



ASSOCHAM DIPLOMACY TO BUSINESS INITIATIVE (ADBI)

D2B Foreign Policy Brief #1

June 1, 2019

- Within hours of the spectacular election results which gave the BJP an absolute majority and Prime Minister Modi his second term, the new Government's strategic foreign policy priorities were made clear.
- The appointment of former Foreign Secretary Dr. S. Jaishankar as the new External Affairs Minister signifies a determination to strengthen ties with the US in all fields including trade and sensitive technologies, while at the same time managing relations with China in such a way that the unresolved border dispute and the Pakistan factor do not become irritants in the all important India-China relationship (Dr Jaishankar has impeccable credentials, having worked as Ambassador to China as well as the USA before becoming Foreign Secretary).
- The decision to invite leaders of the BIMSTEC countries (Myanmar, Bangladesh, Sri Lanka, Nepal, Thailand, Bhutan) also sent signals to Pakistan, SAARC and the rest of the world: Pakistan's verbal professions of peace at the level of PM Imran Khan had little meaning unless matched by actions on the ground; SAARC is therefore in the back burner for the foreseeable future; the priority for India is now to link up its neighbourhood minus Pakistan with its Act East policy and eventually with a new aggressive Indo-Pacific Policy.

- India's readiness to energise the "QUAD" initiative also received a boost, with a meeting at senior official level actually taking place in Bangkok between India, USA, Australia and Japan with agreed positions on the right to peaceful navigation rights for all nations (with an eye on China's troubling stance on disputed islands and restricted rights for others).
- The world was clearly impressed by the demonstration of democracy at work in India and the massive "aspirational" vote in Modi's favour. Trump promised of "great things to come in India-US relations, and US diplomats, equally upbeat, reemphasized the bipartisan political support in Washington DC for stronger Indo-US ties, and the convergence on issues like China and Pakistan.
- Hiccups will occasionally rise, as is already happening: India has been taken off the GSP list for access to the US market and also warned explicitly of punitive action if it buys oil from Iran and for its defence deal with Russia), but the new Foreign Minister, Dr Jaishankar, described by many as an "inspired choice", is expected to help smooth the overall relationship so that it maintains its strong strategic direction.
- With China, a Summit level meeting with President Xi in Varanasi by October is nearing finalisation. Chinese diplomats are also very optimistic about India-China ties acquiring new strategic trust, India's concerns on the trade and technology fronts being satisfactorily addressed, and the Pakistan factor being contained so that it does not cast a shadow on bilateral ties. The Chinese insist that they are interested in stability and a constructive relationship between India and Pakistan, having invested so heavily on CPEC and OBOR, and they will influence Pakistan in that direction.

- The Prime Minister's forthcoming visits to Maldives, Sri Lanka and for the Shanghai Cooperation Summits G 20 Summit (where he would meet other world leaders including from the US, China and Pakistan) will also impact significantly and positively on Indian business and other interests.
- Clearly, the new government has hit the ground running and is determined to get moving with several urgent tasks on a priority basis. Achieving an accelerated growth rate of 8-10%, accelerating plans for skilling millions of new entrants in the employment market, expanding manufacturing, enhancing cyber security while speeding up the progress of the digital economy, improving the quality of education and health while making them accessible to all, expanding and diversifying India's exports in traditional and non traditional markets, are challenges which India simply has to face and overcome. Foreign missions in New Delhi are unanimous that the composition of the Cabinet clearly projects economic development as the "no. 1 priority".
- India's private sector will have to play a much bigger and proactive role if India is to rise in the time frame it has set for itself. As India deepens its special relations with a number of countries—some of whom are seriously at odds with one another (e.g. US, Russia/Iran, Iran, Israel/Saudi Arabia) the private sector can play a huge role in building "a web of interdependence" which will stand India in good stead in the difficult days ahead.
- As one retired Ambassador put it: "India has long dreamt of becoming a fourth pole in the emerging global order...the time has come for us to pursue this dream, now that the world is in a flux and the other three existing poles are not able to cover

the entire globe”. Another former Foreign Secretary emphasizes the importance of “making India even more investment friendly, for both foreign and Indian capital” and of concretizing the vision of the Prime Minister in the newly coined acronym NARA (National Ambition and Regional Aspiration) as the framework within which all of India can take off.

- Also being discussed among Indian ex-diplomats is Ambassador Smita Purshottam’s emphasis on the urgent need for India to formulate a new industrial policy in keeping with the challenges and opportunities of the time and keeping in mind China’s unstoppable rise as a technological power, which has provoked the US, EU and countries like France and Germany to work on new industrial policies which would protect national interests and jobs. She warns:

“We are going in the reverse direction—with a 14% decline in our high-tech industry and the percentage of GDP devoted to research and development (R&D) decreasing from 0.85% in 2011 to 0.63% in 2015, an anomaly of serious dimensions in today’s technology-driven world. India needs a reindustrialisation drive to create a level-playing field for the country’s private manufacturers and increase their R&D intensification. ... The much-touted Indian services sector, which forms almost 61% of the economy, generates around \$183 billion of exports, while the beleaguered manufacturing sector, with only 16%, generates \$210 billion...

....“There is a golden opportunity to promote domestic industry in defence, telecommunications and civil aviation through the right policy combinations, leading to an economic and technological efflorescence. Indian companies are winning big

telecom tenders abroad against Chinese competition. It is high time the government forge a compact with the good, high-tech, proven companies in the Indian private sector and focus on domestic high-tech industrial promotion and job-creation.”

- ASSOCHAM with its pan-Indian network and the ADBI with its diplomacy to business interlinkage could pick up some of these issues for further discussion on the best way forward for Indian manufacturing.



K V Rajan
Chairman, ADBI
New Delhi
Tel: 9910300263
E mail: krishnavrajan@yahoo.co.in
