

## India's rise: on feet of clay?

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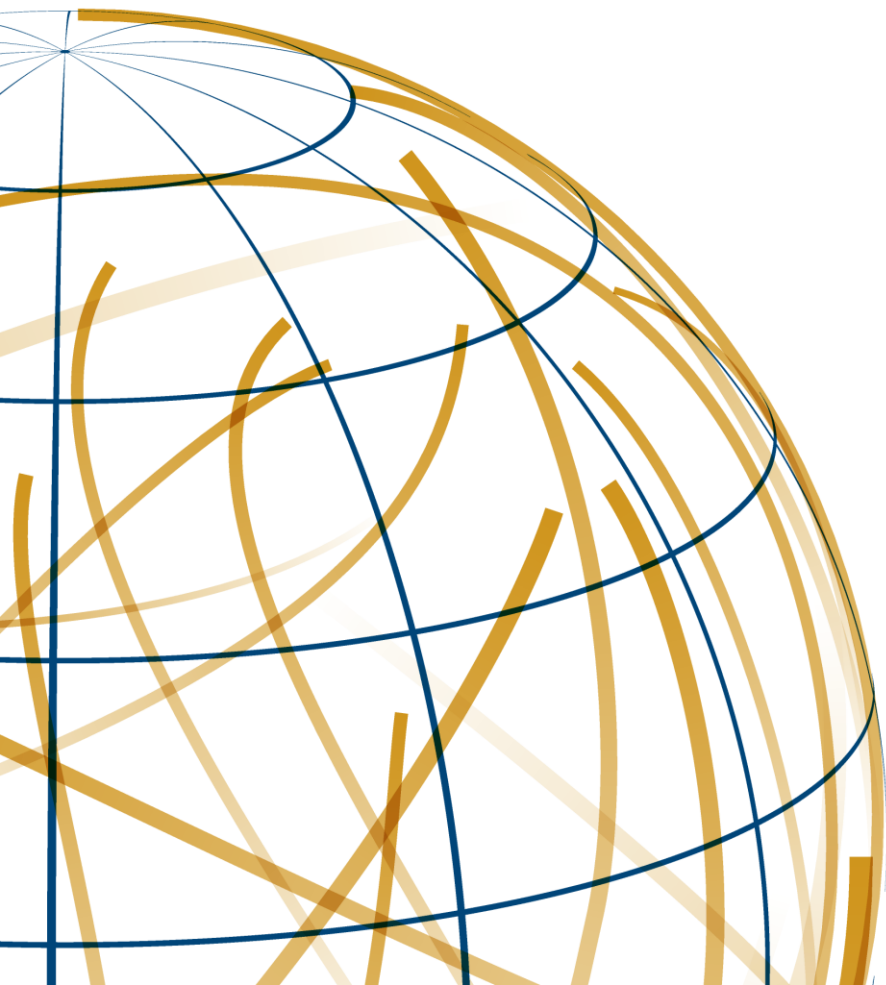
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*Christian Wagner*

# India's Rise: on Feet of Clay?



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- India has risen internationally since the 1990s. The most important reasons for this success are its economic reforms since 1991 and new international constellations since the East-West conflict. Both have earned the country a significantly greater say on global issues, but India's rise is quite fragile due to a range of structural deficits at the national level. Despite economic successes India is in many areas one of the G20's poorest performers.
- India's rise is in Germany's and Europe's interest. The world's largest democracy is considered to be a partner in shared values and fellow campaigner for a rules-based international order and as a promising market. In addition, India, Germany and Europe increasingly share geopolitical interests. India is seen as a mainstay of future German Indo-Pacific policy.
- A number of domestic developments in India adversely affect the foundations of cooperation. Since 2014 a decline of democratic procedures and institutions has been apparent and the new economic policy of self-reliance proclaimed in 2020 is based more on partial protectionism than on further integration into the world market.
- That is why, to manage expectations realistically, German and European policy should be geared more towards common interests than to values.

**SWP Research Paper**

*Christian Wagner*

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**Stiftung Wissenschaft und Politik  
German Institute for  
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### India's Rise: on Feet of Clay?

On closer scrutiny India's international rise since the 1990s turns out to be an ambivalent process. On the one hand the country has developed into a growth engine of the global economy since the economic reforms of 1991. By virtue of its size India is a key actor in international trade and climate negotiations. On the other hand the country continues to rank among the tail-enders in the Human Development Index (HDI) despite economic growth that is impressive in parts and a growing middle class. Its deficits in the provision of public goods came to the fore in the early summer of 2021 when the healthcare system de facto collapsed in tackling the Covid pandemic – with dramatic humanitarian consequences.

India's rise is in Germany's and Europe's interest too. The world's largest democracy is seen in Berlin and Brussels as a partner in shared values and a fellow-campaigner for a rules-based international order as well as a promising market. The strategic partnerships of the European Union (EU) and Germany underscore India's increased importance, as do the German federal government's 2020 Indo-Pacific guidelines and the connectivity partnership agreed by India and the EU in May 2021.

Developments in India do, however, raise the question of how sustainable the rise is. In retrospect, the countries that were internationally successful in the nineteenth and twentieth centuries were mainly states that were economically, politically and militarily powerful. India's rise seems in contrast to stand more on feet of clay than to be based on firm foundations. In view of its international aspirations it is understandable that India is conducting a great power discourse on the international stage. That said, it cannot always live up to its partners' resulting expectations because de facto it has only the resources and capacities of a middle power. For reasons of expectation management future cooperation with India should pursue realistic objectives. For Germany and Europe India continues to be a key partner in the Indo-Pacific and beyond. Both sides have increasingly convergent strategic interests both in dealings with China and with a view to stability in the Indo-Pacific and to strengthening multilateral institutions. At the same time Germany and Europe are among India's



most important partners by virtue of their economic and technological strength.

A number of domestic developments in India are, however, more likely to make relations with Germany and Europe more difficult than easier in the future. First, India's new economic policy of self-reliance will have a negative effect on the business environment for German and European firms. Second, it is increasingly clear that Narendra Modi's government is pursuing its own, Indian interpretation of democracy, one that is parting company with the Western understanding of the concept. As a consequence, the familiar discourse on a partnership based on shared values that is claimed to form the basis of foreign policy cooperation between India and the West is increasingly losing credibility. The result is an ambivalent state of affairs in which growing geostrategic convergences are accompanied by increasing differences on bilateral issues. Against this backdrop, common interests rather than values should form the basis of German and European policy toward India.

# Introduction

Few countries have since their foundation laid claim to such a consistently important international role as the Union of India. Even before it officially gained independence in August 1947 its later Prime Minister Jawaharlal Nehru stated that the future international order would be shaped by four countries: the United States, the Soviet Union, China and India.<sup>1</sup> The question of status, role, position and, with it, the rise of India has since been a recurring topic in the foreign policy debate. The present Prime Minister, Narendra Modi, sees his country as a “leading power” and a “world guru” (*vishwa guru*),<sup>2</sup> while External Affairs Minister Subrahmanyam Jaishankar has repeatedly emphasized that India must be regarded as a pole in a future multipolar Asia.<sup>3</sup> In January 2021 Premier Modi self-confidently told the World Economic Forum in Davos that India’s success in fighting the pandemic had saved the world from coronavirus.<sup>4</sup>

1 See Jawaharlal Nehru, *The Discovery of India* (Calcutta, 1946), 535.

2 See “Next 5 Years Will Make India Vishwa Guru: PM Modi in Gujarat”, *Times of India*, 27 May 2019, <https://timesofindia.indiatimes.com/india/next-5-yrs-will-make-india-vishwa-guru-modi-in-gujarat/articleshow/69510732.cms> (accessed 28 May 2019).

3 See C. Raja Mohan, “PM Modi’s Foreign Policy: Making India a Leading Power”, *Hindustan Times*, 5 April 2016, <https://www.hindustantimes.com/analysis/pm-modi-s-foreign-policy-making-india-a-leading-power/story-SMXx2543j1uPgcHCb0QmJJ.html> (accessed 6 April 2016); S. Jaishankar, “India, the United States and China”, Fullerton Lecture, International Institute of Strategic Studies (Singapore, 2015), [https://mea.gov.in/Speeches-Statements.htm?dtl/25493/IISS\\_Fullerton\\_Lecture\\_by\\_Foreign\\_Secretary\\_in\\_Singapore](https://mea.gov.in/Speeches-Statements.htm?dtl/25493/IISS_Fullerton_Lecture_by_Foreign_Secretary_in_Singapore) (accessed 3 August 2021); Tara Kartha, “Anonymous Author’s Paper on US China Strategy Makes a Buzz, Has Sharp Message for India”, *ThePrint*, 4 February 2021, <https://theprint.in/opinion/anonymous-authors-paper-on-us-china-strategy-makes-a-buzz-has-sharp-message-for-india/598383/> (accessed 4 February 2021).

4 See Prime Minister’s Office, “English Rendering of PM’s Address at the World Economic Forum’s Davos Dialogue”, 28 January 2021, <https://pib.gov.in/PressReleaseDetail.aspx?PRID=1693019> (accessed 6 May 2021).

After nearly 75 years of the Union of India its interim balance sheet is ambivalent where international ambitions are concerned. In the 1950s the People’s Republic of China was still very much overshadowed by India, which was considered to be a model for the newly decolonized countries. At the end of the 1980s India and China were still roughly equal in terms of key economic figures, but China’s economic successes and not India’s predominate in current discussions about the rise of Asia or the upcoming “Asian age”.

## India’s cooperation with Germany and Europe is intensifying.

China’s new power political ambitions, as exemplified by, inter alia, the Belt and Road Initiative (BRI), have led in Washington, Tokyo, Brussels and Berlin to a strategic reevaluation of New Delhi. In the geopolitical considerations of the United States India has long been seen as a counterweight to China. That led to an upgrade of political, economic and military ties between Washington and New Delhi. The EU too has underscored this increase in geopolitical importance with its India strategy in 2018, its Roadmap 2025 in 2020 and its connectivity partnership in 2021. In recent years economic and political ties between Berlin and New Delhi have also been intensified – not only by the strategic partnership agreed in 2000 but also by regular inter-governmental consultations. In the September 2020 Indo-Pacific guidelines, cooperation with India was listed as a main pillar of future German commitment in the region.

India has without question gained international recognition in many areas, especially since its 1991 economic liberalization. Closer scrutiny reveals, however, that there is still a gap between political rhetoric and actual capacities. On the one hand India is a nuclear power and has in some areas achieved higher growth rates than China; on the other, it has failed for years to improve on a tail-ender rating in the Human Development Index. So India’s rise would seem to be on feet of clay and is likely to be slowed

down further by the economic and social consequences of the Covid pandemic.

Starting from this state of affairs this study takes stock of the areas in India that are seen as being decisive for the rise of states: politics, economics and security. Each is considered at the international, regional and national level. This matrix facilitates a differentiated picture of the strengths and weaknesses, successes and setbacks that confront India in the course of its rise.

The study comes to the following conclusions: India's rise is most clearly apparent at the international level. It has increased its weight in international institutions and improved its relations with other great powers. But India's foreign policy focus was, is and continues to be on self-reliance. That is why it will not allow itself to be assigned to any side in the looming system rivalry between the United States, or the West, and China. On human rights and sovereignty India is not automatically on the West's side despite the much-vaunted democratic values that it is said to share with the West.

At the regional level a distinction must be drawn between its immediate neighbourhood in South Asia and its extended neighbourhood in what is now known as the Indo-Pacific. In South Asia India has traditionally been seen as a predominant or regional power, but due to China's growing influence its influence has declined markedly in recent years. In the Indo-Pacific, by virtue of its commitment to the Quadrilateral Security Dialogue Group (Quad) along with Australia, the United States and Japan, India is an important, but by no means the most important actor. And as India did not join any of the new regional free trade agreements in Asia until the end of 2020 its economic importance in the region is on the decline.

At the national level Narendra Modi's government has since assuming office in 2014 only partly fulfilled the Western states' expectations of its future economic and political development. India's economy was on the decline before the Covid pandemic and even if it regains significant momentum after the Covid crisis the big issue is still whether India with its new economic policy of self-reliance can reach the position of economic strength that it needs if it is to achieve its foreign policy ambitions. For German and European firms the Indian market continues to be of interest by virtue of its size and its growth potential. Its attractiveness for foreign small and medium-sized enterprises is likely to decrease, however, if as part of

the new economic policy more and more bureaucratic requirements are imposed.

The authoritarian tendencies that have been apparent since Prime Minister Modi's Bharatiya Janata Party (BJP) assumed power in 2014 may be of subordinate importance for India's rise, but they are central for relations with Germany and Europe because shared democratic values are mentioned in nearly all official documents as the basis of cooperation. So restrictions on democratic freedoms in, for example, the Press and media sector met with criticism in Washington, Brussels and Berlin. Developments of this kind are also significant in the field of foreign policy if, collaboration among democratic states is to be taken forward in the Indo-Pacific or trade agreements with the EU requiring the approval of the European Parliament are to be agreed.

# India's Rise: Concepts and Criteria

The discussion about India's international role and status has a long tradition.<sup>5</sup> It was intensified in the debates on emerging powers seen since the 2000s as future stabilizing or agenda-setting powers in the international system.<sup>6</sup> Simply put, the argument was

<sup>5</sup> See, e.g., Stephen P. Cohen, *India: Emerging Power* (Washington, D.C.: Oxford University Press, 2002); Christian Wagner, *Die "verhinderte" Großmacht? Die Außenpolitik der Indischen Union, 1947 bis 1998*, Baden-Baden: Nomos, 2005; Carsten Rauch, *Das Konzept des friedlichen Machtübergangs. Die Machtübergangstheorie und der weltpolitische Aufstieg Indiens* (Baden-Baden: Nomos, 2014); Bharat Karnad, *Why India Is Not a Great Power (Yet)* (New Delhi: Oxford University Press, 2015); Sumit Ganguly and William R. Thompson, *Ascending India and Its State Capacity* (New Haven and London: Yale University Press, 2017); Rajesh Basrur and Kate Sullivan de Estrada, *Rising India: Status and Power* (London and New York: Routledge, 2017); Alyessa Ayres, *Our Time Has Come: How India Is Making Its Place in the World* (New York: Oxford University Press, 2018); Rohan Mukherjee, "Power and Indian Foreign Policy", in *India's Foreign Policy: Theory and Praxis*, ed. Harsh V. Pant (Cambridge: Cambridge University Press, 2019), 23–47; Shyam Saran, *How India Sees the World: Kautilya to the 21st Century* (New Delhi: Juggernaut Publication, 2017); Subrahmanyam Jaishankar, *The India Way: Strategies for an Uncertain World* (New Delhi: HarperCollins, 2020); Johannes Plagemann, Sandra Destradi and Amrita Narlikar, eds., *India Rising, A Multilayered Analysis of Ideas, Interests, and Institutions* (New Delhi: Oxford University Press, 2020); Shivshankar Menon, *India and Asian Geopolitics: The Past, Present* (Washington, D.C.: Brookings Institution Press, 2021).

<sup>6</sup> See, e.g., Andrew Hurrell, "Hegemony, Liberalism and Global Order: What Space for Would-be Great Powers?" *International Affairs* 82, no. 1 (2006): 1–19; Detlef Nolte, *Macht und Machthierarchien in den internationalen Beziehungen. Ein Analysekonzept für die Forschung über regionale Führungsmächte*, GIGA Working Papers, 29 (Hamburg: German Institute of Global and Area Studies [GIGA], 2006); Gregory T. Chin, "The State of the Art: Trends in the Study of the BRICS and Multilateral Organizations", in *Rising States, Rising Institutions: Challenges for Global Governance*, ed. Alan S. Alexandroff and Andrew Cooper (Washington, D.C.: Brookings Institution Press, 2010),

that these countries' growing economic strength would earn them increasing political influence. The resulting ideas of an international political order were seen as an alternative to the Western-style state system. The BRICS Group (Brazil, Russia, India, China and South Africa) was seen as the forerunner of a new, non-Western international system of this kind. These ambitious expectations have not really been met. Instead, economic crises and tension between BRICS countries lessened the group's importance.<sup>7</sup>

## A country's rise is a lengthy and complex process.

The debate demonstrated that the rise of a country, or increase in its international importance, is a lengthy and complex process that depends on the conceptual and material resources of the country itself, the constellations of power in the international system and the recognition of its claim by other countries. Different schools of thought base their measurement of the rise on different criteria. (Neo)realistic approaches emphasize classical power indicators such as military strength or influence on the regional environment. Institutionalist approaches focus on the extent to which states themselves are able to set or decisively influence the rules and standards of international organizations and regimes in the pursuit of their own interests. In all approaches economic development

19–41; Amrita Narlikar, "Negotiating the Rise of New Powers", *International Affairs* 89, no. 3 (2013): 561–76; Thomas G. Weiss, "Rising Powers, Global Governance, and the United Nations", *Rising Powers Quarterly* 1, no. 2 (2016): 7–19.

<sup>7</sup> See Günther Maihold, "Was ist vom Aufstieg der 'emerging powers' geblieben? Neue Partner und ihre Leistungsfähigkeit", in *Krisenlandschaften und die Ordnung der Welt. Im Blick von Wissenschaft und Politik*, ed. Barbara Lippert and Günther Maihold, SWP-Studie 18/2020 (Berlin: Stiftung Wissenschaft und Politik, September 2020), 95–100.

counts as a key indicator, be it as the foundation of military strength or as used to pursue foreign policy interests by means of market power.<sup>8</sup>

A problem in discussing the rise of states is that success or failure are fairly easy to identify in retrospect by means of, say, military victories or defeats. A case such as India's is much more difficult. Political decision makers have since 1947 repeatedly stated their ambition to expand the country's international role, but in theoretical debate it is often unclear when this objective — the rise — has been achieved. It is most often stated in terms of military and economic key figures, but their validity is limited. In addition, not all domestic reforms and foreign policy strategies have proved successful for India or have achieved the desired international recognition. Its first nuclear test in 1974 demonstrated the country's technological accomplishments, but the recognition or increase in status it was presumably intended to secure on the international stage failed to materialize. If India were to achieve the "five-trillion economy" target set by Prime Minister Modi in 2024/25 India would become the world's third-largest economy in GDP terms after the United States and China,<sup>9</sup> but its per capita income would continue to be at the tail end of the international scale. Another criterion could be that the rise narrative is no longer called into question regardless of, for example, key economic figures. A rise is here understood to be a process in which states develop political, economic and/or military capacities that enable them to prevail in the international system with their power and status ambitions.

<sup>8</sup> See Nolte, "Macht und Machthierarchien in den internationalen Beziehungen" (see note 6); Dries Lesage and Thijs Van de Graaf, "Analytical Framework and Findings", in *Rising States, Rising Institutions*, ed. Alexandroff and Cooper (see note 6), 3–18; Amrita Narlikar, "Negotiating the Rise of New Powers", *International Affairs* 89, no. 3 (2013): 561–76; Weiss, "Rising Powers, Global Governance, and the United Nations" (see note 6).

<sup>9</sup> See "Govt Sticks to \$5 Trillion Economy Target; Emphasis on Infra Aimed at Achieving Goal: DEA Secretary", *Economic Times*, 4 February 2021, <https://economictimes.indiatimes.com/news/economy/policy/govt-sticks-to-usd-5-trillion-economy-target-emphasis-on-infra-aimed-at-achieving-goal-dea-secretary/articleshow/80686511.cms?from=mdr> (accessed 5 February 2021).

## Politics, economics and security are indicators of India's successes and setbacks.

In the field of politics, economics and security a number of indicators can be defined with which India's successes and setbacks in the process of rising are analyzed at the international, regional and national level. In politics at the international level it is whether and to what extent India has been able to increase its influence in international institutions such as the United Nations Security Council and how relations with other great powers have progressed. At the regional level the question is to what extent India has been able to impose its ideas of political stability on its neighbours in order to underscore its ambitions as a regional power. Issues at the national level are the performance of the Indian state, such as its administrative capabilities, and its democratic development, which especially in relations with Western countries both sides emphasize as the joint foundation of their cooperation.

In economics the focus at the global level is on India's involvement in the global economy and the status it enjoys in international financial institutions. At the regional level the extent of economic interconnections with neighbouring states is examined. At the national level the criterion is success in modernization and development.

Security at the international level deals primarily with India's nuclear programme and its attitude toward the Non-Proliferation Treaty (NPT). At the regional level it considers India's role as a military stabilizing power and its military cooperation with neighbouring states. At the national level it looks at the capacities of India's armed forces and the challenges they face.

# Politics

## The International Level

### Institutions: The United Nations, the Non-Aligned Movement, BRICS

Since the end of the East-West conflict there has been a fundamental reorientation of Indian foreign policy. At the beginning of the 1990s India was still seen as a “loser” in the changing constellations after the end of the Cold War.<sup>10</sup> Indian governments have since adapted their strategies and instruments, and their role in international organizations is more significant today than it was before 1991.

In 1945 India, although still a colony, was a founding member of the United Nations. After independence in 1947 India enjoyed a high level of international recognition, due not least to the personal reputation of its first Prime Minister, Jawaharlal Nehru. In the 1950s India could twice have become a permanent member of the UN Security Council. Nehru rejected both proposals, noting inter alia that China also deserved greater international recognition.<sup>11</sup>

Since 1994 India has repeatedly demanded permanent membership of the Security Council, also under Prime Minister Modi in 2015.<sup>12</sup> India argued that the composition of the Security Council no longer did justice to changes in international constellations and underscored its demand by referring to its own economic and demographic importance and its participa-

tion in UN blue helmet peacekeeping missions.<sup>13</sup> Together with Germany, Japan and Brazil, India initiated the Group of Four (G4) with a view to reform of the UN and the Security Council, but so far without success.

India has gained in standing at the UN, as demonstrated by having been voted a non-permanent member of the Security Council eight times. In voting for the 2021/22 session India received 184 out of 192 votes, enjoying widespread support.<sup>14</sup> In addition to UN reform India’s Security Council focus is on a Comprehensive Convention on International Terrorism (CCIT) and a reform of the UN’s blue helmet missions.<sup>15</sup>

For a long time one of India’s most important forums was the Non-Aligned Movement (NAM). When the NAM was founded in 1962 Nehru was one of its principal architects; the idea of a non-aligned movement accommodated India’s desire to play a leading role on the international stage. Since the 1990s the NAM has been lower on India’s list of foreign policy priorities. Prime Minister Modi has repeatedly

<sup>10</sup> See R. H. Munro, “The Loser: India in the Nineties”, *The National Interest*, no. 33 (Sommer 1993): 62–69 (62).

<sup>11</sup> See Anton Harder, “When Nehru Refused American Bait on a Permanent Seat for India at the UN”, *The Wire*, 14 March 2019, <https://thewire.in/diplomacy/when-nehru-refused-american-bait-on-a-permanent-seat-for-india-at-the-un> (accessed 14 March 2019).

<sup>12</sup> See Basrur and Sullivan de Estrada, *Rising India* (see note 5), 92; “India Deserves UNSC Permanent Membership, Says PM Narendra Modi”, *The Economic Times*, 8 June 2015, <http://economictimes.indiatimes.com/news/politics-and-nation/india-deserves-uns-permanent-membership-says-pm-narendra-modi/articleshow/47578554.cms?prtpage=1> (accessed 8 June 2015).

<sup>13</sup> See “India Deserves UNSC Permanent Membership, Says PM Narendra Modi” (see note 12).

<sup>14</sup> India was in 1950/51, 1967/68, 1972/73, 1977/78, 1984/85, 1991/92 and 2011/12 a Non-permanent Member of the Security Council, as it is in the current year 2021/22, see “India Will Be Security Council President for August, 2021: UN”, *The Hindu*, 19 June 2020, <https://www.thehindu.com/news/national/india-will-be-security-council-president-for-august-2021-un/article31866782.ece> (accessed 19 June 2020).

<sup>15</sup> See “India Will Be Security Council President for August, 2021: UN”, *ibid.*; Nayanima Basu, “Countering Terror Will Be the Focus in India’s Eighth Stint As UNSC Non-permanent Member”, *ThePrint*, 18 June 2020, <https://theprint.in/diplomacy/countering-terror-will-be-the-focus-in-indias-eighth-stint-as-uns-non-permanent-member/444365/> (accessed 18 June 2020); “India Calls for Reforms in Peacekeeping”, *The Hindu*, 10 September 2019, <https://www.thehindu.com/news/international/india-calls-for-reforms-in-peacekeeping/article29381070.ece> (accessed 10 September 2019).



cancelled his participation in the organization's summit meetings.<sup>16</sup>

The concept of non-alignment could long be taken to signify India's independent foreign policy, but New Delhi now pursues the concept of multi-alignment, which is likewise aimed at self-reliance and independence.<sup>17</sup> In the Indian understanding a great power or a "pole" in the international system is a separate and independent actor. This explains the aversion of Indian decision makers to concepts such as alliances. It is also why India finds it hard to take up a clear position in the emerging system rivalry between China and the United States. In New Delhi the border conflict with China is officially considered to be a bilateral problem; Beijing in contrast sees it in the context of its rivalry with the United States because it considers India as a Quad member to be an ally of Washington. Even though India receives an enormous amount of military support from the United States it would not like to be seen as Washington's junior partner, which would indirectly be an admission of its own weakness.

### **BRICS has replaced the NAM as an instrument of foreign policy since the 2000s.**

Instead of the Non-Aligned Movement new forms of tri-, mini- and multilateral cooperation have gained in importance for India since the 2000s. The most important one is the BRICS group, which originally dates back to an idea of the US investment bank Goldman Sachs. The basic assumption was that in the long term the five threshold countries with their economic potential would overtake the industrialized countries and become mainstays of the world economy. The BRICS states took up this idea in 2001 and also saw themselves as a political counterweight to the dominance of (Western) industrialized countries in many international institutions. The new group held its first summit meeting in 2009.

**16** See Suhasini Haidar, "Narendra Modi Skips NAM Summit Again", *The Hindu*, 23 October 2019, <https://www.thehindu.com/news/national/narendra-modi-skips-nam-summit-again/article29779894.ece?homepage=true> (accessed 23 October 2019).

**17** See M. K. Narayanan, "Non-alignment to Multi-alignment", *The Hindu*, 5 January 2016, <https://www.thehindu.com/opinion/lead/indian-diplomacy-non-alignment-to-multi-alignment/article13982580.ece> (accessed 6 January 2016).

For India, BRICS was attractive in a number of respects. First, membership underscored the economic successes it had achieved since liberalization in 1991. Second, the format facilitated a new global presence that tallied with India's international ambitions. Third, BRICS promised by virtue of its limited number of members compared with that of the Non-Aligned Movement to offer more opportunities for action. Yet despite summit meetings and other activities, hopes of political effectiveness have not been fulfilled. Within the group major economic differences (see Table 1, p. 14f.) lead to different interests on the international stage. India and Brazil, for example, want as G4 members to enlarge the UN Security Council, which with India in mind China is unlikely to support. When tension between India and China increased in the summer of 2020 there were calls in India for the country to quit the BRICS group.<sup>18</sup>

Another, even less successful group was the India Brazil South Africa (IBSA) dialogue forum, which held its first summit meeting in 2006. In addition to their regional and international leadership ambitions the three countries stressed their shared commitment to democracy and human rights. That, however, failed to lead to a common foreign policy agenda such as the promotion of democracy which made a lasting mark on the international system.

The International Solar Alliance (ISA), founded by India and France in 2015, and the Coalition for Disaster Resilient Infrastructure (CDRI), an initiative launched by India in 2019, have been much more successful. With these initiatives New Delhi demonstrated its ability to establish new international institutions. Another step in this direction is the Supply Chain Resilience Initiative (SCRI) agreed with Australia and Japan in April 2021 to strengthen supply chains and reduce the three countries' dependence on China.<sup>19</sup>

A further success for India was the political upgrading, albeit not initially intended, of the Group of Twenty (G20). The G20 was founded in the 1990s in response to the financial crisis in Asia. It consists of the twenty leading industrial and emerging countries,

**18** See Sadanand Dhume, "East Is East: This Group of Nations Is a Few Brics Short of a Load", *The Wall Street Journal*, 18 September 2020.

**19** See Ananth Krishnan, "China Wary As India, Australia, Japan Push for Supply Chain Resilience", *The Hindu*, 29 April 2021, <https://www.thehindu.com/news/national/china-wary-as-india-australia-japan-push-supply-chain-resilience/article34431964.ece> (accessed 29 April 2021).

including India. During the 2008/09 financial crisis the group evolved into a forum of heads of state and government who have since met regularly. India was to host its first G20 summit in 2022, but it was postponed until 2023. A G20 summit chaired by India is a great opportunity to bring New Delhi's international ambitions to the fore. But until the end of 2020 there was hardly any agreement on an agenda in government circles.<sup>20</sup>

India's commitment to the different international institutions and groupings has helped upgrade the country internationally and new concepts such as emerging powers, leaders of the global South, global policymakers and leading powers etc. have gained the country attention and presence.<sup>21</sup> Innovative formats have also enabled India to dispense with traditional formats like the Non-Aligned Movement without abandoning its claims to leadership.

India's bilateral ties with other great powers have in part also improved significantly since the 1990s. This improvement is most strikingly apparent in relations with the United States, Japan, Germany and the EU and, until summer 2020, with China. Although the scope of this study cannot extend to an analysis of bilateral relations, the growing number of strategic partnership agreements testifies to India's increasing importance in other states' foreign policy considerations. These agreements are particularly relevant in view of the five veto powers on the Security Council and in the context of the G20 (see Table 1, p. 14f.). They are a good indicator of the interest of influential states in closer cooperation with India even though this cooperation may have fallen short of expectations in its implementation. India signed its first partnership agreement – with France – in 1998, followed until 2017 by a further thirty. They included agreements with countries like Rwanda, however, where India did not even have an embassy at the

time.<sup>22</sup> Yet as a rule agreements laid the foundations for upgrading economic, political and military ties, as relations with the great powers showed.<sup>23</sup> The presumably intentional lack of clarity on what common interests “strategic partners” share leads repeatedly to irritations.<sup>24</sup> In connection with partnership agreements a number of states have meanwhile also developed exclusive bilateral formats with India such as the “Two plus Two” talks at the foreign and defence ministerial level that India holds with the United States and Japan. Germany holds government consultations at cabinet level with India every other year, thereby taking the country's increasing importance into account.

### Instruments: India's New Soft Power

Indian governments have systematically extended their country's foreign policy soft power since the 1990s. The domestic debate concentrates on aspects that are conducive to India's international image and its attractiveness for foreign investors. A model for this approach was the Association of Southeast Asian Nations (ASEAN), which developed Southeast Asia into a focal point of globalization and international value chains. Since the 2000s Indian governments have sought to brighten their country's image, which in their view continued to be characterized too strongly by poverty and underdevelopment and too little by its economic successes, inter alia by means of campaigns such as Shining India or Incredible India. In view of India's still poor rating in many development indices (see Table 1, p. 14f.) the government announced a new image campaign in August 2020.<sup>25</sup>

<sup>20</sup> See Akshay Mathur, “India Must Build the Capacity to Make Its G20 Presidency in the Future a Success”, *The Indian Express*, 29 January 2019, <https://indianexpress.com/article/opinion/columns/g20-summit-2020-india-narendra-modi-5558463> (accessed 29 January 2019); “India's G20 Summit Will Now Be in 2023, a Year Later Than Planned”, *The Wire*, 23 November 2020 <https://thewire.in/diplomacy/indias-g20-summit-postponed-2023> (accessed 23 November 2020).

<sup>21</sup> See Maihold, “Was ist vom Aufstieg der ‘emerging powers’ geblieben?” (see note 7).

<sup>22</sup> See Suhasini Haidar, “‘Strategic Partners’ Are Now Dime a Dozen”, *The Hindu*, 12 January 2017, <http://www.thehindu.com/news/national/%E2%80%98Strategic-partners%E2%80%99-are-now-dime-a-dozen/article17024245.ece> (accessed 12 January 2017).

<sup>23</sup> See Dinakar Peri, “Bilateral Exercises Give Fresh Push to India's Strategic Ties”, *The Hindu*, 18 March 2017, <http://www.thehindu.com/news/national/bilateral-exercises-give-fresh-push-to-indias-strategic-ties/article17529694.ece> (accessed 18 March 2017).

<sup>24</sup> See Michael Kugelman, “Define ‘Strategic Partners’”, *The Hindu*, 31 October 2018, <https://www.thehindu.com/opinion/op-ed/define-strategic-partners/article25372410.ece> (accessed 31 October 2018).

<sup>25</sup> See Rohini Mohan, “India to Launch Publicity Campaigns to Correct Its Global Image”, *The Straits Times*, 24 August 2020.



Table 1

**India Compared with the G20 States**

<i>Countries</i>	<i>GDP (in US\$ bn at 2010 level)</i>		<i>Per capita GDP (in US\$ at 2010 level)</i>		<i>Per capita GDP growth (p.a. in %)</i>		<i>Net national income per capita (in US\$, at 2010 level)</i>		<i>Balance of trade with India</i>
	1999	2018	1999	2018	1999	2018	1999	2018	2019
Argentina	306	447	8,381	10,044	-3.4	-2.5	6,743	8,522	Negative
Australia	817	1,421	43,168	56,864	5.1	2.9	30,777	42,733	Negative
Brazil	1,474	2,321	8,554	11,080	0.5	1.3	6,926	9,254	Negative
Canada	1,151	1,905	37,848	51,393	4.0	1.9	31,856	41,431	Negative
China	2,057	10,797	1,642	7,753	7.7	6.6	1,190	6,032	Negative
European Union	12,210	16,351	28,473	36,597	3.0	2.1	24,218	30,379	/
France	2,245	2,925	37,116	43,670	3.4	1.7	32,514	36,837	Negative
Germany	3,031	3,937	36,913	47,491	1.9	1.5	30,946	40,314	Negative
India	841	2,842	810	2,101	8.8	6.8	670	1,823	/
Indonesia	432	1,147	2,072	4,285	0.8	5.2	-551	3,217	Negative
Italy	1,993	2,141	35,020	35,437	1.6	0.8	30,461	29,843	Negative
Japan	5,204	6,190	41,098	48,920	-0.3	0.8	33,821	39,581	Negative
Korea, Republic	652	1,382	13,983	26,777	11.3	2.7	12,506	21,743	Negative
Mexico	872	1,313	8,946	10,404	2.8	2.1	7,220	7,901	Negative
Russian Federation	865	1,722	5,876	11,729	6.4	2.3	3,713	9,038	Negative
Saudi Arabia	359	702	17,778	20,820	-3.8	2.4	...	15,248	Negative
South Africa	256	430	5,779	7,434	2.4	0.8	4,344	6,093	Negative
Turkey	489	1,240	7,843	15,069	-3.4	2.8	6,609	12,009	Negative
United States	12,120	17,856	43,435	54,659	4.8	2.9	37,446	47,215	Negative
United Kingdom	2,031	2,881	34,611	43,343	3.4	1.4	29,517	36,585	Negative

Table 1 (continued)

## India Compared with the G20 States

Countries	Military expenditure (as % of GDP)		Research and development expenditure (as % of GDP)		Tax rate (as % of GDP)		Human Development Index (HDI)		Strategic partnership
	1999	2018	1999	2017	1999	2017	1999	2018	
Argentina	1.2	0.9	0.5	0.5	9.1	11.0	0.763	0.830	Yes
Australia	1.9	1.9	...	...	22.5	21.9	0.895	0.938	Yes
Brazil	1.6	1.5	...	1.3	13.2	13.6	0.675	0.761	Yes
Canada	1.2	1.3	1.8	1.6	14.8	12.7	0.864	0.922	Yes
China	1.9	1.9	0.7	2.1	...	9.4	0.583	0.758	Yes
European Union	1.8	1.4	1.8	2.1	20.2	19.7	...	...	Yes
France	2.6	2.3	2.1	2.2	23.7	23.6	0.844	0.891	Yes
Germany	1.5	1.2	2.3	3.0	11.5	11.5	0.861	0.939	Yes
India	3.0	2.4	0.7	0.6 <sup>a</sup>	8.6	11.2	0.492	0.647	/
Indonesia	0.8	0.7	...	0.2	16.3	9.9	0.595	0.707	Yes
Italy	1.7	1.3	1.0	1.4	25.0	24.6	0.824	0.883	Yes
Japan	0.9	0.9	2.9	3.2	9.8	11.6	0.850	0.915	Yes
Korea, Republic	2.5	2.6	2.1	4.6	12.8	14.5	0.808	0.906	Yes
Mexico	0.5	0.5	0.3	...	8.6	13.0	0.698	0.767	Yes
Russian Federation	3.1	3.9	1.0	1.1	11.2	10.3	0.710	0.824	Yes
Saudi Arabia	11.4	8.8	...	...	...	3.4	0.739	0.857	Yes
South Africa	1.3	1.0	...	...	24.1	26.9	0.633	0.705	Yes
Turkey	3.9	2.5	0.5	1.0	...	17.8	0.643	0.807	Yes
United States	2.9	3.2	2.5	2.8	12.3	11.8	0.885	0.920	Yes
United Kingdom	2.2	1.8	1.6	1.7	25.5	25.5	0.861	0.920	Yes

a Data for 2018

Sources: UNDP – Human Development Data (HDI): <http://hdr.undp.org/en/indicators/137506>; IMF Direction of Trade Statistics (balance of trade): <https://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85>; World Bank World Development Indicators (all other indicators): <https://databank.worldbank.org/source/world-development-indicators/>; Strategic Partnerships – Indian Ministry of External Affairs, *Annual Report 2019–20*: [http://www.mea.gov.in/Uploads/PublicationDocs/32489\\_AR\\_Spread\\_2020\\_new.pdf](http://www.mea.gov.in/Uploads/PublicationDocs/32489_AR_Spread_2020_new.pdf) (accessed 20 December 2020)

But the country's failure in fighting the Covid pandemic, which in spring 2021 was plain for the world's public to see, is likely to result in lasting damage to the country's image.

Promoting investment was a driving force behind the support of the Indian diaspora since the 1990s. Numbering about 17.5 million people, India's diaspora is considered to be the world's largest.<sup>26</sup> Since the 1990s India has sought to model itself on China, whose diaspora contributed to the country's economic upturn with its remittances. The focus of attention was on the well-educated and prosperous diaspora groups in Western industrialized countries. In the United States, for example, the Indian diaspora is one of the most affluent minorities and has played a significant role in bringing about a marked improvement in political and economic relations between the two countries since the 1990s. Prime Minister Modi continues to pursue this policy. On his first state visit to the United States in September 2014 he made a speech in New York's Madison Square Garden that was aimed specifically at members of the Indian diaspora. On all of his state visits he has since sought to connect with the Indian diaspora in the host countries.

### Religious aspects gain in significance in India's foreign policy.

In view of the BJP's Hindu nationalist agenda it is no surprise that religious aspects have gained in importance as part of India's soft power foreign policy since Modi assumed office.<sup>27</sup> From the outset he used state visits to visit religious sites of Hindus, Buddhists, Sikhs and, indeed, Muslims. He has also taken part in various inter-faith dialogues. His greatest success was to launch International Yoga Day, held since 2015 on 21 June. In his speeches Modi

<sup>26</sup> See Elizabeth Roche, "Indian Diaspora, at 17.5 Million, Is the Largest in the World, Says UN Study", *livemint.com*, 19 September 2019, <https://www.livemint.com/news/india/indian-diaspora-at-17-5-million-is-the-largest-in-the-world-says-un-study-1568875186472.html> (accessed 27 July 2020). The Indian diaspora comprises two different groups of people, Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs). NRIs are Indian citizens who have emigrated. In contrast, PIOs are of Indian ancestry but no longer hold Indian citizenship.

<sup>27</sup> See on what follows Ian Hall, "Narendra Modi's New Religious Diplomacy", *International Studies Perspectives*, no. 20 (2019): 1–45.

often stresses India's global role as a *vishwa guru* or "world teacher"<sup>28</sup> and underscores, like other Prime Ministers before him, the Sanskrit concept of *Vasudhaiva Kutumbakam*, according to which the world is one family. The Indian government seeks in this way to involve diaspora groups in improving India's external image and to attract tourists. Religious aspects are embedded in the foreign policy discourse on Indian civilization, with which India underpins its claim to equality with, say, China even though due to poverty, inequality, discrimination against women and minorities and environmental pollution, India was not yet included in the 2019 Soft Power 30 Index (see below, Table 2, p. 38).<sup>29</sup>

In relations with Western industrialized states the democratic values that India shares with countries such as Germany, the European Union or the United States are regularly cited, yet Indian governments have always refused to pursue an active policy of promoting democracy such as, inter alia, the United States and European countries practise.<sup>30</sup> Internationally, India stresses the principle of national sovereignty and non-intervention in domestic affairs. It would therefore be difficult for India to advocate a policy of actively promoting democracy, especially to the states of the global South as whose spokesman it sees itself.

That is why Indian authors may like to emphasize the model character of their democracy, but always with the proviso that it must not necessarily be applied to other countries: "For India the best program for promoting democracy is its own success."<sup>31</sup> India nevertheless, mainly under US urging, participated in international programmes like the Community of Democracies (CoD), established in 2000.<sup>32</sup> In addition,

<sup>28</sup> See "India on Way to Become 'Vishwa Guru' under PM Narendra Modi: Amit Shah", *The Indian Express*, 19 August 2017, <https://indianexpress.com/article/india/india-on-way-to-become-vishwa-guru-under-modi-amit-shah-4804375/>.

<sup>29</sup> See Tommy Koh, "The India of My Dreams", *The Straits Times*, 3 December 2020.

<sup>30</sup> See Christian Wagner, "Democracy Promotion", in *India Rising, A Multilayered Analysis of Ideas, Interests, and Institutions*, ed. Johannes Plagemann, Sandra Destradi and Amrita Narlikar (Oxford and New Delhi: Oxford University Press, 2020), 195–218.

<sup>31</sup> See Pratap Bhanu Metha, "Reluctant India", *Journal of Democracy* 22, no. 4 (2011): 101–13.

<sup>32</sup> See B. Raman, *Community of Democracies*, Paper 119 (Noida: South Asia Analysis Group, 2000), <http://www.southasiaanalysis.org/%5Cpapers2%5Cpaper119.html> (accessed 27 February 2008).

the Electoral Commission set up in 2011 the India International Institute of Democracy and Election Management (IIIDEM), which provides educational and training measures to help countries of the global South to hold elections.

Overall, India has significantly extended its political role at the international level. Even if there have not always been successes India has made use of new opportunities such as BRICS or G20 to markedly diversify its instruments with a focus on the tools of soft power. Its resulting rise is demonstrated by the growing number of strategic partnership agreements by which the countries in question express their interest in seeing India play a more important role on the international stage. These successes are reflected in how India is seen by other countries. In a 2019 Pew survey India's increasing importance compared with 2009 was mainly stressed in the United States, the UK, France, Japan and Australia. Similar trends were observed in, inter alia, Canada and Germany.<sup>33</sup>

## The Regional Level

One of the basic assumptions in discussion of the status and rise of states is that they are able to influence their regional neighbours.<sup>34</sup> In view of its demographic, economical and military size and strength India appears to be the "natural hegemon" in South Asia.<sup>35</sup> Treaties with Bhutan, Nepal and Sikkim and a number of political and military interventions – in Nepal in the 1950s, in the civil war in East Pakistan in 1971 or in Sri Lanka and the Maldives in the 1980s – underscored India's claim as a regional power. That said, New Delhi was seldom able to impose its political ideas on its neighbours in the long term. They in turn sought consistently but with varying degrees of success to improve their position with regard to India by involving other great powers, be they the United States or China.

<sup>33</sup> See Dhruva Jaishankar, "What the World Thinks", *The Hindu*, 29 March 2019, <https://www.thehindu.com/opinion/op-ed/what-the-world-thinks/article26665687.ece> (accessed 29 March 2019).

<sup>34</sup> See John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: Norton, 2001).

<sup>35</sup> South Asia comprises the member states of the South Asian Association for Regional Cooperation (SAARC) founded in 1985. The founding members Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka were joined in 2007 by Afghanistan.

Against the backdrop of the political and military fiasco of the intervention in Sri Lanka, ending in 1991, and the economic reforms in the same year India fundamentally reoriented its South Asia policy in the 1990s. Prime Minister Gujral declared in 1996 that in future India would abide by the principle of non-reciprocity in the region and in conflicts make greater concessions to smaller neighbouring states. Prime Minister Manmohan Singh's 2004–2014 Congress government undertook a number of economic connectivity initiatives in the region. The composite dialogue with Pakistan was especially important, leading between 2004 and 2008 to fundamental improvements in the strained relations with Pakistan until the Mumbai attack brought the process to an abrupt end in November 2008.

Domestic conflicts in neighbouring states remained a challenge for India. India welcomed the Sri Lanka ceasefire agreement negotiated by Norway in 2002 along with the international community's commitments to reconstruction of the country. After the agreement collapsed New Delhi supported military action against the Liberation Tigers of Tamil Eelam (LTTE), who were crushed in May 2009. In the civil war that broke out in Nepal in 1996 India mediated an agreement between the conflicting parties in 2006 that paved the way to abolition of the monarchy and elections in 2008. Prime Minister Modi later underscored the importance of the region with his Neighbourhood First policy.

### India's influence in South Asia is declining in favour of China's.

Since 2014/15 it has nonetheless been evident that India is tending to lose influence in South Asia. The foremost factor is China's increasing commitments in the region as part of its Belt and Road Initiative (BRI). In the event of a conflict with India neighbouring states had previously repeatedly sought cooperation with China or other great powers. China's extensive BRI investment has also markedly increased its political influence in South Asia, which, however, depends on domestic political constellations. In cases of a change of government, such as in Sri Lanka in 2015 or in the Maldives in 2018/19, China too discovered that its influence could decline again in favour of India's.

But compared with India, China has much greater political and financial resources, so the debate on whether and to what extent India holds a regionally

dominant position in South Asia can be shelved for the foreseeable future. Instead, India and China will in future vie with each other for power and influence in the region and beyond. In response, India has in recent years increasingly sought cooperation with friendly countries like the United States and Japan on projects in for instance Afghanistan and Sri Lanka. That marks a distinct change from the Indira doctrine of the 1980s when India rejected external intervention in “its” region.<sup>36</sup>

New Delhi has also redefined what is to be understood by “region” and has extended its operating range accordingly. Until its foreign policy reorientation in the 1990s “region” could be equated with its neighbouring states in South Asia. A number of new terms have since taken shape by which Indian governments defined their envisaged zones of influence. They included concepts such as Southern Asia or Extended Neighbourhood that geographically comprised the east coast of Africa, the Indian Ocean and South-East Asia. In Indian debate these concepts have meanwhile been superseded by the term Indo-Pacific. India underpinned its political ambitions in these areas inter alia by playing an active part in the foundation of regional organizations such as the Indian Ocean Rim Association (IORA) in 1997 and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) in 1997. Since the mid-1990s India has also, in the course of its Look East policy, upgraded its political, economic and military ties with ASEAN. In 2014, under Prime Minister Modi, it became the Act East policy. He emphasized in his 2018 Shangri-La Dialogue speech that in India’s Indo-Pacific concept ASEAN too held a central position.<sup>37</sup>

**36** The Indira doctrine is named after the Indian Prime Minister Indira Gandhi; see Surjit Mansingh, “Indira Gandhi’s Foreign Policy: Hard Realism?” in *The Oxford Handbook of Indian Foreign Policy*, ed. David M. Malone, C. Raja Mohan and Srinath Raghavan (Oxford: Oxford University Press, 2015), 104–16.

**37** See Ministry of External Affairs (MEA), “Prime Minister’s Keynote Address at Shangri La Dialogue”, 1 June 2018, <https://www.mea.gov.in/Speeches-Statements.htm?dtl/29943/Prime+Ministers+Keynote+Address+at+Shangri+La+Dialogue+June+01+2018> (accessed 18 September 2018).

## The National Level

### State Capacities

A country’s rise is closely linked to its state capacities and resources. In historical retrospect only states possessing strength in the sense of political, economic and military clout have ever achieved an outstanding position in the international system. Countries like the United States and Great Britain faced countless domestic problems in their rise to great power status.<sup>38</sup> Yet they were among the most powerful states of their time. The related issues are often neglected in discussions about India’s rise.<sup>39</sup>

### India’s administrative structures are weak.

The debate about statehood has a longstanding tradition in India. Back in the 1960s Gunnar Myrdal saw the “soft state” as a cause of the “Asian drama” and often had India in mind.<sup>40</sup> Despite countless reforms and successes the Union of India still has great problems in keeping the state under control.<sup>41</sup> In many areas the Indian state appears to be under-administered and underfinanced and to be a polity managed in the 21st century with 19th-century structures.<sup>42</sup>

India’s low GDP and low tax rate (see Table 1, p. 14f.) lead to deficits in the transformation of latent resources into real capacities in respect of the devel-

**38** See Manjeet S. Pardesi, “Is India a Great Power? Understanding Great Power Status in Contemporary International Relations”, *Asian Security* 11, no. 1 (2015): 21f.

**39** See Ganguly and Thompson, *Ascending India and Its State Capacity* (see note 5), 271.

**40** See Hardayal Singh, “Why Are We Still a Soft State?” *Financial Express*, 12 March 2016, <https://www.financial-express.com/opinion/why-are-we-still-a-soft-state/224068/> (accessed 2 August 2021).

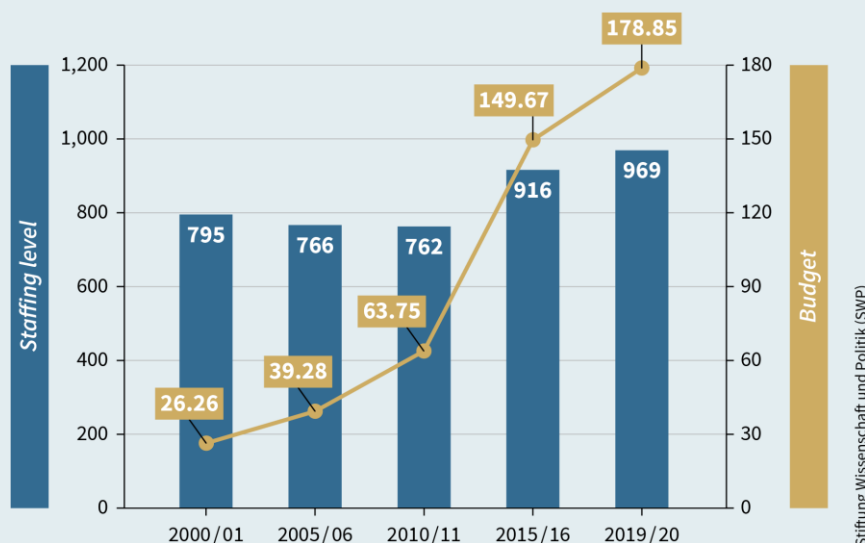
**41** See, e.g., Amartya Sen and Jean Drèze, *An Uncertain Glory: India and Its Contradictions* (Princeton, NJ: Princeton University Press, 2013); Devesh Kapur, Pratap Bhanu Mehta and Milan Vaishnav, eds., *Rethinking Public Institutions in India* (Oxford and New Delhi: Oxford University Press, 2017).

**42** Milan Vaishnav, *Transforming State Capacity in India* (Washington, D.C.: Carnegie Endowment for International Peace, 2 July 2019), <https://carnegieendowment.org/2019/07/02/transforming-state-capacity-in-india-pub-79411> (accessed 29 April 2021).

Chart 1

### Staffing Level and Budget of Indian Foreign Ministry (MEA)

Left axis: Staff level (Class IV); Right axis: Budget in INR bn (Indian rupees)



Sources: Ministry of External Affairs (MEA), *Annual Reports*, different years

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opment of its ability to project power.<sup>43</sup> Compared with other states its state administration has significant shortcomings too.<sup>44</sup> In 2017 only about 5,000 of the 6,500 positions in the prestigious Indian Administrative Service 2017 were filled.<sup>45</sup> The Modi government may increasingly be relying on digital solutions to modernize state administration by further develop-

<sup>43</sup> See Ashley J. Tellis, *India As a Leading Power* (Washington, D.C.: Carnegie Endowment for International Peace, 2016), 2, 12; Ashley J. Tellis, *Covid-19 Knocks on American Hegemony* (Washington, D.C.: The National Bureau of Asian Research, 4 May 2020), <https://www.nbr.org/publication/covid-19-knocks-on-american-hegemony/> (accessed 5 May 2020).

<sup>44</sup> See V. Anantha Nageswaran and Gulzar Natarajan, *Can India Grow? Challenges, Opportunities, and the Way Forward* (New Delhi: Carnegie Endowment for International Peace, 2016), 46/47; for a historical perspective see Milan Vaishnav and Reedy Swanson, *India: State Capacity in Global Context* (Washington, D.C.: Carnegie Endowment for International Peace, 2012), <https://carnegieendowment.org/2012/11/02/india-state-capacity-in-global-context-pub-50834> (accessed 25 February 2021).

<sup>45</sup> See “India Has a Shortage of Nearly 1,500 IAS Officers: Statistics”, *Times of India*, 18 March 2018, <https://timesofindia.indiatimes.com/india/shortage-of-nearly-1500-ias-officers-in-country-govt/articleshow/62820064.cms> (accessed 19 March 2018).

ment of the Aadhaar card, for example.<sup>46</sup> In addition, Modi has announced reforms to enable experts to join the civil service as lateral entrants. And understaffing of state administrations or police recruitment problems may not be of direct significance for a country’s foreign policy. But for the armed forces also to have problems in recruiting officers may well limit possible foreign policy power projections.<sup>47</sup>

The foreign policy significance of administrative and financial problems is most readily apparent in the diplomatic service. In 2019 India had a total of 186 diplomatic missions and ranked twelfth in the

<sup>46</sup> The Aadhaar card contains inter alia a 12-digit personal identification number that is supposed above all to give poorer population groups better and easier access to state transfer payments. A further aim of this direct communication is to combat widespread corruption. The card’s introduction triggered a political and legal debate on the purposes for which its use is mandatory, see “Aadhaar Not Mandatory for Birth, Death Registration, Clarifies Registrar General of India”, *The Hindu*, 14 October 2020, <https://www.thehindu.com/news/national/aadhaar-not-mandatory-for-birth-death-registration-clarifies-registrar-general-of-india/article32841915.ece> (accessed 14 October 2020).

<sup>47</sup> Vaishnav and Swanson, *India: State Capacity in Global Context* (see note 44).



Global Diplomacy Index.<sup>48</sup> The country is planning at the same time to increase its global presence and inter alia to open a further 18 embassies in Africa alone by 2021.<sup>49</sup> Yet the diplomatic service operates with fewer than 1,000 diplomats of whom, according to various estimates, around a third are in India and two thirds are abroad.

### India's diplomatic service hardly corresponds to the country's geopolitical ambitions.

As India's international obligations, irrespective of sudden crises, have increased, overburdening of the diplomatic service is widely criticized. At the same time reform approaches to recruit more diplomats ("Class IV" in Indian bureaucracy) encounter resistance because that would necessitate different internal career paths. In recent years attempts have been made to circumvent this problem by recruiting external consultants to deal with evident personnel bottlenecks.<sup>50</sup> The budget of the Ministry of External Affairs (MEA) has increased continuously over the years, but between 2000/01 and 2019/20 there were years with double-digit inflation.<sup>51</sup> In the 2021/22 budget MEA funding was increased by 4.65 per cent to the largest amount in its history, taking its share of the total budget to 0.52 per cent, but in the 2015/16 budget its share was still 0.81 per cent.<sup>52</sup>

The deficits become even more visible in relation to countries with which India likes to compare itself

or with which maintains close ties. Brazil has over 2,000, China over 4,500 and Japan over 5,700 diplomats. Appointing 24 new diplomats in 2020 did little to offset this imbalance.<sup>53</sup> The Indian diplomatic service's staffing level is on a par with that of countries such as Singapore or New Zealand which, however, have more modest international ambitions.<sup>54</sup>

### Ideas: Self-Understanding as a Civilization

Unlike in domestic policy there is a high degree of cross-party consensus on Indian foreign policy for which various reasons can be cited. First, extensive economic and social problems have always pushed foreign policy issues into the background, especially as foreign trade aspects hardly played a role until liberalization in 1991. Second, foreign policy decision-making was concentrated on the Prime Minister and his closest advisors, whereas Foreign Ministers often carried very little weight. The dominance of the Congress Party at the national level until 1991 and that of the Bharatiya Janata Party (BJP) since 2014 ensured that there were few if any party political controversies over foreign policy decisions. India's foreign and security policy community is still very small. Public debates are to a large extent shaped by former diplomats and generals, among whom there is little disagreement on security issues.

India's foreign policy interests and ambitions can readily be inferred from its demographic size, its territorial conflicts with China and Pakistan, its nuclear arsenal or its importance for the global economy. Solving global environmental and climate problems or achieving Sustainable Development Goals (SDGs), for example, is only possible if there are successes in India, which is home to about a sixth of the world's population.

48 See [https://globaldiplomacyindex.lowyinstitute.org/country\\_rank.html](https://globaldiplomacyindex.lowyinstitute.org/country_rank.html) (accessed 8 September 2020).

49 See Embassy Worldwide, "List of Diplomatic Missions in India & Indian Diplomatic Missions Abroad", [https://www.embassy-worldwide.com/country/india/#:~:text=There%20are%20about%20100%20Foreign,sread%20all%20over%20the%20world](https://www.embassy-worldwide.com/country/india/#:~:text=There%20are%20about%20100%20Foreign,sread%20all%20over%20the%20world;); "India to Open 18 New Embassies in Africa by 2021", *africanews.com*, 3 April 2018, <https://www.africanews.com/2018/04/03/india-to-open-18-new-embassies-in-africa-by-2021/> (both accessed 14 August 2018).

50 See Sanya Dhingra and Srijan Shukla, "India Wants to Be Vishwa Guru But IFS Gets Too Few Diplomats to Take Us There", *ThePrint*, 17 August 2020, <https://theprint.in/india/governance/india-wants-to-be-vishwa-guru-but-ifs-gets-too-few-diplomats-to-take-us-there/481684/> (accessed 1 July 2020).

51 See Macrotrends, "India Inflation Rate 1960 – 2021", <https://www.macrotrends.net/countries/IND/india/inflation-rate-cpi> (accessed 24 July 2020).

52 See "In Six Charts, a Visual Primer on India's Budget for Diplomacy", *The Wire*, 2 February 2021, <https://thewire.in/diplomacy/india-mea-budget-2021> (accessed 2 February 2021).

53 See Dhingra/Shukla, "India Wants to be Vishwa Guru But IFS Gets Too Few Diplomats to Take Us There" (see note 50).

54 See Kanti Bajpai and Byron Chong, "India's Foreign Policy Capacity", *Policy Design and Practice* 2, no. 2 (2019): 137–62; Henrik Chetan Aspengren, Emil Lidén and Axel Nordenstam, *Circles of EU–India Engagement: How Member States Cooperate with India on Global Issues* (Stockholm: The Swedish Institute of International Affairs, 2021), 17.

## Recourse to India's civilization is said to justify role in world affairs.

Since independence there has, however, been a civilizational narrative with which Indian decision makers increasingly justify their claim to greater international importance. The idea of an Indian civilization took shape in the course of disputes with the British colonial authorities in the nineteenth century. The Indian elite used it to underscore the equality of their society to those of the West.<sup>55</sup> The idea of an Indian civilization was originally based on a model of society derived from religious texts. The continuity of ruling systems or dynasties played no part therein because control over the entire Indian sub-continent had seldom existed in history. This connection was not made until the Hindu nationalist discourse in the early twentieth century.<sup>56</sup>

The narrative's liberal version is based on an Indian civilization, the religious version on a Hindu civilization.<sup>57</sup> Nehru as the representative of a liberal understanding based India's international ambitions not on what initially were barely existent military or economic capacities but on the country's civilization, history and traditions,<sup>58</sup> whereas the discourse has taken a more religious turn since the assumption of office by Narendra Modi and his Hindu nationalist BJP in 2014.<sup>59</sup>

The starting point was the ideas on Hinduism (*Hindutva*) formulated in the 1920s and 1930s by V. D. Savarkar and M. S. Golwalkar as the basis for an independent India. Based on the ethnic nationalism of 19th and 20th century European models, *Hindutva*

seeks to create a Hindu nation (*Hindu rashtra*) based on language, history, culture, geography and ancestry.<sup>60</sup> That was initially combined with a rejection of external influences as a result of the Muslim conquest and, later, the arrival of the British, both of which were felt to have led to the decline of the Hindus. In the 1920s a debate arose about a Greater India that emphasized the influence of Indian culture or civilization on neighbouring regions in Asia.<sup>61</sup> After independence these ideas continued in discussions about an *Akhand Bharat* or undivided India in which the cultural unity of Hindu civilization invoked and, in part, reunification with Pakistan was envisaged.<sup>62</sup>

Especially against the background of competition with China the Modi government increasingly falls back on the civilization narrative. In January 2021 External Affairs Minister Jaishankar, for example, self-confidently asserted "civilizational states like India and China must always take the long view".<sup>63</sup> Indirectly that means India may not necessarily justify its foreign policy interests and claims with traditional criteria such as demographic size, economic performance and military power but, increasingly often, with its imagined identity as a civilization.

## Values: An Illiberal India

The question of countries' domestic structures or their political systems often plays no part in debates about their rise because the focus is mostly on economic and military key figures.

For India it is nonetheless being raised here because references to shared democratic values and pluralism play an important part, especially in rela-

55 See Sabyasachi Bhattacharya, *Talking Back. The Idea of Civilization in the Indian Nationalist Discourse* (Oxford and New Delhi: Oxford University Press, 2012).

56 See Catherine Clémentin-Ojha, "India, That Is Bharat ...": One Country, Two Names", *South Asia Multidisciplinary Academic Journal* (Samaj) 10 (2014): 4, <http://journals.openedition.org/samaj/3717> (accessed 8 January 2020).

57 See Susanne Hoeber Rudolph, "Four Variants of Indian Civilization", in *Civilisations in World Politics*, ed. Peter J. Katzenstein (London: Routledge, 2010), 137–56.

58 See Jawaharlal Nehru, *India's Foreign Policy. Selected Speeches, September 1946 – April 1961* (New Delhi: Ministry of Information and Broadcasting, n. D.), 21, 39, 43; Bhattacharya, *Talking Back* (see note 55).

59 See Kanti Bajpai, "India's Grand Strategy: Six Schools of Thought", in *India's Grand Strategy: History, Theory, Cases*, ed. Kanti Bajpai, Saira Basit and V. Krishnappa (London: Routledge, 2014), 130.

60 See M. S. Golwalkar, *We – Or Our Nationhood Defined* (Nagpur: Bharat Publications, 1939), E-Book published by <http://hinduebooks.blogspot.com/> (accessed 4 February 2021).

61 See T. C. A. Raghavan, "Temptations of a Greater India. The Legacy of an Ambitious Project in History", *Open*, 8 March 2018, <https://openthemagazine.com/essay/temptations-of-a-greater-india> (accessed 14 December 2020).

62 C. P. Bhisshikar and Pandit Deendayal Upadhyaya, *Ideology and Perception, Part V: Concept of the Rashtra* (New Delhi: Suruchi Prakashan, 1991), 157–59.

63 See Nayanima Basu, "China's 'Duality of Cooperation & Competition' Was Evident before LAC Standoff – Jaishankar", *ThePrint*, 28 January 2021, <https://theprint.in/diplomacy/chinas-duality-of-cooperation-competition-was-evident-before-lac-standoff-jaishankar/593953/> (accessed 28 January 2021).



tions with Western countries, and appear in every joint declaration. The metaphor of cooperation between the largest and the oldest democracy is, for example, a standard formula in Indo-American relations. Yet it has seldom led to common interests, let alone foreign policy initiatives. In European and German discussions too India is considered to be a partner with common values even though that may not be explicitly stated in the German federal government's Indo-Pacific policy guidelines.<sup>64</sup>

### Indian democracy is heading toward an autocratic system.

Since the Modi government assumed office a number of developments have triggered debate about an “illiberal India”.<sup>65</sup> India's democracy is heading toward an autocratic system. That is evident from different aspects. First, public discussion is restricted. Criticism of the government and its policy is increasingly felt to be undesirable. Critical intellectuals and media and national and international civil society organizations find themselves facing bureaucratic checks or are prosecuted.<sup>66</sup> Since 2014, for example, there has been a sharp increase in the number of prosecutions for subversive activities.<sup>67</sup> In no other democracy was the Internet blocked so frequently as in India in 2018 and 2019.<sup>68</sup> Resulting infringements

of fundamental rights have led to India lagging behind Afghanistan on the 2020 World Press Freedom Index, with India now trailing Afghanistan and coming 142nd out of 180. On the Human Freedom Index the largest democracy slipped 17 places in 2020 to 111th out of 162 states.<sup>69</sup> Second, the government has used personnel changes to increase its influence on institutions previously considered to be independent, such as the Electoral Commission and the Central Bank.<sup>70</sup> Third, the Supreme Court is steadily less willing to review controversial government decisions, above all if they relate to the competences of states vis-à-vis the central government. The two best-known examples of this are the division and conversion of the state of Jammu and Kashmir into two union territories administered by the central government in August 2019 without the consent of the elected state government and the passing of agricultural reforms in summer 2020 that impinged on state competences. The new citizenship law and the planned National Register of Indian Citizens (NRI) will mainly cause problems for the Muslim minority, and presumably not unintentionally. Yet these developments have done the government no harm. In the 2019 elections Modi even succeeded in increasing the BJP's share of the vote and his absolute majority in Parliament.

**64** In the guidelines the concept “partners with shared values” is used four times in all. In only one place are countries listed, as follows: “... with partners with shared values in the region (including Singapore, Australia, Japan and South Korea)”; see The Federal Government, *Policy Guidelines for the Indo-Pacific. Germany – Europe – Asia. Shaping 21st Century Together* (Berlin, 2020), 16.

**65** See Sumit Ganguly, “An Illiberal India?”, *Journal of Democracy* 31, no. 1 (January 2020): 193–202, <https://www.journalofdemocracy.org/articles/an-illiberal-india/> (accessed 9 June 2021).

**66** See ““Shooting the Messenger”: Newspaper Editorials Slam FIRs against Journalists”, *The Wire*, 2 February 2021, <https://thewire.in/media/shooting-the-messenger-newspaper-editorials-fir-journalists-farmers-rally> (accessed 2 February 2021).

**67** See Kunal Purohit, “Our New Database Reveals Rise in Sedition Cases in the Modi Era”, 2 February 2021, <https://www.article-14.com/post/our-new-database-reveals-rise-in-sedition-cases-in-the-modi-era> (accessed 2 February 2021).

**68** See Shadab Nazmi, “Why India Shuts Down the Internet More Than Any Other Democracy”, *BBC News*, 19 December 2019, <https://www.bbc.com/news/world-asia-india-50819905> (accessed 19 December 2019).

**69** See “India Ranks 111 Out of 162 Countries on Personal Freedom Index”, *The Hindu*, 17 December 2020, <https://www.thehindu.com/news/national/india-ranks-111-out-of-162-countries-on-personal-freedom-index/article33358167.ece> (accessed 17 December 2020).

**70** See Ganguly, “An Illiberal India?” (see note 65); Rahul Mukherji, “India's Illiberal Remedy”, *Journal of Democracy* 31, no. 4 (October 2020): 91–105.

# Economy

## The International Level

India was one of the 23 signatory countries that initiated the General Agreement on Tariffs and Trade (GATT) in 1947. Because of its mixed economy, which included import substitution, India's share of global trade fell from around two per cent in the 1950s to 0.5 per cent at the start of the 1990s.

The mixed economy fell short of its targets, however. Following this model, until 1991 India achieved an average growth rate of 3.5 per cent, often disparagingly referred to as the "Hindu rate of growth". With population growth in excess of two per cent, such low growth rates made it impossible to realize any long-term development success. The collapse of the Soviet Union, India's most important trading partner, led in summer 1991 to a balance of payments crisis that forced the Indian government to realign its economic policies. The ensuing economic liberalization led to a sharp rise in the GDP growth rate. This made it clear that economic growth prior to that had been hampered less by cultural than by institutional factors.

### From the 1990s, liberalization makes India an engine of growth.

India went on to become a growth engine of the global economy. In the decade from 1990 to 2000, GDP increased by 5.4 per cent. It increased by as much as 8.8 per cent in 2000 to 2010 before falling back to 7.1 per cent in 2010 to 2017 as a result of the 2008 financial crisis.<sup>71</sup> One highly significant factor was the consensus that evolved between the three major party political blocs, the Congress Party, the BJP, and the regional parties that had been in the gov-

<sup>71</sup> See Pragya Srivastava, "India's Economic Growth Story Remarkable since 1990s, Never Mind Quarterly Fluctuations: World Bank", *Financial Express*, 14 March 2018, <https://www.financialexpress.com/economy/indias-economic-growth-story-remarkable-since-1990s-never-mind-quarterly-fluctuations-world-bank/1098628/> (accessed 17 September 2020).

ernment since 1991, on continuing with economic liberalization. Referring to this consensus, Finance Minister Sinha said in 1998, "The clock won't be turned back".<sup>72</sup>

A high rate of economic growth coupled with rising incomes and a growing middle class have made India an attractive market for many international companies. Many business forecasts see the Indian middle class, depending on definition, as having almost unlimited growth potential. When Prime Minister Modi became head of government in 2014 many observers hoped for further acceleration of the economic reform process and India's integration into the global market. As a result, India improved its ranking in the Ease of Doing Business Index from 140 (2014) to 63 (2019).<sup>73</sup> The introduction in 2017 of a Goods and Service Tax, too, was a major economic success. For the first time, the Union of India became a single market, making it easier for foreign companies to access. In early 2020, before the Corona pandemic, India overtook the United Kingdom and France and measured by GDP became the world's fifth largest economy.<sup>74</sup>

On closer scrutiny, a more modest picture emerges. Between 2001 and 2011 the middle class in China grew from three to 18 per cent of the population, as against only from one to three per cent in India. Other studies put the Indian middle class at around six per cent of the population.<sup>75</sup>

<sup>72</sup> See Sridhar Krishnaswami, "The Clock Won't Be Turned Back: Sinha", *The Hindu*, 18 April 1998.

<sup>73</sup> See Suhasini Haidar, "Ease of Doing Business Leap Creditable: World Bank Chief", *The Hindu*, 27 October 2019.

<sup>74</sup> See "India Emerges As World's 5th Largest Economy, Overtakes UK and France, Says Report", *Business Today*, 18 February 2020, <https://www.businesstoday.in/current/economy-politics/india-emerges-as-world-5th-largest-economy-overtakes-uk-and-france-says-report/story/396372.html> (accessed 2 February 2021).

<sup>75</sup> See Nissim Mannathukkaren, "The Grand Delusion of Digital India", *The Hindu*, 6 October 2015, <http://www.thehindu.com/opinion/op-ed/the-grand-delusion-of-digital-india/article7727159.ece> (accessed 6 October 2015); see also

India's economic success since the 1990s is closely linked to the rise of information and communications technology. This part of the service sector has contributed enormously toward India now being seen if not as the factory then certainly as the office of the global economy. Despite its international linkage, however, this sector accounts for only a diminutive share of the overall labour market in India. In 2020, 4.36 million people were employed in these professions, less than one per cent of the total workforce.<sup>76</sup> A further technological success is the space and missile programme. Its military dimension is supplemented by a civilian programme that can assist third countries to put their own satellites into orbit.

### India as a production location is still not competitive.

Despite its reforms India's participation in global value chains lags behind the average of industrial and developing countries, even more so in recent years than previously.<sup>77</sup> Consequently the country still struggles in the international competition to attract business locations. Between April 2018 and August 2019, 56 companies transferred their production facilities away from China, of which almost half chose Vietnam as their new location. Only three companies moved to India,<sup>78</sup> including not a single one of the 87 Japanese companies that quit China in recent years, even though Japan is now seen as one of India's closest partners.<sup>79</sup> The Indian government has stepped

up investment in infrastructure in recent years, but there are still shortcomings in comparison with other countries. For example, logistics costs per product in India account for approximately 14 per cent of costs, as against only 8 to 10 per cent in China.<sup>80</sup>

The improvement in the Ease of Doing Business Index was for a long time counterbalanced by measures such as retrospective taxation of companies like Vodafone and Cairn.<sup>81</sup> Not until summer 2021 did the government change the legal situation to avoid further legal disputes with companies.<sup>82</sup> German industry as well as praising good growth prospects has been critical of increasing protectionism. Wolfgang Niedermark of the Federation of German Industries (Bundesverband der Deutschen Industrie, BDI) said, "In the past, hope in India as a future market repeatedly turned into present disillusionment."<sup>83</sup>

Foreign investment in India has increased markedly, reaching a record level of US\$49 billion in 2019. China, however, attracted US\$140 billion and Singapore US\$110 billion.<sup>84</sup> Prime Minister Modi announced in June 2019 that by 2024 India would develop into a US\$5 trillion economy, measured by GDP.<sup>85</sup> In absolute figures, that would make India the third largest economy after the United States and China. Admittedly, to reach this goal India would have to achieve annual economic growth of around 8 per cent of GDP,<sup>86</sup> which the economic collapse resulting

Shoumitro Chatterjee and Arvind Subramanian, *India's Inward (Re)Turn: Is It Warranted? Will It Work?* Policy Paper no. 1 (Sonipat: Ashoka Centre for Economic Policy, October 2020), 9.

**76** "Employment of the IT-BPM Industry in India from Financial Year 2011 to 2020 (in Millions)", <https://www.statista.com/statistics/320729/india-it-industry-direct-indirect-employment/> (accessed 28 May 2021).

**77** See Organisation for Economic Co-operation and Development (OECD), *Trade in Value Added: India* (Paris, 2018), <https://www.oecd.org/industry/ind/TIVA-2018-India.pdf> (accessed 1 February 2021); Hansjörg Herr et al., *Wirtschaftliche Entwicklung und Arbeitsbedingungen in globalen Wertschöpfungsketten*, Working Paper Forschungsförderung no. 175 (Düsseldorf: Hans-Böckler-Stiftung, 2020), <http://hdl.handle.net/10419/217250> (accessed 1 February 2021).

**78** See Sadanand Dhume, "East Is East: Can Indian Manufacturing Capitalize on the Flight from China?" *The Wall Street Journal*, 15 May 2020.

**79** See Jyoti Malhotra, "Japan, Swadeshi Jagran Manch and BCCI: Why Modi's China Headache Just Got Bigger This

Week", *ThePrint*, 4 August 2020, <https://theprint.in/opinion/global-print/japan-jagran-manch-bcci-why-modi-china-headache-just-got-bigger/474246/> (accessed 4 August 2020).

**80** See Nirmala Ganapathy, "Rail Wars; India: Road Construction Part of Drive to Better Compete with China", *The Straits Times*, 10 April 2021.

**81** See "Corporate Buccaneers: Seize and Insist", *The Economist*, 10 April 2021.

**82** See Ila Patnaik and Radhika Pandey, "Retrospective Tax Is Good Riddance. But Modi Govt Can Do More to Attract Foreign Investors", *ThePrint*, 13 August 2021, <https://theprint.in/ilanomics/retrospective-tax-is-good-riddance-but-modi-govt-can-do-more-to-attract-foreign-investors/714180/> (accessed 13 August 2021).

**83** Quoted in Mathias Peer, "Indien: Europas schwieriger Partner", *Handelsblatt*, 29 March 2021.

**84** See Sadanand Dhume, "East Is East: Jeff Bezos' Unhappy Passage to India", *The Wall Street Journal*, 24 January 2020.

**85** See R. Nagaraj, "Not by Wishful Thinking", *The Hindu*, 3 July 2019, <https://www.thehindu.com/opinion/op-ed/not-by-wishful-thinking/article28264404.ece> (accessed 3 July 2019).

**86** "8 % Growth Needed for a \$5-trillion Economy: Ex-RBI Governor", *The Economic Times*, 12 July 2019, <https://economic-times.indiatimes.com/news/economy/policy/8-growth-needed->

from the Covid-19 pandemic will make even harder to realize.

### Free trade agreements widened India's trade deficit.

A review of free trade agreements to date showed that they mostly increased India's trade deficit with the respective countries.<sup>87</sup> The Indian government in late 2015 adopted new guidelines for bilateral investment agreements, intending to use them as a basis for renegotiating expiring agreements.<sup>88</sup> Both international corporations and countries criticised the new regulations, however, so by 2020 only four new agreements had been signed.<sup>89</sup>

Nonetheless, India defended its national interests in various international trade, environment and climate negotiations and played a part in shaping international rules. This enabled it to enhance its international status markedly, especially in comparison with the pre-1991 phase.<sup>90</sup> In the face of considerable domestic political resistance, India in 1995 was a founding member of the new World Trade Organization (WTO), becoming a spokesperson for developing countries and, along with countries like Brazil and

China, a key adversary of the industrial countries.<sup>91</sup> India increased its voting power at the World Bank and is now one of the ten largest shareholders in the International Bank for Reconstruction and Development (IBRD). The country has increased its special drawing rights at the International Monetary Fund and succeeded in joining the group of the ten largest shareholders.<sup>92</sup>

## The Regional Level

India's economic cooperation with its immediate neighbours is limited and Modi's "Neighbourhood First" policy has done nothing to change that. The member states of the South Asian Association for Regional Cooperation (SAARC) traditionally report a low rate of intraregional trade. This is primarily attributable to the political problems between India and Pakistan, the two largest economies in the organization. Other factors are the low degree of economic complementarity and the inadequate regional infrastructure. The South Asian Free Trade Area (SAFTA), which came into force in 2006, and the efforts to improve regional connectivity made from 2007 by the Indian government under Prime Minister Manmohan Singh achieved only moderate success. The proportion of intraregional trade in the SAARC in 2016 was estimated at around five per cent.<sup>93</sup>

for-a-5-trillion-economy-ex-rbi-governor/articleshow/70193183.cms?utm\_source=contentofinterest&utm\_medium=text&utm\_campaign=cppst (accessed 13 July 2019).

**87** See N. Madhavan, "Why Trade Deals Are the Next Logical Step", *The Hindu Business Line*, 19 November 2020, <https://www.thehindubusinessline.com/opinion/columns/why-trade-deals-are-the-next-logical-step/article33134569.ece> (accessed 22 December 2020).

**88** See Amiti Sen Surabhi, "India's Bilateral Investment Pacts under Cloud", *The Hindu Business Line*, 15 January 2018, <https://www.thehindubusinessline.com/economy/indias-bilateral-investment-pacts-under-cloud/article9625580.ece> (accessed 15 January 2018).

**89** See Suhasini Haidar, "India, Brazil to Sign Strategic Action Plan", *The Hindu*, 22 January 2020, <https://www.thehindu.com/news/national/india-brazil-to-sign-strategic-action-plan/article30618041.ece> (accessed 22 January 2020); Abhishek Dwivedi, "India's Flawed Approach to Bilateral Investment Treaties", *The Diplomat*, 4 December 2020, <https://thediplomat.com/2020/12/indias-flawed-approach-to-bilateral-investment-treaties> (accessed 22 December 2020).

**90** See Amrita Narlikar, "India's Role in Global Governance: A Modification?" *International Affairs* 93, no. 1 (2017): 93–111; Karthik Nachiappan, *Does India Negotiate?* (Oxford and New Delhi: Oxford University Press, 2019).

**91** See Kristen Hopewell, "Different Paths to Power: The Rise of Brazil, India and China at the World Trade Organization", *Review of International Political Economy* 22, no. 2 (2015): 311–38.

**92** See Jakob Vestergaard, *The World Bank and the Emerging World Order. Adjusting to Multipolarity at the Second Decadal Point*, DIIS Report 2011:05 (Copenhagen: Danish Institute for International Studies [DIIS], 2011), 7–10; World Bank Group Finances, *IBRD Statement of Subscriptions to Capital Stock and Voting Power* (Washington, D.C., 2015), <https://finances.worldbank.org/Shareholder-Equity/IBRD-Statement-of-Subscriptions-to-Capital-Stock-a/rcx4-r7xj> (accessed 23 February 2016); Dries Lesage et al., "Rising Powers and IMF Governance Reform", in *Rising Powers and Multilateral Institutions*, ed. Dries Lesage and Thijs van de Graaf (Basingstoke: Palgrave Macmillan, 2015), 153–74.

**93** See World Bank, *The Potential of Intra-regional Trade for South Asia*, <http://www.worldbank.org/en/news/infographic/2016/05/24/the-potential-of-intra-regional-trade-for-south-asia> (accessed 25 January 2018); The Asia Foundation, *Intra-Regional Trade in South Asia*, 1, <https://asiafoundation.org/wp-content/uploads/2016/05/India-Regional-Trade-Brochure.pdf> (accessed 1 September 2021); United Nations Economic and Social

Extensive investments in the region by China since 2014/15 in the context of its Belt and Road Initiative further weakened India's position vis-à-vis neighbouring countries.<sup>94</sup> All SAARC countries except India and Bhutan have joined the Silk Road initiative. South Asian countries willingly accepted China's economic support, especially since, unlike India, they have no or only minor bilateral differences with China and, compared with India, the People's Republic is the more attractive economic partner. The deterioration in India-Pakistan relations that has been apparent since 2016 adversely affected the SAARC, even though Modi used the Covid-19 pandemic to initiate a joint programme under its auspices. The Indian government now also supports new regional formats such as BIMSTEC or sub-regional cooperation with Bhutan, Bangladesh and Nepal (BBIN). Given growing political and economic competition with China, India's difficulties in providing public goods for neighbouring countries with the aim of underpinning its predominant position are likely to increase.

### India cannot compete with China in vaccine diplomacy.

One example is the fight to control the Covid-19 pandemic. Both China and India take advantage of the crisis for "vaccine diplomacy". By delivering vaccines to neighbouring countries India was initially able to regain some of the diplomatic ground lost to China. The Quad decision to collaborate in stepping up vaccine production played a part in that because India as a production location played an important role.<sup>95</sup> The devastating consequences of the second Corona wave that swept across India in the spring of 2021 revealed the shortcomings of Indian vaccine production. The Indian government halted vaccine exports, giving rise to criticism not only in neighbour-

ing countries but also in African states.<sup>96</sup> By taking this step India is likely to have lost ground in its competition with China, not only in South Asia but also in other parts of the world.

The relationship with China also shapes India's relations with its wider neighbourhood in the Asian region because as well as being a strategic rival China is also India's most important bilateral trading partner. India's trade deficit with China has been growing for years, while its efforts to open the Chinese market for Indian companies have brought little success. Heightening tensions with China, above all since their confrontation in the Himalayas in summer 2020, makes the situation even more complicated for India. After the military clashes there were calls to reduce economic ties with China. The Indian government imposed a range of sanctions, among other things banning various Chinese apps. However, large business enterprises warned against such measures, given that their own production locations in India depend on supplies from China.<sup>97</sup>

Economic relations with Japan or the ASEAN states, with which India has a number of economic agreements, are much better. However, the Indian government in November 2019 withdrew at the last minute from the planned Regional Comprehensive Economic Partnership (RCEP). This intended free trade project, in which China also participates, would have further enlarged India's chronic trade deficit with China.

### The National Level

The maxim in business circles is "Bet big and bet long in the Indian economy".<sup>98</sup> Relevant forecasts predict that measured by total GDP India in 2030 will be the third largest economy after China and the United

Commission for Asia and the Pacific (ESCAP), *Unlocking the Potential of Regional Economic Cooperation and Integration in South Asia. Potential, Challenges and the Way Forward* (New Delhi, 2017), 1.

<sup>94</sup> See Niara Sareen and Riya Sinha, *India's Limited Trade Connectivity with South Asia*, Policy Brief Sambandh: Regional Connectivity Initiative (New Delhi: Centre for Social and Economic Progress [CSEP], 2020), <https://csep.org/policy-brief/indias-limited-trade-connectivity-with-south-asia/> (accessed 1 February 2021).

<sup>95</sup> See Nirmala Ganapathy, "Quad Vaccine Initiative Seen As Boost to India's Soft Power", *The Straits Times*, 14 April 2021.

<sup>96</sup> See Giulia Paravicini, "India's Halt to Vaccine Exports 'Very Problematic' for Africa", *wire.in*, 19 May 2021, <https://the.wire.in/world/indias-halt-to-vaccine-exports-very-problematic-for-africa> (accessed 19 September 2021).

<sup>97</sup> See Niharika Sharma, "India May Not Have Anything to Gain in a Trade Standoff with China, Experts Warn", *scroll.in*, 8 September 2020, <https://scroll.in/article/972253/india-may-not-have-anything-to-gain-in-a-trade-standoff-with-china-experts-warn> (accessed 8 September 2020).

<sup>98</sup> See "Bet Big and Bet Long in the Indian Economy", *India Global Business*, 29 November 2020, <https://www.indiaglobalbusiness.com/editorials/bet-big-and-bet-long-in-the-indian-economy> (accessed 30 November 2020).



States. However, in a comparison group of 16 countries, in 2030 India is also likely to be last in terms of GDP per capita. Admittedly, it will also be the world's most populous country and provide the largest proportion of people able to work, at 68.4 per cent.<sup>99</sup> Whether these positive forecasts prove true depends on a range of developments in areas such as demographics, education and research or employment.

## Demographic Development

More than 1.353 billion people lived in India in 2018.<sup>100</sup> United Nations forecasts show that India will replace China as the world's most populous country as soon as 2027.<sup>101</sup> The country's fertility rate has declined in recent decades and in 2017 was 2.2.<sup>102</sup> The population is comparatively young. The 2011 census showed 19.1 per cent of the population as being in the 15–24 age group.<sup>103</sup> For years that has prompted discussion about a possible demographic dividend, though its potential has hardly been unlocked as yet. Instead, there is a risk that the large proportion of young people will become a burden on the state.<sup>104</sup>

<sup>99</sup> See Robin Niblett, *Global Britain, Global Broker. A Blueprint for the UK's Future International Role*, Chatham House Research Paper (London, January 2021), 23.

<sup>100</sup> See World Bank, "India", <https://data.worldbank.org/country/india> (accessed 19 May 2020).

<sup>101</sup> See United Nations, Department of Economic and Social Affairs, "Growing at a Slower Pace, World Population Is Expected to Reach 9.7 Billion in 2050 and Could Peak at Nearly 11 Billion around 2100" (New York, 17 June 2019), <https://www.un.org/development/desa/en/news/population/world-population-prospects-2019.html> (accessed 19 May 2020).

<sup>102</sup> See Vaishnavi Chandrashekhar, *Why India Is Making Progress in Slowing Its Population Growth* (Yale School of the Environment, 12 December 2019), <https://e360.yale.edu/features/why-india-is-making-progress-in-slowing-its-population-growth> (accessed 19 May 2020).

<sup>103</sup> See Government of India, Ministry of Statistics and Programme Implementation, Central Statistics Office, *Youth in India 2017* (New Delhi, 2017), 3. However, precise recording of the youth share of the population is impeded because, unlike the UN, the Indian government uses different and sometimes changing age limits to define youth. For the UN, 15- to 24-year-olds fall into this category, while Indian youth policy since 2003 has worked with figures for the age group from 13 to 35, and the national youth strategy since 2014 with those for the age group from 15 to 29; see *ibid.*, 2.

<sup>104</sup> See Meenakshi Datta Ghosh, "Youth Can Be a Clear Advantage for India", *The Hindu*, 24 February 2020, <https://www.thehindu.com/opinion/lead/youth-can-be-a-clear->

First, an imbalance exists between the sexes in India, statistically visible as a "women shortage".<sup>105</sup> One main cause is the cultural preference for sons rather than daughters. This begins with (officially prohibited) prenatal sex determination and is reflected in worse health statistics for girls in nearly all age groups. Although this behaviour is changing among the urban middle classes, they still form a comparatively small part of the population. The urbanization rate in India is still only 35 per cent. As a result, India has slipped even further down in international benchmark indices such as the 2019 Gender Gap Index, in which it ranked only 112 out of 153 participating countries.<sup>106</sup>

## Education and Research

Second, the country is still struggling with serious shortcomings in its education system. For example, the official literacy rate in 2018 was just 75 per cent.<sup>107</sup> Although India has achieved major successes in this area, it has lost touch in particular with countries in East and South-East Asia that were on a similar level to India in the 1950s but where in the meantime literacy rates of nearly 100 per cent have been achieved. One probable reason is that India did not introduce compulsory schooling for all until the 2009 Right to Education Act.

The situation with regard to universities is not significantly better. By global comparison, Indian universities are rather uncompetitive. Even showcase academic institutions such as the Indian Institutes of Technology (IIT) or Indian Institutes of Sciences (IISc) can hardly keep pace. In the QS World University Rankings report for 2021 the three most prestigious

[advantage-for-india/article30897179.ece](https://www.qs.com/advantage-for-india/article30897179.ece) (accessed 24 February 2020).

<sup>105</sup> See Kenneth Roth, *You Should Be Worrying about the Woman Shortage* (Human Rights Watch, 2019), <https://www.hrw.org/world-report/2019/country-chapters/global-0> (accessed 5 January 2021).

<sup>106</sup> See "India Slips to 112th Rank on Gender Gap Index; in Bottom 5 on Health, Economic Fronts", *Business Today*, 17 December 2019, <https://www.businesstoday.in/current/economy-politics/india-slips-to-112th-rank-on-gender-gap-index-bottom-5-health-economic-fronts/story/392184.html> (accessed 5 January 2021).

<sup>107</sup> See Statista, "Literacy Rate in 2011, 2015 and 2018, by Gender", <https://www.statista.com/statistics/271335/literacy-rate-in-india/> (accessed 26 June 2020).

among them fell further back.<sup>108</sup> The number of Indian institutions ranked among the 1,000 leading universities worldwide decreased from 25 to 21 in 2020.<sup>109</sup> Commentators noted that the evidently inadequate quality of Indian educational institutions was probably the reason why Modi government ministers preferred to send their children to study at universities abroad.<sup>110</sup>

Investment in research and development has also declined, from 0.86 per cent of GDP in 2008 to just 0.60 per cent in 2018.<sup>111</sup> Here India lags behind China in particular.<sup>112</sup> Given this situation it is unsurprising that India is massively behind with patent registrations. A total of 46,600 patent applications were lodged in India in 2017, as against 600,000 in the United States and more than 1.3 million in China. Moreover, at that time it took 64 months to approve a patent in India, 24 in the United States and only 22 months in China. India also lags clearly behind other countries in terms of the number of researchers per million inhabitants. This was just 216 in India, as against

1,206 in China, 4,313 in the United States, and as many as 5,210 in Japan.<sup>113</sup>

## Employment

The Indian government's Economic Survey for 2018/19 put the total workforce at 450 million people. Official figures show that 93 per cent of them, that is more than 418 million individuals, were employed in the unorganized sector.<sup>114</sup> According to estimates, 10 to 12 million more people join the Indian labour market each year. However, due to the aforementioned problems in the field of education, their educational level is deemed inadequate, including with regard to foreign companies.<sup>115</sup> The India Skills Report for 2019 states that only 47 per cent of graduates were employable.<sup>116</sup> The problem affects even key sectors such as the IT industry.<sup>117</sup> Moreover, India is one of the countries with the lowest proportion of women in work. Their labour force participation rate (LFPR) has even fallen in recent years, from 31.2 per cent in 2011/12 to 23.3 per cent in 2017/18.<sup>118</sup>

**108** See Kritika Sharma, "IITs and IISc Fall in QS Rankings for 2021, Week after Similar THE Performance", *ThePrint*, 10 June 2020, <https://theprint.in/india/education/iits-and-iisc-fall-in-qs-rankings-for-2021-week-after-similar-the-performance/438998/> (accessed 10 June 2020).

**109** See ThePrint Team, "IIT, IISc Global Rankings Fall: How Can India Attract Foreign Students, Faculty to Improve?", *ThePrint*, 10 June 2020, <https://theprint.in/talk-point/iit-iisc-global-rankings-fall-how-can-india-attract-foreign-students-faculty-to-improve/439114/> (accessed 10 June 2020); *Times Higher Education World University Rankings 2020*, [https://www.timeshighereducation.com/world-university-rankings/2020/world-ranking#!/page/0/length/50/locations/IN/sort\\_by/rank/sort\\_order/asc/cols/stats](https://www.timeshighereducation.com/world-university-rankings/2020/world-ranking#!/page/0/length/50/locations/IN/sort_by/rank/sort_order/asc/cols/stats) (accessed 10 June 2020).

**110** See Shanker Arnimesh, "Modi Govt Ministers Prefer Oxford, Harvard for Their Children's Education and Not IIT, IIM", *ThePrint*, 2 March 2020, <https://theprint.in/india/modi-govt-ministers-prefer-oxford-harvard-for-their-childrens-education-and-not-iit-iim/369180/> (accessed 2 March 2020).

**111** See World Bank, "Research and Development Expenditure (% of GDP) — India", <https://data.worldbank.org/indicator/GB.XPD.RSDV.GD.ZS?end=2018&locations=IN&start=1996&view=chart> (accessed 4 July 2020).

**112** See Manoj Joshi, "Beijing's Trajectory in Science and Technology Shows India Is Far Behind in the Game", *The Wire*, 23 January 2018, <https://thewire.in/216576/china-watch-beijings-trajectory-science-technology-shows-india-far-behind-game/> (accessed 23 January 2018).

**113** See G. Seetharaman, "Patents Crucial for India to Bridge Tech Gap with US and China", *The Economic Times*, 6 October 2019, <https://economictimes.indiatimes.com/tech/internet/pending-patents-key-to-bridge-vast-tech-gap-with-us-china/articleshow/71458600.cms?from=mdr> (accessed 4 July 2020).

**114** See Riya Rana, "India Lockdown: Most Affected Is Unorganized Sector; It Is 93 % of the Total Workforce, 41 Crore People Lack Economic Security", 20 March 2020, <https://www.inventiva.co.in/stories/riyarana/india-lockdown-most-affected-is-unorganized-sector-it-is-93-of-the-total-workforce-41-crore-people-lack-economic-security/> (accessed 5 January 2021).

**115** See Anantha, V. Nageswaran/Gulzar Natarajan, *Can India Grow? Challenges, Opportunities, and the Way Forward* (New Delhi: Carnegie Endowment for International Peace, 2016), 48.

**116** See Mohini Bishnoi, "The Many Structural Flaws in India's Higher Education System", *The Hindu*, 5 December 2019, <https://www.thehindu.com/opinion/op-ed/the-many-structural-flaws-in-indias-higher-education-system/article30169923.ece> (accessed 5 December 2019).

**117** See Katharina Buchholz, "90 Percent of Indian Engineers Lack Key Skills", 2 April 2019, <https://www.statista.com/chart/17565/coding-skills-and-employability-of-indian-it-engineering-graduates/> (accessed 5 December 2019).

**118** See Divita Shandilya, "The Gender Ladder to Socio-economic Transformation", *The Hindu*, 3 May 2019, <https://www.thehindu.com/opinion/op-ed/the-gender-ladder-to-socio->

Job creation has been a central challenge for Indian governments for years. The Modi government, like its predecessors, banked on expanding the manufacturing sector. The target was 25 per cent of GDP.<sup>119</sup> Instead, the World Bank in 2020 reported a decline in this area too, from 15.1 per cent in 2014 to 14.8 per cent in 2018.<sup>120</sup> Moreover, increased automation no longer has the employment effects that industrialization still brought in the 1980s and 1990s. This development has been reflected in India where, partly because of the Corona pandemic, the number of employees in this sector halved within five years, from 51 million in 2016/17 to 27.3 million in 2020/21.<sup>121</sup>

## Social Development

The assessment is mixed in this area, too. According to UN estimates, thanks to its economic success India was able to lift 271 million people out of poverty between 2006 and 2016.<sup>122</sup> Nonetheless, it still faces major challenges.<sup>123</sup> In the Human Development Index ranking (see Table 1, p. 14f.) no other G20 country scores as low as India, which was ranked 131 in

2020, having dropped back two places from the previous year.<sup>124</sup> And despite India's success in combating poverty, the World Bank estimates that in 2015 more than 50 per cent of its people were living beneath the poverty line of US\$3.20 per day.<sup>125</sup> The economic downturn in the wake of the Corona pandemic leads one to fear that poverty is set to rise markedly again, especially in rural areas.<sup>126</sup>

India is self-sufficient in food production, but malnutrition and undernourishment remain a serious problem. The 2020 UN report on food security and nutrition showed not only that 23% of people in India were exposed to food insecurity, the highest proportion globally, but also that the number had increased by 62 million between 2014 and 2019.<sup>127</sup> India was ranked 94th out of 101 countries in the 2020 Global Hunger Index<sup>128</sup> and 116th out of 174 in the 2020 World Bank Human Capital Index.<sup>129</sup>

## Economic Development Since 2017

Economic development in India had slowed markedly even before the Corona pandemic. The GDP growth

economic-transformation/article27016152.ece (accessed 3 May 2019).

**119** See T. N. Ninan, "Not Signing RCEP Could be One of Modi's Biggest Blunders, 'Atmanirbhar' an Admission of Defeat", *ThePrint*, 21 November 2020, <https://theprint.in/opinion/not-signing-rcep-could-be-one-of-modis-biggest-blunders-atmanirbhar-an-admission-of-defeat/548907/> (accessed 21 November 2020).

**120** See Dhume, "East Is East: Can Indian Manufacturing Capitalize on the Flight from China?" (see note 78).

**121** See Ankur Bhardwaj, "Manufacturing Employment Nearly Half of What It Was Five Years Ago", *Business Standard*, 7 May 2021, [https://www.business-standard.com/article/economy-policy/ceda-cmie-bulletin-manufacturing-employment-halves-in-five-years-121050601086\\_1.html](https://www.business-standard.com/article/economy-policy/ceda-cmie-bulletin-manufacturing-employment-halves-in-five-years-121050601086_1.html) (accessed 8 May 2021).

**122** See "India Lifted 271 Million People out of Poverty in 10 Years: UN", *The Hindu*, 12 July 2019, <https://www.thehindu.com/news/national/india-lifted-271-million-people-out-of-poverty-in-10-years-un/article28397694.ece> (accessed 12 July 2019).

**123** See Jean Drèze and Amartya Sen, *An Uncertain Glory: India and Its Contradictions* (Princeton: Princeton University Press, 2013); Mohan Guruswamy, "Forget the Ease of Doing Business, India Needs to Focus on Issues of Hunger and Poverty First", *scroll.in*, 2 November 2017, <https://scroll.in/article/856243/forget-the-ease-of-doing-business-india-needs-to-focus-on-issues-of-hunger-and-poverty-first> (accessed 2 November 2017).

**124** See "India Drops Two Ranks in Human Development Index", *The Hindu*, 17 December 2020, <https://www.thehindu.com/news/national/india-ranks-131-in-2020-un-human-development-index/article33348091.ece> (accessed 17 December 2020).

**125** The of US\$3.20 poverty line applies to countries with a lower middle income, of which India is one, see World Bank, *Poverty & Equity Brief India* (Washington, D.C., April 2020), [https://databank.worldbank.org/data/download/poverty/33EF03BB-9722-4AE2-ABC7-AA2972D68AFE/Global\\_POVEQ\\_IND.pdf](https://databank.worldbank.org/data/download/poverty/33EF03BB-9722-4AE2-ABC7-AA2972D68AFE/Global_POVEQ_IND.pdf) (accessed 14 January 2021).

**126** See Santosh Mehrotra and Jajati Keshari Parida, "Poverty in India Is on the Rise Again", *The Hindu*, 4 August 2021, <https://www.thehindu.com/opinion/lead/poverty-in-india-is-on-the-rise-again/article35709263.ece> (accessed 4 August 2021).

**127** See Vaishali Bansal, "More Evidence of India's Food Insecurity", *The Hindu*, 24 August 2020, <https://www.thehindu.com/opinion/lead/more-evidence-of-indias-food-insecurity/article32424037.ece> (accessed 24 August 2020).

**128** See Rajmohan Unnithan, "The Long Road to Food Security", *The Hindu*, 17 December 2020, <https://www.thehindu.com/opinion/op-ed/the-long-road-to-food-security/article33349977.ece> (accessed 17 December 2020).

**129** See "India Ranks 116 in World Bank's Human Capital Index", *The Hindu*, 17 September 2020, <https://www.thehindu.com/business/Economy/india-ranks-116-in-world-banks-human-capital-index/article32627733.ece> (accessed 18 September 2020).



rate had been declining since 2017<sup>130</sup> and in 2019 unemployment rose to a three-year high.<sup>131</sup> In 2019/20, before the Corona crisis broke out, economic growth amounted to just five per cent, the lowest figure for eleven years.<sup>132</sup> However, one needs to take into account that in 2015 the Indian government changed the basis on which economic growth is calculated. When the revised growth figures were published in 2018, this change led to a heated debate about the reliability and validity of the official data.<sup>133</sup> After the dramatic economic downturn during the Corona crisis in spring 2020, the goal of a US\$5 trillion economy seems to have receded into the distant future.

India is one of the countries worst hit economically by the pandemic. GDP in the first quarter of 2020 fell by more than 23 per cent. Economic output in the full year 2020/21 shrank by 7.3 per cent.<sup>134</sup> Moreover, these figures do not show the true extent of the economic consequences, since workers in the unor-

ganized sector, who make up 93 per cent of the workforce, are only partly recorded in these statistics.<sup>135</sup> The already severe inequality that characterizes life in India is likely to be even further exacerbated after the crisis.

The Indian government took advantage of the economic downturn in 2020 to introduce a number of far-reaching reforms. In the context of state aid measures to overcome the Corona crisis, Prime Minister Modi in a speech to the nation on the concept of *Atmanirbhar Bharat* (self-reliant India) on 12 May 2020 announced his new economic policy agenda.<sup>136</sup> This completed an about-turn that had been signalled in previous years. Since coming to power his government had increased customs duty in some areas, and by the end of 2020 the Modi government had not entered into any free trade agreements with individual countries or economic blocs (see above, p. 25).

### Modi's future economic policy banks on self-reliance and promoting national industry.

A trend toward protectionism can be observed in many countries. In India, this concept meets with widespread political approval and coincides with the ideas of the Rashtriya Swayamsevak Sangh (RSS), which has a major influence on the policies of the BJP government. Back in 2014 Modi launched the Make in India programme with the aim of reducing imports and promoting exports. It focuses mainly on the armaments sector with the aim of lessening its dependence on imports and foreign technologies.

One of the first measures taken under the new economic policy was employment law reform designed to reduce the number of regulations. In summer 2020 the government also legislated for far-reaching reforms in agriculture, inter alia with the goal of cutting subsidies and replacing the previous system of state-regulated purchase of agricultural products with new, market economy mechanisms. However, these laws met with fierce resistance from farmers and led in

**130** See Macrotrends, "India GDP Growth Rate 1961 – 2021", <https://www.macrotrends.net/countries/IND/india/gdp-growth-rate> (accessed 17 September 2020).

**131** See Varun B. Krishnan, "Joblessness Rises to 3-year High", *The Hindu*, 2 November 2019.

**132** See Rohan Venkataramakrishnan, "Budget 2020: Sitharaman's Speech Seems Transplanted from a World Where India's Economy Is Booming", *scroll.in*, 3 February 2020, <https://scroll.in/article/951955/budget-2020-sitharaman-speech-seems-transplanted-from-a-world-where-indias-economy-is-booming> (accessed 3 February 2020); Pulapre Balakrishnan, "Modinomics in a Spot of Bother as Growth Slows in India", 4 March 2020, <https://www.eastasiaforum.org/2020/03/04/modinomics-in-a-spot-of-bother-as-growth-slows-in-india/> (accessed 4 March 2020).

**133** See Prमित Bhattacharya, "The Truth behind India's New GDP Numbers", *livemint.com*, 2 April 2015, <http://www.livemint.com/Politics/jKTdOc5DMIjs7QuaoZdLtN/The-truth-behind-Indias-new-GDP-numbers.html> (accessed 3 April 2015); Devangshu Datta, "How Trustworthy Is India's Economic Data? Does the Modi Government Care about It Anymore?", *scroll.in*, 31 July 2018, <https://scroll.in/article/887853/how-trust-worthy-is-india-s-economic-data-does-the-modi-government-care-about-it-anymore> (accessed 31 July 2018); Santosh Mehrotra, "A Self-goal for India", *The Hindu*, 13 December 2018, <https://www.thehindu.com/opinion/op-ed/a-self-goal-for-india/article25727207.ece> (accessed 13 December 2018).

**134** See Vikas Dhoot, "GDP Shrinks by 7.3%; Q4 Uptick Moderates 2020 – 21 Carnage", *The Hindu*, 1 June 2021, <https://www.thehindu.com/business/Economy/overall-impact-of-second-pandemic-wave-on-economy-not-likely-to-be-large-says-cea/article34691328.ece> (accessed 1 June 2021).

**135** See Arun Kumar, "Budget 2021 Stops Short of the Kick the Indian Economy Needed", *The Wire*, 1 February 2021, <https://thewire.in/economy/budget-2021-stops-short-of-the-kick-the-indian-economy-needed> (accessed 1 February 2021).

**136** See Vrishti Beniwal, "With Modi Saying 'Self-reliance' 17 Times in Speech, India Seems Set to Turn Protectionist", *ThePrint*, 13 May 2020, <https://theprint.in/economy/with-modi-saying-self-reliance-17-times-in-speech-india-seems-set-to-turn-protectionist/420670/> (accessed 13 May 2020).

winter 2020/21 to violent protests and clashes with the police in the capital, New Delhi.

Indian experts have warned against the new credo of economic self-reliance, which recalls the phase of import substitution in the 1950s and 1960s. However, policy at that time was geared to socialist economic models and relied on a large state sector, whereas Modi's policy of self-reliance is aimed at privatizing often loss-making state enterprises, commercializing agriculture and building national champions, for example in the technology sector.

Critics complain that this will hardly put India in a position to create urgently needed jobs. Moreover, it is not apparent how this policy will enable India in the medium to long term to build the economic resources that would give the country more weight in international competition. A policy of (selective) protectionism runs the risk that India will fall even further behind China in the years ahead. Former economic adviser Arvind Subramanian summarized the dilemma of this strategy as follows: "If we turn protectionist, I don't know how we can be an exporting power. Self-sufficient exporting powerhouse is an oxymoron."<sup>137</sup>

## Outlook: Self-reliance and India's Rise

The development of the Indian economy was, and will remain the crucial factor for the country's rise. Growth successes since liberalization in 1991 have not only led to significant development progress, but also changed the country's image. India has not developed into a factory of the global economy like China, but because of its large service sector and its success in information technology it has evolved into the office of the global economy. Its enhanced status in the World Bank and International Monetary Fund (IMF) is visible evidence of this.

At the regional level, the immediate neighbourhood in South Asia is not very attractive economically. Increasing competition from China is likely to further weaken India's economic standing in the region. In the wider regional context in Asia, India initially improved its position by expanding trade with China, Japan and ASEAN. However, the country's withdrawal

from regional treaties such as RCEP is a setback to further integration. If India sees itself unable to accept a simple trade policy agreement like RCEP, the planned negotiations with the EU on a far more complex trade agreement are unlikely to hold much promise of success.

Following its economic success in the last three decades, India is now a state with a lower middle per capita income. As a result, it now finds itself in the middle income trap.<sup>138</sup> Developing countries achieve middle income levels but due to demographic and technological limitations are initially unable to progress any further. To achieve higher income brackets, above all extensive investment would be necessary, inter alia in education and research.<sup>139</sup> This shows up the weaknesses in the Indian economic and development model, weaknesses that the Corona pandemic has exacerbated. It is as yet unclear whether the new economic policy alignment of self-reliance will be part of the solution or part of the problem. Economists have pointed out that after World War Two no developing country was able to achieve economic growth of more than six per cent by relying solely on domestic demand.<sup>140</sup> Economists Shoumitro Chatterjee and Arvind Subramanian said that focusing on self-reliance to the detriment of opening up risks not only "killing the goose that lays golden eggs but also killing the only goose that can lay eggs."<sup>141</sup> A study by an eminent Indian think tank in summer 2021 pointed out that India requires economic growth of seven to eight per cent in the medium term in order to cancel out the economic downturn during the Corona pandemic and to unlock the demographic dividend.<sup>142</sup>

**138** See Rohit Inani, "India May Fall into a Middle-income Trap, from Which No Country Has Been Able to Bounce Back", *scroll.in*, 14 January 2020, <https://scroll.in/article/949745/india-may-fall-into-a-middle-income-trap-from-which-no-country-has-been-able-to-bounce-back> (accessed 14 January 2020).

**139** See S. P. Jayasooriya, *Growth Slowdowns, Middle-Income Trap, and Demographic Profile in South Asia*, ADBI Working Paper 736 (Tokyo: Asian Development Bank Institute [ADBI], 2017), <https://www.adb.org/publications/growth-slowdowns-middle-income-trap-demographic-profile-south-asia> (accessed 8 July 2020).

**140** See Chatterjee and Subramanian, *India's Inward (Re)Turn* (see note 75), 19.

**141** See *ibid.*

**142** See "India's Economy: The Sick Man of Asia", *The Economist*, 24 July 2021.

**137** "India Must Shed Its Protectionist Attitude: Ex-CEA Arvind Subramanian", *Business Standard*, 4 June 2020, [https://www.business-standard.com/article/economic-revival/india-must-shed-its-protectionist-attitude-ex-cea-arvind-subramanian-120060400100\\_1.html](https://www.business-standard.com/article/economic-revival/india-must-shed-its-protectionist-attitude-ex-cea-arvind-subramanian-120060400100_1.html) (accessed 8 June 2020)

Should the policy of self-reliance turn out to be a new edition of the mixed economy under different ideological auspices, there is a risk that India will, first, be caught in the middle income trap for a very long time and, second, not generate the economic power it needs to fulfil its ambition to rise in the global order. Foreign Minister Jaishankar has repeatedly claimed that India aspires to “a kind of equilibrium” with China.<sup>143</sup> Given the economic differences between the two countries, the question is how India aims to achieve this equilibrium with its future economic policy.

**143** See Vinay Kaura, “Jaishankar Wants Equilibrium with China. But Beijing Is Playing a Whole Different Game”, *ThePrint*, 11 August 2020, <https://theprint.in/opinion/jaishankar-equilibrium-with-china-beijing-playing-different-game/478751/> (accessed 11 August 2020).

# Security

## The International Level

Two topics are of interest for discussion of India's rise: the nuclear programme and India's engagement in the UN and its associated role in UN peacekeeping missions.

American intelligence reports found that India was in a position to build nuclear weapons in the mid-1960s.<sup>144</sup> The country's first nuclear test was conducted in 1974, since when India has been seen as a nuclear power. That initial test was not aimed primarily at deterring an actual threat. In 1971 India won a clear military victory in its third war with Pakistan, which resulted in independence for East Pakistan and the founding of Bangladesh. Rather, the test was about proving technological capabilities and about India's claim to be on a par with the other nuclear powers. India did not sign the Non-Proliferation Treaty (NPT) that came into force in 1970. It could only have done so as a non-nuclear state, which ran counter to India's claim to equal status with the other nuclear powers.

The 1974 test initially had counterproductive consequences for India, which instead of enhanced recognition faced greater international isolation. Before the end of that year the industrialized countries as the main suppliers of nuclear technology set up the Nuclear Suppliers Group (NSG), which imposed a number of export sanctions on India. The extent to which the technological sanctions damaged India's ensuing economic development is still unclear. Indian governments repeatedly criticized the NPT as "nuclear apartheid," saying that it divided the world into nuclear weapons haves and have-nots. Nonetheless, the NPT is one of the international regimes most highly recognized by the global community. India's second nuclear test in 1998 was likewise followed by sanctions.

**144** See "India Could Have Gone Nuclear As Early As 1964: U.S. Intelligence", *The Hindu*, 19 May 2016, <http://www.thehindu.com/news/national/india-could-have-gone-nuclear-as-early-as-1964-us-intelligence/article8620282.ece> (accessed 19 May 2016).

## India promotes the expansion of nuclear energy for future energy supply.

The improvement in relations with the United States that began in the 1990s opened up one way out of this impasse. The Bush Administration in 2001 entered into negotiations about potential nuclear co-operation. India expressed interest, partly with a view to expanding nuclear energy in order to meet the growing energy demand resulting from its rapid economic development. The Indian negotiators made a number of concessions, stressing among other things that they would adhere to the central principles of the NPT such as non-proliferation of nuclear technology, though India would still not sign the treaty. In early 2005 India and the United States signed the US-India Civil Nuclear Agreement. In 2008 the International Atomic Energy Organization (IAEO) and the NSG, of which China was a member, approved this accord. That paved the way for further agreements. By 2019 India had signed civil nuclear co-operation agreements with 14 countries.<sup>145</sup>

The Indo-US nuclear deal ended India's decades of isolation on this issue. Chinese opposition has so far prevented India from joining the NSG,<sup>146</sup> but by signing that agreement the country took a significant step closer to the nuclear regime than any other state outside the NPT has managed until now. The agreement subsequently enabled India to join further arms control regimes such as the Missile Technology Control

**145** See Pulkit Mohan and Pallav Agarwal, *India's Civil Nuclear Agreements: A New Dimension in India's Global Diplomacy*, ORF Issue Brief, no. 320 (Observer Research Foundation [ORF], October 2019), [https://www.orfonline.org/wp-content/uploads/2019/10/ORF\\_IssueBrief\\_320\\_CivilNukes\\_FinalForUpload.pdf](https://www.orfonline.org/wp-content/uploads/2019/10/ORF_IssueBrief_320_CivilNukes_FinalForUpload.pdf) (accessed 1 September 2020).

**146** See Atul Aneja, "NSG Still a Far Cry for India as China Insists on NPT Linkage", *The Hindu*, 15 November 2016, <http://www.thehindu.com/news/national/in-blow-to-indias-nsg-bid-china-insists-on-npt-linkage/article9344841.ece> (accessed 15 November 2016).

Regime (MTCR) in 2016, the Wassenaar Arrangement in 2017 and the Australia Group in 2018.<sup>147</sup>

The Agreement draws a strict distinction between civil and military installations. India's nuclear arsenal is estimated at around 140 warheads, making it smaller than Pakistan's, which is thought to comprise 160 warheads.<sup>148</sup> After the 1998 tests the Indian government emphasized repeatedly that in the event of war it would not be the first to use nuclear weapons. This avowal was included in the nuclear doctrine first published in 2003.<sup>149</sup>

While India was a nuclear outsider until 2008, it made an important contribution toward international security in UN peacekeeping missions. Since the 1960s India has dispatched more troops on these operations than almost any other country. In 2014, it was the second-largest provider of troops: 8,123 Indian soldiers took part in twelve UN missions, among them the UN's first female police unit.<sup>150</sup> At the end of 2020 India still had more than 5,400 personnel deployed on blue helmet missions,<sup>151</sup> although the associated

expectations that military engagement would help India to secure a permanent seat on the Security Council had not been fulfilled. Indian experts now doubt whether UN peacekeeping missions really assist the country's rise, so New Delhi is demanding a bigger say in the UN in the preparation of missions.<sup>152</sup> This topic will be back on the agenda during India's term as a non-permanent member of the Security Council in 2021 and 2022.

## The Regional Level

India traditionally maintains close military ties with Bhutan and Nepal, in part going back to the 1950s. Friendship treaties with these two countries have enabled India to safeguard its security policy interests in the Himalayan region vis-à-vis China.

Because of bilateral problems with India's neighbours, military cooperation has always been kept within tight political limits. Moreover, India still lacks a competitive arms industry that could enable weapons exports to serve as a means of expanding military cooperation. Its most important security policy instruments are the education and training facilities it offers to neighbouring countries. The armed forces of all SAARC countries except Pakistan send officers to India for training.

Since the fiasco of military and political intervention in Sri Lanka from 1987 to 1991 India has acted militarily with great restraint in the region. In 2003 India lent support to the Bhutanese army's action in the south of the country against the camps of various separatist groups from northeast India. India and Myanmar, too, have agreed close military cooperation against separatist groups. Under urging by the United States, India stepped up its support for the armed forces in Afghanistan, but repeatedly rejected suggestions that it should deploy its own troops there. That India has nonetheless succeeded in recent years in extending its military cooperation with its South Asian neighbouring countries, except for Pakistan, is due both to a general improvement in political

**147** See Kallol Bhattacharjee, "India Joins Missile Technology Control Regime. Top 5 Things To Know", *The Hindu*, 27 June 2016, <http://www.thehindu.com/news/national/india-to-become-full-member-of-mtcr-today/article8778729.ece> (accessed 27 June 2016); "India Enters Non-proliferation Regime Wassenaar Arrangement, Slap on China for NSG Stand", *The Times of India*, 9 December 2017, <https://timesofindia.indiatimes.com/india/india-in-another-non-proliferation-regime-slap-on-china-for-nsg-stand/article-show/61991493.cms> (accessed 19 January 2018); Kallol Bhattacharjee, "India Admitted to Australia Group", *The Hindu*, 19 January 2018, <https://www.thehindu.com/news/national/india-admitted-to-australia-group/article22475433.ece> (accessed 19 January 2018).

**148** Arms Control Association, "Nuclear Weapons: Who Has What at a Glance", <https://www.armscontrol.org/factsheets/Nuclearweaponswhohaswhat> (accessed 30 June 2020).

**149** Pinaki Chakraborty, "No First Use Nuclear Policy: Explained", *The Times of India*, 29 August 2019, <https://timesofindia.indiatimes.com/india/no-first-use-nuclear-policy-explained/articleshow/70844818.cms> (accessed 30 August 2019).

**150** See Permanent Mission of India to the UN, *India and United Nations: Peacekeeping and Peacebuilding*, <https://www.pminewyork.org/pages.php?id=1985> (accessed 8 July 2015).

**151** See "Summary of Contribution to UN Peacekeeping by Country, Mission and Post: Police, UN Military Experts on Mission, Staff Officers and Troops 31/12/2020", [https://peacekeeping.un.org/sites/default/files/03\\_country\\_and\\_mission\\_33\\_dec2020.pdf](https://peacekeeping.un.org/sites/default/files/03_country_and_mission_33_dec2020.pdf) (accessed 15 January 2021).

**152** See "India Calls for Reforms in Peacekeeping", *The Hindu*, 10 September 2019, <https://www.thehindu.com/news/international/india-calls-for-reforms-in-peacekeeping/article29381070.ece> (accessed 10 September 2019).

relations and to the commonly perceived threat of terrorism.<sup>153</sup>

### India sees itself as a security provider in the Indian Ocean.

India in recent years has markedly widened its foreign policy ambitions and its geostrategic radius. This development is taking place against the backdrop of the rise of China, which poses foreign policy challenges for India. The Indo-Pacific is now the central geopolitical space for India, which sees it as stretching from the eastern coast of Africa all the way to Japan. The country's self-image as a regional power has changed. First, India has extended its power projection and increasingly views itself as a security provider,<sup>154</sup> for example in the shape of a network of radar stations in the Indian Ocean littoral states of Mauritius, the Seychelles and Sri Lanka. Further installations are to be added in Bangladesh, Myanmar and the Maldives.<sup>155</sup>

Second, India increasingly sees itself as a first responder in providing humanitarian assistance and disaster relief (HADR).<sup>156</sup> The best-known examples are India's support to Sri Lanka after the 2004 tsunami, to Nepal after the 2015 earthquake, to Mozambique after a cyclone and to Fiji after a typhoon, along with supplying vaccines in the context of fighting the pandemic. In the light of growing competition with China, the Indian government thereby

underpins its claim to function as a regional power capable of providing public goods.<sup>157</sup>

India, along with the United States, Japan and Australia, is a member of the Quad group, which aims to counter China's geopolitical ambitions in the context of its BRI. However, despite their common interest, the four Quad countries to some extent pursue different strategies.<sup>158</sup> While the United States' Indo-Pacific strategy is explicitly targeted against China, India emphasizes the inclusive character of the Indo-Pacific, which despite all bilateral problems continues to allow cooperation with China. By holding their first joint meeting of Foreign Ministers and first joint military manoeuvre, the four countries in autumn 2020 upgraded the group both politically and militarily. The Quad countries also carry out manoeuvres in different constellations and with other friendly countries, thus consolidating their military cooperation. After their meeting in March 2021 the Quad members published their first joint statement and agreed on work priorities in areas such as pandemic control, climate change and critical technology.<sup>159</sup>

### The National Level

Ever since independence India has been confronted by two territorial disputes that continue to dominate the country's security policy. First is the conflict with Pakistan over the two countries' claims to Kashmir. This has been lingering since 1947 and triggered three of India's four wars with Pakistan (1947/48, 1965 and

**153** See Christian Wagner, *India as a Regional Security Provider in South Asia* (Singapore: South Asia Scan – National University of Singapore, Institute of South Asian Studies [ISAS], 2020).

**154** See Walter C. Ladwig III, "India and Military Power Projection. Will the Land of Gandhi Become a Conventional Great Power?" *Asian Survey* 50, no. 6 (2010): 1162–83; Shashank Joshi, "V. The Future of Indian Power Projection", *Whitehall Papers* 85, no. 1 (2015): 119–41.

**155** See Abhijit Singh, "Boosting India with Maritime Domain Awareness", *The Hindu*, 7 January 2021, <https://www.thehindu.com/opinion/lead/boosting-india-with-maritime-domain-awareness/article33514223.ece> (accessed 7 January 2021).

**156** See Kallol Bhattacharjee, "International Cooperation Does Not Short Change India, Says Jaishankar", *The Hindu*, 13 April 2021, <https://www.thehindu.com/news/national/equitable-access-to-vaccine-critically-important-to-fight-covid-19-pandemic-eam-jaishankar/article34311556.ece> (accessed 13 April 2021).

**157** See Saneet Chakradeo, *Neighbourhood First Responder: India's Humanitarian Assistance and Disaster Relief*, Policy Brief (New Delhi: Brookings Institution India Centre, August 2020); Abhishek Mishra, *India's Vision of SAGAR: Humanitarian Assistance and Disaster Relief Operations in the Indian Ocean Region* (New Delhi: ORF, 2020), <https://www.orfonline.org/expert-speak/indias-vision-of-sagar-humanitarian-assistance-and-disaster-relief-operations-in-the-indian-ocean-region-61000/> (accessed 6 January 2021).

**158** See Felix Heiduk and Gudrun Wacker, *From Asia-Pacific to Indo-Pacific. Significance, Implementation and Challenges*, SWP Research Paper 9/2020 (Berlin: Stiftung Wissenschaft und Politik, July 2020).

**159** See Rajiv Bhatia, "A Giant Leap Forward for the Quad", *The Hindu*, 16 March 2021; Manoj Joshi, "Can India Walk the Talk on Quad? That's What China Wants to Know", *ThePrint*, 16 March 2021, <https://theprint.in/opinion/can-india-walk-the-talk-on-quad-thats-what-china-wants-to-know/622464/> (accessed 16 March 2021).



1999). Second is the strategically more significant conflict with China over an as yet ill-defined border. This first led to war in 1962.

The May 2020 confrontation between India and China in the Ladakh/Aksai Chin region, which forms part of Kashmir, links these two conflicts more closely than before. Twenty Indian and at least five Chinese soldiers were killed in a *melée* on 15 June 2020. This, the most serious crisis since the 1962 border war, could prove to be a turning point in bilateral relations. First, it invalidated all regulations concerning the border as agreed by India and China in working groups and five treaties since the 1990s. Second, China increasingly views the border dispute in the geostrategic context of the Sino-American conflict, in which it counts India as being in the US camp. Third, in the Kashmir conflict India now finds itself facing closer cooperation between China and Pakistan. In the long term, this could threaten India's advantageous position on the Siachen Glacier, the world's highest-altitude battleground.<sup>160</sup> Moreover, India's armed forces are deployed in a number of violent conflicts inside the country, some of which, for instance in the north-east, have been going on for decades.

## The Armed Forces

The Indian Union in 2018 had the world's largest army, numbering around 1.4 million soldiers.<sup>161</sup> In addition, more than a million people belong to various paramilitary organizations, some of which are under the command of the Ministry of Home Affairs. India has a range of weapons systems that connect with its claim to major power status, including nuclear weapons, missile systems and aircraft carriers. The country has also developed its own missile systems that function as nuclear weapon launcher systems, among them the Agni-V missile, which has

a range of more than 5,000 kilometres.<sup>162</sup> By November 2018 at the latest India had recourse to a nuclear triad, with the capacity to launch nuclear weapons via missiles, aircraft or submarines.<sup>163</sup>

As China expands its engagement in the Indian Ocean, in recent years India has reacted by expanding its maritime capacity. India is one of the few countries whose navy has aircraft carriers. The aircraft carrier *INS Vikramaditya* was operational in 2020, and the first aircraft carrier largely constructed in India, the *INS Vikrant*, made its maiden voyage in August 2021.<sup>164</sup> The navy is calling for a third carrier so that at least one of the three vessels can be fully operational at all times.<sup>165</sup>

A further military area where India aims to improve its international position is arms exports. As yet, it is still one of the largest arms importers.<sup>166</sup> Traditionally, India has close military ties with Russia, and before that with the Soviet Union. However, in recent years military cooperation with the United States and with Israel has increased markedly, especially in high technology.<sup>167</sup> Building an indig-

<sup>162</sup> See Jonathan McLaughlin, "India's Expanding Missile Force" (Washington, D.C.: Wisconsin Project on Nuclear Arms Control, 20 October 2020), <https://www.wisconsinproject.org/indias-expanding-missile-force/> (accessed 30 October 2020).

<sup>163</sup> See "INS Arihant Completes India's Nuclear Triad, PM Modi Felicitates Crew", *The Economic Times*, 6 November 2018, [https://economictimes.indiatimes.com/news/defence/ins-arihant-completes-indias-nuclear-triad-pm-modi-felicitates-crew/articleshow/66509959.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/news/defence/ins-arihant-completes-indias-nuclear-triad-pm-modi-felicitates-crew/articleshow/66509959.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst) (accessed 3 June 2020).

<sup>164</sup> See Rahul Bedi, "INS Vikrant a Triumph But Indian Navy's 'Sea Control' vs 'Sea Denial' Debate Remains Unresolved", *The Wire*, 9 August 2021, <https://thewire.in/security/how-the-ins-vikrant-firmly-establishes-indian-navys-strategic-perception> (accessed 9 August 2021).

<sup>165</sup> See Snehes Alex Philip, "Indian Navy Will Push Ahead with Plan for 3rd Aircraft Carrier Despite CDS' Reservations", *ThePrint*, 21 February 2020, <https://theprint.in/defence/indian-navy-will-push-ahead-with-plan-for-3rd-aircraft-carrier-despite-cds-reservations/368930/> (accessed 21 February 2020).

<sup>166</sup> See "India Is World's Second-largest Arms Importer", *The Hindu*, 11 March 2019, <https://www.thehindu.com/news/national/india-is-worlds-second-largest-arms-importer/article26502417.ece> (accessed 11 March 2019).

<sup>167</sup> Varghese K. George, "The Great American Arms Bazaar", *The Hindu*, 22 January 2018, <http://www.thehindu.com/opinion/lead/the-great-american-arms-bazaar/article22486458.ece> (accessed 22 January 2018); see P. R. Kumaraswamy, *India's New Israel Policy. How the Decline of the Pales-*

<sup>160</sup> See Christian Wagner and Angela Stanzel, *Redrawing the Maps in Kashmir. New Geopolitical Realities in the Conflict between China, India, and Pakistan*, SWP Comment 52/2020 (Berlin: Stiftung Wissenschaft und Politik, November 2020).

<sup>161</sup> See Snehes Alex Philip, "Indian Army Now World's Largest Ground Force as China Halves Strength on Modernisation Push", *ThePrint*, 17 March 2020, <https://theprint.in/defence/indian-army-now-worlds-largest-ground-force-as-china-halves-strength-on-modernisation-push/382287/> (accessed 24 July 2020).

enous arms export industry that is competitive in the medium to long term is a central mainstay of Prime Minister Modi's "Make in India" initiative. The target is US\$5 billion of arms exports in 2025, destined principally for countries in the Indian Ocean and Africa, where India wants to expand its foreign policy influence.<sup>168</sup> To stimulate the national arms industry, the government in summer 2020 imposed an import embargo on 101 goods. On the other hand, it simultaneously raised the threshold for foreign direct investment in the defence sector from 49 to 74 per cent. This triggered protests from Hindu nationalist groups, which saw it as disadvantaging Indian companies.<sup>169</sup> Presumably in response to this, the proportion of the 2021/22 defence budget earmarked for modernization of the armed forces by Indian suppliers was raised from 58 to 64 per cent.<sup>170</sup> General Rawat, the first Chief of Defence Staff (CDS), welcomed this support for the national armaments industry, even though it could not completely satisfy the armed forces' quality demands.<sup>171</sup>

The armed forces in recent years have implemented a number of reforms, including establishing the post of Chief of Defence Staff and the creation of Integrated Battle Groups with the aim of improving interaction between the services. Along with exten-

sive arms cooperation, the Modi government has since 2016 signed three agreements with the United States that include provisions for consolidating the interoperability of the armed forces.<sup>172</sup>

### India's defence budget is on a downward trend.

However, the Indian armed forces face a number of problems.<sup>173</sup> The defence budget, which has traditionally fluctuated between two and three per cent of GDP,<sup>174</sup> has moved at the lower edge of this range in recent years and in 2020/21 was only 2.1 per cent.<sup>175</sup> Personnel costs account for a large proportion of funds spent by the armed forces. General Rawat said in 2018 that the army spent 83 per cent of its budget on salaries and pensions, leaving only 17 per cent available for modernization. Consequently, he said, the manning level must be reduced to create more scope for equipment.<sup>176</sup> The army itself categorizes more than two thirds of its equipment as "vintage".<sup>177</sup>

It also says the armed forces are underfunded, too often deployed to fight internal rebellions and scarcely geared to wage network-centric warfare in the future.<sup>178</sup>

*tinian Issue and Economic Reorientation Accelerate Indo-Israeli Cooperation*, SWP Comment 11/2019 (Berlin: Stiftung Wissenschaft und Politik, March 2019).

**168** See Huma Siddiqui, "Boost for Make in India in Defence; India Gets Ready To Export Military Platforms to Friendly Nations", *Financial Express Online*, 16 February 2021, <https://www.financialexpress.com/defence/boost-for-make-in-india-in-defence-india-gets-ready-to-export-military-platforms-to-friendly-nations/2195788/> (accessed 16 February 2021).

**169** See "RSS Wing Red Flags Changes in Defence Procurement Policy", *The Hindu*, 2 September 2020, <https://www.thehindu.com/news/national/rss-wing-red-flags-changes-in-defence-procurement-policy/article32496473.ece> (accessed 2 September 2020).

**170** See Amrita Nayak Dutta, "'Make in India' Gets Big Push with 64 % of Defence Modernisation Budget Kept for Indian Players", *ThePrint*, 23 February 2021, <https://theprint.in/defence/make-in-india-gets-big-push-with-64-of-defence-modernisation-budget-kept-for-indian-players/609818/> (accessed 23 February 2021).

**171** See Rahul Bedi, "Inadequate Warships, Delayed Procurement: How Make in India Is Plaguing the Defence Sector", *The Wire*, 3 December 2020, <https://thewire.in/security/make-in-india-defence-navy-china-warships-delayed-procurements> (accessed 3 December 2020).

**172** These were the 2016 Logistics Exchange Memorandum of Agreement (LEMOA), the 2018 Communications Compatibility and Security Agreement (COMCASA) and the 2020 Basic Exchange and Cooperation Agreement (BECA); see Rakesh Sood, "The India – U.S. Defence Partnership Is Deepening", *The Hindu*, 30 October 2020, <https://www.thehindu.com/opinion/lead/the-india-us-defence-partnership-is-deepening/article32975949.ece> (accessed 30 October 2020).

**173** See Rajesh Bansal et al., *Recovery, Resilience, Adaptation: India from 2020 to 2030* (New Delhi: CEIP India, 2020), 22f.

**174** Macrotrends, "India Military Spending/Defense Budget 1960 – 2021", <https://www.macrotrends.net/countries/IND/india/military-spending-defense-budget> (accessed 24 July 2020).

**175** See PRS Legislative Research, *Demand for Grants 2020–21 Analysis: Defence*, <https://www.prsindia.org/parliamenttrack/budgets/demand-grants-2020-21-analysis-defence> (accessed 24 July 2020).

**176** See Rahul Bedi, "Increasing LAC Deployment This Winter Will Be an Expensive Affair for Indian Army", *The Wire*, 23 July 2020, <https://thewire.in/security/indian-army-lac-china-deployment-expensive> (accessed 24 July 2020).

**177** See "Army Critical of Defence Budget", *The Hindu*, 13 March 2018, <http://www.thehindu.com/news/national/army-critical-of-defence-budget/article23229650.ece> (accessed 13 March 2018).

**178** See Ashley Tellis, "India: Capable But Constrained", in *A Hard Look at Hard Power: Assessing the Defence Capabilities of Key US Allies and Security Partners*, ed. Gary J. Schmitt (Carlisle:



Table 2

**India's Hard and Soft Power by International Comparison**

Name of Index	Hard/Soft Power	Year	India's Rank
Global Firepower Index	Hard	2020	4
National Power Rankings of Countries	Hard	2017	3 <sup>a</sup>
Global Cybersecurity Index	Hard	2015	5
Composite Index of National Capability	Hard	2007	3
State Power Index	Mix	2017	4
Comprehensive National Power Index	Mix	2000	8
		2020 <sup>b</sup>	5 <sup>b</sup>
The Soft Power 30	Soft	2019	1 <sup>c</sup>
Global Terrorism Index	Hard	2019	7 (of 138) <sup>d</sup>
World Press Freedom Index	Soft	2020	142 (of 180)
Global Hunger Index	Soft	2019	102 (of 117)
Global Innovation Index	Soft	2019	52 (of 129)

a Rank 3 in all categories (economic, military and geopolitical).

b Forecast

c Not among the top 30.

d The Index measures the influence of terrorism – a “top” place indicates a high degree of terror influence.

**Sources:** Global Firepower Ranking: <https://www.globalfirepower.com/countries-listing.asp>;

National Power Rankings of Countries 2019: <https://prnet.org.pl/img/pub/national-power-rankings-of-countries-2019.pdf>;

Global Cybersecurity Index & Cyberwellness Profiles: [https://www.itu.int/dms\\_pub/itu-d/opb/str/D-STR-SECU-2015-PDF-E.pdf](https://www.itu.int/dms_pub/itu-d/opb/str/D-STR-SECU-2015-PDF-E.pdf)

Composite Index of National Capability: [https://enacademic.com/dic.nsf/enwiki/11569567#List\\_of\\_countries\\_by\\_CINC](https://enacademic.com/dic.nsf/enwiki/11569567#List_of_countries_by_CINC);

State Power Index 2017: <http://index.ineuropa.pl/en/state-power-index/>;

Comprehensive National Power Index: <https://fas.org/nuke/guide/china/doctrine/pills2/part08.htm>;

The Soft Power 30: <https://softpower30.com/>.

(all accessed 16 July 2020).

The military confrontation with China in summer 2020 reignited the discussion about a possible two-front war with China and Pakistan.<sup>179</sup> Military experts

Strategic Studies Institute and US Army War College Press, 2020), 153f.; “Growing India, US Defence Trade Strengthens Bilateral Ties: Ashley J Tellis”, *The Economic Times*, 21 February 2020, [https://economictimes.indiatimes.com/news/defence/growing-india-us-defence-trade-strengthens-bilateral-ties-ashley-j-el-lis/articleshow/74236422.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/news/defence/growing-india-us-defence-trade-strengthens-bilateral-ties-ashley-j-el-lis/articleshow/74236422.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst) (accessed 30 June 2020).

**179** See Deependra Singh Hooda and Happymon Jacob, “Dealing with India’s Two-front Challenge”, *The Hindu*, 29 December 2020, <https://www.thehindu.com/opinion/lead/dealing-with-indias-two-front-challenge/article33439804.ece>

opined that the war concept and tactics of the Indian armed forces lagged in part “three decades” behind those of the Chinese.<sup>180</sup> Although India has markedly increased its arms expenditure in recent years, the Chinese contribution is many times higher. Hence India is militarily inferior to China in nearly every

(accessed 4 January 2021); Rahul Bedi, “In 2021, India’s Military Faces Myriad Challenges”, *The Wire*, 13 January 2021, <https://thewire.in/security/india-military-2021-myriad-challenges-china-pakistan-standoff> (accessed 13 January 2021). **180** See Pravin Sawhney, “2020 Gave India a Sharp Lesson on the Chinese Military. When Will Indian Generals Take Heed?” *The Wire*, 11 December 2020, <https://thewire.in/security/pla-china-military-india-lessons> (accessed 11 December 2020).

respect.<sup>181</sup> Military experts assume that only with a GDP of around US\$10 trillion could India challenge China militarily.<sup>182</sup>

Thus in the security field, too, the assessment is mixed. Once again, India scores its greatest successes at the international level. At the same time, its strength is seen in the field of hard rather than soft power.

In the regional context India has repeatedly acted as a military power, albeit with only moderate success, as the intervention in Sri Lanka showed. China has stepped up its engagement in South Asian countries, not only in economic, but also in military co-operation. While this gives China the edge as regards arms exports, India's training facilities give it an advantage. Moreover, New Delhi cooperates with neighbours on the basis of a number of agreements on the military fight against terrorism.

In the broader regional environs of the Indo-Pacific, India has gained visibility both by expanding its maritime power projection and by military co-operation with Quad members and with states in South-East Asia and the Indian Ocean. In this field, too, the biggest challenges are at the national level, where the main issue is modernization of the armed forces, from funding, recruitment and equipment to questions concerning the future conduct of war.

**181** See Harsh V. Pant and Anant Singh Mann, "The India – China Military Matrix and Their Modernisation Trajectories", *Experts speak* (New Delhi: ORF, 27 June 2020), <https://www.orfonline.org/expert-speak/the-india-china-military-matrix-and-their-modernisation-trajectories-68631/> (accessed 15 January 2021).

**182** See Lt Gen H S Panag (ret.), "To Deal with China on LAC, India Must Downsize and Restructure the Armed Forces", *The Print*, 29 July 2021, <https://theprint.in/opinion/to-deal-with-china-on-lac-india-must-downsize-and-restructure-the-armed-forces/705261/> (accessed 29 July 2021).

# India's Rise: A Balance Sheet

It was not to be expected that considering different areas of politics at different levels would reveal a uniform picture or a clear answer to the question of India's rise, especially as the concept as such is often used more as a political slogan than as an analytical category.

Looking at the areas of politics in cross-section nonetheless evinces a certain pattern. India has, for example, made the most progress at the international level. At the regional level, in contrast, it has suffered a series of setbacks while at the national level, despite many positive developments, continuing to show a number of structural deficits.

## The International Level

An Indian rise is most in evidence at the international level, where there has been an increase in importance in all three areas of politics since 1991. The upgrading due to G20 membership, the increase in voting rights at the World Bank and the IMF or India's BRICS commitments are the most obvious examples. India's greatest foreign policy success is likely to have been drawing closer to the NPT; no other country outside of this regime has, after all, received such privileges. The growing number of strategic partnerships or exclusive formats in bilateral relations underscore the interest of the great powers or other G20 peer group states in granting India a weightier place in their foreign policy in the future.

The main reasons for India's rise are to be found in the economic liberalization and changing structures of the post-1991 international system. The country's international opening, which nearly doubled its pre-1991 economic growth, and the cross-party consensus on continuing with the reforms, earned India a considerable early vote of confidence. The end of the East-West conflict and the improvement in relations with the United States, China, Japan and the EU upgraded the country's role, as did its demographic weight on global climate, environmental and energy issues.

## The Regional Level

India has probably suffered its worst setbacks in South Asia, due mainly to China's commitments. Indian governments have stressed since the mid-1990s their readiness to provide public goods for neighbouring states and improve regional connectivity, but successes have been limited. Politically India reached an informal agreement on Kashmir in 2007 in the composite dialogue with Pakistan, but the entire process came to an abrupt end with the Mumbai attack in 2008. Assisting the Sri Lankan government to end the civil war or mediating successfully in the civil war in Nepal may have underscored India's influence but China's investments in the Silk Road initiative have weakened India's influence in the region. Many governments in neighbouring states use Chinese support to set themselves further apart from New Delhi. India's options continue to depend on domestic political constellations in neighbouring states, but in contrast to the pre-1991 phase China is now an additional permanent actor in the region.

India has adapted its foreign policy and meanwhile maintains relations with its extended neighbourhood, or states in the Indo-Pacific region, where it has gained significantly in stature but in view of its modest power resources has only limited scope for foreign policy action. One of New Delhi's strategies is to offset this shortcoming by means of cooperation with like-minded great powers such as the Quad states.

## The National Level

At the national level the picture is contradictory. On the one hand India has achieved partly spectacular successes in economic growth, in reducing poverty, in developing a middle class or in information and communication technologies. On the other, India has for years failed to improve on a low ranking in the Human Development Index, which is indicative of continuing deficits in the provision of public goods such as education and healthcare. Its low tax rate

hampers the conversion of existing resources into real capacities, without which it cannot extend its foreign policy role. The age structure of Indian society is seen as positive for future economic development, but deficits in the education sector and low spending on future areas such as research and technology give rise to doubts whether the demographic dividend will really be redeemed.

Problems at the national level also have a direct effect on the country's foreign policy ambitions. They are most readily apparent in the limitations to the diplomatic service. In view of the known figures, debates on India's ambitions to rise seem superfluous. How is India to develop its relations with Germany and the EU or to set in motion new joint initiatives in other countries if the human resources required can barely be raised?

The consequences of the new economic policy focussed on self-reliance derived from the ideological construct of *Hindutva* and its associated ideas on national strength cannot yet be estimated. If the experiment fails, as the experiences of many countries since 1945 would seem to suggest, India itself would thereby undermine the economic attractiveness it has gained since the 1990s. Its ambition to rise in status would not necessarily suffer as a consequence, however. For one, the country would continue to count in rounds of international negotiations. For another, its political decision makers could derive their international ambitions from their understanding of India as a civilization.

# Conclusions for German and European Politics

The question of the foundations on which India's rise is based is of the greatest interest for German and European policymakers. Relations have hitherto been based on economic and technological cooperation and the commitment to common democratic values.

But in recent years the parameters have changed. On the one hand dealing with the rise of China has further increased the intersections of geopolitical interest between Germany/Europe and India. The Federal Government's new Policy Guidelines for the Indo-Pacific make that very clear. India is seen as one of the most important partners with common values for establishing a rules-based order and strengthening multilateral institutions. On the other hand it may be assumed that partnership with India might prove more difficult due to domestic political developments.

First, German and European companies already active in the Indian market are likely to be confronted with additional bureaucratic regulations due to the new economic policy of self-reliance. The Indian government may launch initiatives like Make in India Mittelstand! (MIIM) to attract German SMBs who are important for technology transfer, but an economic policy aimed at self-reliance seeks to expand local production, making the market less attractive for foreign companies. India and the EU agreed at their 2021 summit to resume talks on a trade agreement, which can be seen as a positive sign, but as India was unable to agree to a relatively simple agreement like RCEP, it is difficult to imagine a successful conclusion to negotiations with the EU.

Second, it is clear that the Indian form of democracy preached by the Modi government has less and less in common with Western ideas. The list of restrictions imposed on non-governmental organizations (NGOs) and their Western partners in India grows longer by the year. Criticism by German and European civil society organizations, whose activities are steadily less welcome in an increasingly illiberal India, finds a

hearing in Berlin and Brussels and is likely to play a role in, for example, the conclusion of trade agreements. China, however, has demonstrated that close economic ties and globalization do not necessarily contribute toward political liberalization. In the case of an India that has opted for protectionism, there will probably be fewer opportunities to promote domestic policy developments by the prospect of trade agreements.

Third, common strategic interests open up a wide range of cooperation opportunities. Connectivity, digitization, the maritime economy, shared capacity programmes in third countries or developing and strengthening regional structures in the Indo-Pacific are just a few examples. But limits are set to joint projects by the fact that the capacities of Indian foreign policy will not for the foreseeable future be a match for its rhetorical ambitions.

India has without question achieved a rise since the 1990s, but this rise, especially in view of problems at the national level, seems to be on feet of clay. India has worked hard to earn an international revaluation with its reforms since the 1990s, but this revaluation is also an early vote of confidence by many countries in India's future performance. Even if India fails to redeem this fund of goodwill it will remain an important global actor for, inter alia, German and European policymakers. It is doubtful, however, whether the actor will in future be able, given domestic policy agenda settings, to do justice to its international power and creative ambitions. Berlin and Brussels should therefore align their cooperation with New Delhi more to shared strategic interests than to the idea of a partnership based on common values whose previous commonalities are increasingly moving in different directions.

## Abbreviations

ADBI	Asian Development Bank Institute (Tokyo)	NRI	Non-Resident Indian
ASEAN	Association of Southeast Asian Nations	NRIC	National Register of Indian Citizens
BBC	British Broadcasting Corporation	NSG	Nuclear Suppliers Group
BBIN	Bhutan, Bangladesh, India, Nepal (sub-regional cooperation)	OECD	Organisation for Economic Co-operation and Development
BCCI	Board of Cricket Control of India	ORF	Observer Research Foundation
BDI	Federation of German Industries	PIO	Person of Indian Origin
BECA	Basic Exchange and Cooperation Agreement	PM	Prime Minister
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation	Quad	Quadrilateral Security Dialogue (Australia, India, Japan, USA)
BJP	Bharatiya Janata Party (Indian People's Party)	RBI	Reserve Bank of India (Indian central bank)
BRI	Belt and Road Initiative	RCEP	Regional Comprehensive Economic Partnership
BRICS	Brazil, Russia, India, China, South Africa (group of states)	RSS	Rashtriya Swayamsevak Sangh (National Volunteer Corps)
CCIT	Comprehensive Convention on International Terrorism	SAARC	South Asian Association for Regional Cooperation
CDRI	Coalition for Disaster Resilient Infrastructure	SAFTA	South Asian Free Trade Area
CDS	Chief of Defence Staff	SC	Security Council (of the UN)
CEA	Chief Economic Adviser	SDG	Sustainable Development Goals
CoD	Community of Democracies	THE	Times Higher Education (Supplement) ranking
COMCASA	Communications Compatibility and Security Agreement	UN	United Nations
ESCAP	Economic and Social Commission for Asia and the Pacific (United Nations)	UNSC	United Nations Security Council
EU	European Union	WTO	World Trade Organization
FIR	First Information Report		
G4	Group of Four (Brazil, Germany, India, Japan)		
G20	Group of Twenty		
GATT	General Agreement on Tariffs and Trade		
GDP	Gross Domestic Product		
GIGA	German Institute of Global and Area Studies (Hamburg)		
HADR	Humanitarian Assistance and Disaster Relief		
HDI	Human Development Index		
IAEO	International Atomic Energy Organization		
IBRD	International Bank for Reconstruction and Development		
IBSA	India-Brazil-South Africa (Dialogue Forum)		
IIIDEM	India International Institute of Democracy and Election Management		
IISc	Indian Institutes of Sciences		
IIT	Indian Institutes of Technology		
IMF	International Monetary Fund		
INS	Indian Naval Ship		
IORA	Indian Ocean Rim Association		
ISA	International Solar Alliance		
IT-BPM	Information Technology and Business Process Management		
LEMOA	Logistics Exchange Memorandum of Agreement		
LFPR	Labour Force Participation Rate		
LTTE	Liberation Tigers of Tamil Eelam		
MEA	Ministry of External Affairs		
MIIM	"Make in India" Mittelstand		
MTCR	Missile Technology Control Regime		
NAM	Non-Aligned Movement		
NGO	Non-Governmental Organization		
NPT	Non-Proliferation Treaty		

