu on 16 January 1987. The member states are Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka and Afghanistan. Observer Status has been granted to USA, EU, Iran, S. Korea, China, and Japan.

SAFTA (South Asian Free Trade Agreement) is an agreement signed on January 2004 at the 12th SAARC summit and members include Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. It required India, Pakistan and Sri Lanka to bring duties down to 20 percent in the first phase of the two year period which already ended in 2007 and 20 percent duty be reduced to zero at the end of 2012, which seems next to impossible. The least developed nations: Nepal, Bhutan, Bangladesh and Maldives were given three years to reduce tariffs to zero.

Both SAARC and SAFTA are often criticized for not being as effective as they should have been, owing to the political differences between India and Pakistan and instability prevailing in almost all the nations apart from India, Bhutan and Mauritius.

4) INDO- CHINA

4.1) Bone of Contention:

a) Border Conflict

In 1914 British India, Tibet and China signed Shimla Convention to settle the status of Tibet. China being dissatisfied with the arrangements being suggested walked out of the treaty. India and Tibet signed treaties and defined their borders both in J&K and North East. The border dividing India and Tibet in North east is called as McMahon line, named after a British official representing British India during the 1914 treaty. By 1949 after gaining independence, China started asserting its right on Tibet. In 1951 China attacked Tibet, but India not wanting enemies on both its borders (other being Pakistan) signed a peace treaty- Panch Sheel in 1954 with China. On being attacked again in 1959- Dalai Lama fled to India. India discovered that China had built roads in Aksai Chin area of J&K, which lead to the Indo- china War in 1962, in which China acquired Aksai Chin. China still doesn't recognize the McMahon line and lay claims on the Indian state of Arunachal Pradesh.

b) Presence of Tibetan government in exile and Dalai Lama in India

China wants India to pressurize the Dalai Lama and Tibetan govt. to stop all anti China activities from its soil and fears that the ever growing popularity of Dalai Lama and the Tibetan cause across the world would undermine China's occupation of Tibet.

c) China-Pakistan Nexus

Pakistan was 3rd non-communist and 1st Islamic nation to have recognized China in 1950. Pakistan ceded Shaksam valley a part of J&K to China in 1963. China helped Pakistan with uranium enrichment programme and completed its Chashma nuclear power plant in mid 1990s. China has also launched Pakistan's first satellite to orbit in 1990 because Pakistan had no Spaceport. China never criticizes Pakistan for the terrorism that emanates from its soil.

d) String of Pearls theory

China has been accused both by India and the western countries to have designed a strategy to dominate the important trade sea route passing from the Indian Ocean and to surround India.

- Myanmar (Burma) Sittwe Port, Coco Island, Burma Hianggyi, Khaukphyu, Mergui and Zadetkyi are the main names associated with Chinese interest in Myanmar
- Bangladesh- anti-ship missile launch pad, Chittagong Port
- Sri Lanka- a naval port in Hambantota
- Pakistan – Gwadar deep sea port, Trans Karakorum.

e) Buddhist Factor

Like China, India too is trying to forge ties with China’s neighbors. Like India, China has strained relations with its neighbors and India is trying to take leverage of this. India has signed many trade, security and cultural pacts with countries in East and South East Asia. India is using the Buddhist card to get close to Buddhist nations of East and South East Asia. India, the Land of Buddha, is reviving leadership amongst Buddhist nations. It has proposed to rebuild Nalanda University in Bihar, the famous ancient Buddhist University, with the help of Buddhist nations. Further India in 2011 conducted international Buddhist conference in New Delhi. China is trying the same by influencing Tibetan Buddhism by choosing Buddhist Lamas

4.2) Economic Comparison for 2011-2012

Parameter	India	China
GDP- PPP/Per Capita	\$ 4.7 trillion/ \$3652	\$ 11.3 trillion/ \$8382
GDP- Nominal/Per Capita	\$1.85 trillion /\$1514	\$ 7.3 trillion/ \$5414
Exports	\$ 300 billion	\$ 1.9 trillion
Forex Reserves	\$ 350 billion	\$ 3.28 trillion
Population below poverty line	37% (ambiguous)	
Annual FDI flows	\$ 48 billion	\$ 116 billion
HDI rank	134	101
Average annual growth rate	6%	7.3%

4.3) Trade Links

Despite major border related differences Indo- China trade relations have grown tremendously. Trade stands at a whopping \$75.5 billion! Today China has become the largest trading partner of India. Both the countries aim to increase their trade to \$100 billion by 2015. However, this trade is unbalanced as trade deficit with India is \$33billion.

4.4) Recent Developments

Despite major border problems, both the countries, unlike India and Pakistan, have made tremendous progress in many other areas apart from trade. People to people contact and exchange programs are very frequent. The border talks are still on and the last round of meetings took place in November 2012. The result of recent leadership change in China on the border issue is still not clear. But indications of new Chinese leaders following the same policy were given when recently maps of Chinese passports depicted Arunachal and parts of Indian Kashmir in China, a misdeed which India strongly reacted too.

5) INDIA- EAST and SOUTH EAST ASIA

India has a long history of trade and cultural exchanges with East & South East Asia. But India's proximity with USSR did not go down well with the most of the capitalist East and South East Asian countries, which always doubted India's intentions.

Pre-1992 Nehru engaged with East Asia by forming a common cause on decolonization, socialism, national sovereignty, equality and developing-world solidarity. The "Bandung Spirit" of 1955, became the precursor for NAM and the Asia-Africa Summit. But India's engagement with East Asia perished along the Cold War divide with the formation of organizations such as the anti-communist, US-led Southeast Asia Treaty Organization. Besides preoccupation with China and Pakistan and inability to meet its development needs, which caused India to turn inward.

POST 1992 India rediscovered East Asia in 1992 when it launched its "Look East" policy in the aftermath of the end of the Cold War and the start of India's economic liberalization policy. To counterbalance China, India is cozying up with the countries in the region having border and other conflicts with China: Japan, South Korea and the ASEAN region.

Japan October 2010, Japan and India signed Comprehensive Economic Partnership Agreement, India's third largest source of foreign direct investment, Provided soft loans for Delhi Metro and agreed on future projects: Delhi-Mumbai Industrial Corridor and Dedicated Freight Corridor on Mumbai-Delhi and Delhi-Howrah routes, Agreed to provide a low-interest loan of \$4.5 billion for railway project between Delhi and Mumbai, In 2008 India & Japan signed the Security pact.

Vietnam Both countries signed FTA in 2010 and recently in 2011 Vietnam gave ONGC the permission to explore for petroleum reserves in South China Sea bordering Vietnam. Both the countries forged a strong alliance against China's objection not to go ahead with it as China's claims South China Sea to be its sphere of influence.

South Korea Signed the historic Free Trade Agreement in 2009, the fifth largest source of investment in India.

Indonesia Signed FTA and are trying to revive old ties. Both the countries have proposed doubling of Trade in the next five years

Malaysia Muting on a trade agreement and reviving old cultural ties

Myanmar India provided \$50 million loan to the Myanmar government for infrastructure development. Both the countries have signed FTA in 2010. In fact India's policy of engaging Myanmar in order to reduce its dependence on China despite being criticized by the western world has reaped results. Myanmar military dictators have given way to democracy and Aung San Suu Kyi, the democratic leader, has been released.

ASEAN (Association of South East Asian Nations) Member countries: Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Burma, Laos, Vietnam and Cambodia.

ASEAN has concluded free trade agreement with India recently in 2009.

ASEAN's purpose is Economic Growth, Social Progress, Maintaining peace and stability, Platform for member countries to discuss differences peacefully.

In 1990, Malaysia proposed the creation of an [East Asia Economic Caucus](#) combining ASEAN with China, Japan, and South Korea, with the intention of counterbalancing the growing influence of the United States in the region. Thus ASEAN + 3 was created in 1997. Further expansion was suggested by Japan and South Korea and Malaysia to include India, Australia and New-Zealand. It was basically done to counterbalance the growing influence of China in the region. Despite Chinese opposition to include India, Australia and New Zealand, ASEAN+6 finally came into being in 2005. ASEAN+8 to include USA and Russia is being muted. The annual India-ASEAN summit was held in November 2012.

6) INDO-USA

6.1) Pre 1990

Why were the relations cold? Because India was a founding member of NAM, a group of nations which decided to stay neutral and did not join any of the power blocks of Capitalist or Communists. Relations deteriorated when USA saw Pakistan as an ally to counter communist USSR in the region. India fearing an alliance between USA and Pakistan decided to get closer to USSR. Besides India's economic policies were more socialist

6.2) Post 1990

After USSR disintegrated India realigned its foreign policy. In 1998- India conducted Pokhran II and USA imposed economic sanctions. Sanctions were not effective as hoped in the wake of India's strong economic rise and were soon lifted. Bill Clinton and Vajpayee exchanged representatives to help build relations. After 9/11, Bush collaborated with India to control terrorism and the crucial Indian Ocean sea-lanes. With a consistent boom in Indian economy, USA reviewed its policy of containing rising China with India. USA-India signs Nuclear Treaty in 2006 despite India not signing NPT and CTBT. USA is India's largest direct investment partner-\$14 billion in 2011-12. USA is one of India's largest trading partners- appx. \$50 billion in 2010-11. Obama recently visited India and concluded trade deals worth \$10 billion. Obama declared support for India's permanent membership of Security Council

6.3) Bone of contentions

USA's ambiguous stand on Terrorism emanating from Pakistan's soil, No concrete response on 26/11, Ambiguity in supporting India's permanent seat in Security Council, USA intermittently asking India to sign NPT and CTBT, Protectionist economic policies adopted by USA in the wake of recession, issues with India's 'Nuclear Liability Act-2010', passed by both Lok and Rajya Sabha according to which companies will be liable to pay compensation in case of any nuclear disaster in a plant which that company has designed.

7) India and European Union

7.1) Introduction to EU

The European Union (EU) is a political and economic union of 27 Member States located in Europe. It was established for Economic and political unification to foster peace, harmony and equitable growth in Europe after 2nd world war. EU generated an estimated 28% share (US\$ 16.5 trillion) of the nominal gross world product in 2009. As a trading bloc the EU accounts for 20% of global imports and exports. The EU traces its origins from the European Coal and Steel Community (ECSC) and the European Economic Community (EEC) formed by six countries in the 1950s. Since the Treaty of Rome in 1958 the EEC is committed to regional integration and has grown in size through the accession of new member states. The Treaty of Maastricht in 1993 established the European Union with its current name. A monetary union, the euro zone, has been established since the inception in 1999 and is made of sixteen member states.

The EU operates through a hybrid system of supranational independent institutions and intergovernmental made decisions negotiated by the member states. Important institutions of the EU include:

The European Commission

The Council of the European Union

The European Council

The Court of Justice of the European Union

The European Central Bank

The European Parliament is elected every five years by EU citizens. The EU has developed a single market through a standardized system of laws which apply in all member states including the abolition of passport controls within the Schengen area. It ensures the free movement of people, goods, services, and capital, enacts legislation in justice and home affairs, and maintains common policies on trade, agriculture, fisheries and regional development. Through the Common Foreign and Security Policy the EU has developed a limited role in external relations and defense. Permanent diplomatic missions have been established around the world and the EU is represented at the United Nations, the WTO, the G8 and the G-20.

EU is not the same as that of Europe, as parts of the continent are outside the EU, such as Switzerland, Norway, European Russia and Iceland. Only 16 members use Euro. A number of other countries outside the EU, such as Montenegro, use the Euro.

7.2) India- EU relations India was one of the first countries to establish relations with EU. Today EU is India's largest trading partner. Trade between the two has more than doubled from 25.6 billion Euros (\$36.7 billion) in 2000 to 55.6 billion Euros in 2007, with further expansion to be seen. The EU and India agreed on September 29, 2008 at the EU-India summit in Marseille, France's largest commercial port, to expand their cooperation in the fields of nuclear energy and environmental protection and deepen their strategic partnership. Negotiations on the India-EU broad-based Trade and Investment Agreement (BTIA) had been intensified and were in the final stages with the aim to conclude them in 2012, but the negotiations are still on.

8) BRIC- British Russia India China

In economics, BRIC or BRICs is an acronym that refers to the fast growing developing economies of Brazil, Russia, India, and China. Term was first prominently used in a Goldman Sachs report from 2003, which speculated that by 2050 these four economies would be wealthier than most of the current major economic. But today BRIC has become an important and formidable alliance which confronts the discriminatory policies of the developed world and has cooperated with each other on many significant international issues like Global warming, Trade talks etc

9) G-20

The G-20 - more formally, the Group of Twenty Finance Ministers and Central Bank Governors- 20 economies: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the UK and the US, plus the European Union as a member in its own right. India is today seen a very significant member of G-20.