



# global POLICY

GP - ORF Series

## A 2030 Vision for India's Economic Diplomacy

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Edited by:

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**Malan Cha Chakrabarty**

**Navdeep Suri**





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Navdeep Suri**



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## **Observer Research Foundation**

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**Editing and Production:** Preeti Lourdes John

**Design and Layout:** Made of Us and Simijaison Designs

**ISBN:** 978-93-90494-45-3

**Citation:** Malancha Chakrabarty and Navdeep Suri, eds, A 2030 Vision for India's Economic Diplomacy (New Delhi: ORF and Global Policy Journal, 2021).

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# 1

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## INTRODUCTION



**F**ormer United Nations (UN) Secretary General Ban Ki Moon described the adoption in 2015 of the 2030 Agenda for Sustainable Development as “a defining moment in human history” (1). World leaders had committed to a 15-year global action plan to end poverty, reduce inequalities, protect the environment, and build peaceful societies. Five years since that commitment, the COVID-19 pandemic upended the global order; countries closed borders and instituted lockdown measures, severely and adversely impacting lives and livelihoods everywhere. Governments are now confronted with a massive health crisis, a socio-economic crisis, and geopolitical rivalry.

According to International Monetary Fund (IMF) estimates, global output and global trade contracted by 3.5 percent and 9.6 percent respectively in 2020 (2). IMF projects a recovery based on additional policy support in large economies and a strengthening of economic activity on the back of a successful roll-out of vaccines, but global activity is likely to remain below pre-COVID-19 levels and the strength of the projected recovery will vary across countries. The most severe impact of the pandemic was on jobs and livelihoods. According to International Labour Organisation estimates, about 5.4 percent of global working hours were lost in the first quarter of 2020, equivalent to 155 million full-time jobs (3). Even a stronger-than-expected recovery will not lead to a complete restoration of all jobs lost during the pandemic. In developing countries, a substantial proportion of workers are employed in the informal sector and lack social protection and income support measures, and as a result, many households risk falling into poverty. The pandemic has dealt a heavy blow to the sustainable development agenda. Many of the gains made in recent decades in the areas of health, education, hunger and poverty are being offset by the pandemic. For instance, the UN estimates that nearly 71 million people were pushed into extreme poverty in 2020 (4).

Not only has COVID-19 set back efforts to realise the Sustainable Development Goals (SDGs) but there is also little clarity on what kind of global order will emerge in the aftermath of the pandemic. Economic nationalism and trade protectionism is on the rise, and even UN Secretary General Antonio Guterres has criticised such actions, saying “The pandemic is a clear test of international cooperation — a test we have essentially failed (5).” Long before the COVID-19 vaccinations had completed clinical trials, several advanced countries like the US, UK, Japan, Canada and the European Union (EU) had procured millions of doses of the vaccines. Developed countries





are prioritising their vaccination programmes while many of the poorest countries are struggling to procure vaccine doses. Long hailed as the ‘pharmacy of the world’, India is exporting vaccines as grants to poor countries under its ‘Vaccine Maitri’ programme (6). As a developing country with a large population, India is facing numerous challenges in the wake of the pandemic. Yet it came forward to help other countries and supplied food aid to African countries and essential medicines, test kits and other equipment to over 90 countries.

Over a year since the pandemic hit, it is clear that the global political and economic landscape has been completely altered. The old ways of interacting with the world are unlikely to work in the post-pandemic world, and India must rethink its economic diplomacy programme for the next decade. So far, India’s economic diplomacy has largely been anchored in its neighbourhood and has been shaped by solidarity with existing associations and partnerships. Although international cooperation and solidarity will remain the guiding principles, India’s future economic diplomacy will have to be located in a new geopolitical dimension that goes far beyond the impulse of the Bandung era. India will need to craft new strategies for engagement in the global economy and forge new alliances.

While building its new economic diplomacy programme for the next decade, India must be mindful of critical challenges like climate change, food insecurity and the disruptions caused by new technology. With a large young population, a faltering economy and huge development challenges, India is at a critical point in its growth trajectory. To promote its development interests, India must overhaul its approach to economic diplomacy. It must move beyond government-to-government negotiations and agreements to include more plural and diverse stakeholders, such as representatives from the private sector, academia, philanthropic institutions and civil society, most of whom will be operating in distant locations. Economic diplomacy necessitates a collective beyond the government that will place brand India at the centre of all diplomatic relations.

Just as China brought to the economic diplomacy table its gargantuan infrastructure capabilities, the US its engineering, design and tech prowess, and the EU offered regulatory and capacity building, India must bring a core offering that encapsulates exactly what makes ‘Brand India’ unique. India became a service sector economy while still a developing nation; it is only prudent to see services as a ‘global public good’ that India can provide to the world. Brand India has much to offer—from vaccines and affordable medicines to sustainable development solutions and low-cost renewable





energy opportunities. The economic diplomacy architecture must now start engaging with what the country can offer to the world while keeping the SDG and climate agenda as its core, and India Tech as a vital offering that will underpin India's growth story in the Fourth Industrial Revolution.

Given the existing global challenges and India's international aspirations, this volume aims to spell out what India's economic diplomacy should look like over the next decade. Section I paves a roadmap for India's relations with major countries and geographies. Dhruva Jaishankar situates India's relationship with the US, India's most important economic partner, along five dimensions—trade, migration, capital flows, technology, and standards and regulations. Madhu Bhalla explores the future of India's economic partnership with China in the wake of the Ladakh standoff, India's blocking of Chinese apps, and the heightened discourse around decoupling from Chinese-dominated supply chains. Ankita Dutta trains the spotlight on India's economic and trade relations with the EU and the growing importance of India-EU development partnerships. Natasha Jha Bhaskar examines India's growing centrality in the Indo-Pacific region and its ability to build an inclusive and integrated region with like-minded countries. Talmiz Ahmad discusses India's relations with the Gulf and recommends closer partnership in several new areas such as clean energy and digitisation. Malancha Chakrabarty traces India's growing economic engagement with Africa, India's oldest ally, and suggests ways to invigorate economic and development links with the continent.

Section II attempts to outline India's policy position on key issues. The pandemic has exacerbated the twin challenges of food and nutrition security, with serious implications on the ability to achieve the second Sustainable Development Goal (SDG), zero hunger. Priya Rampal highlights India's vulnerability to food insecurity and agrarian crisis, and its role in global food security through food aid and technology partnerships. The pandemic has also elevated the importance of health in the foreign policy agenda. Priyanka Pandit asserts the centrality of global health issues in the discourse on economy, politics, society, foreign policy and security. Mohan Kumar provides an Indian perspective on how the World Trade Organization can be revived and the need for a new round of trade negotiations anchored in the SDGs. Karishma Banga highlights the importance of upgrading global value chains and digital servicification of manufacturing exports for India. Arindrajit Basu focuses on the most hotly contested contemporary issue—data governance. His chapter discusses the criticality of 'data sovereignty', a vision that supports the assertion



of sovereign writ over data generated by citizens from within a country's physical boundaries. Joyashree Roy, Nandini Das and Shreya Shome focus on the role of development diplomacy in the achievement of the SDGs and the role India can play as a development partner in ushering in sustainable development in other countries by sharing its own success stories. In addition to its impacts on global growth and development, the COVID-19 pandemic has dealt a heavy blow to international labour mobility. Sangeet Jain contends the need for economic diplomacy establishments to revamp their thinking about labour mobility in light of the dramatic changes in the nature of work and labour force requirements.

Section III attempts to put forth a prospective agenda for India's economic diplomacy establishment. Navdeep Suri and Anurag Reddy study the key drivers of India's development cooperation and examine the role that new actors, such as technology start-ups, social entrepreneurs and civil society organisations, can play in India's development assistance programmes. India's economic diplomacy is shaped by solidarity with past associations and has largely been anchored in its immediate neighbourhood and Africa. Vikrom Mathur asserts that India needs a robust institutional architecture for development cooperation in the next decade. He advocates five major approaches to achieve this goal—a Development Cooperation Act passed by parliament, the establishment of an independent development partnership agency, greater private sector and civil society engagement, multilateralism and plurilateralism.

***Malancha Chakrabarty and Navdeep Suri***



## Endnotes

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# 2

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## INDIA'S FOREIGN RELATIONS

# 2.1

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## **The China Factor in India's Economic Diplomacy**

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Madhu Bhala



**T**he near collapse of frameworks for strategic relations with China and the newly protectionist impulse of the 'Make in India' initiative has placed new demands on New Delhi's economic diplomacy with Beijing. While India has for some time been wary of Chinese economic influence and practices, the recent military stand-off in the Ladakh sector of the border has resulted in swift policy decisions and sharp rhetoric on the feasibility of the current state of Chinese presence in the Indian economy. This is evident in India's refusal to join the China-dominated Regional Comprehensive Economic Partnership (RCEP), the blocking of Chinese apps in India and the intense discussions around decoupling from China-controlled supply chains. Strategic concerns over China's economic embrace and its tendency to use economic advantages to leverage its political and security objectives have emerged in the last decade. This means that India needs to develop policy and diplomatic processes to constrain negative strategic fallouts without bucking the trend of China's economic trajectory.

### **Decoupling from China**

China's deeply embedded global supply chains, its undeniable economic recovery after the shock of COVID-19, its significance for global economic recovery, and its presence in the Indian infrastructure, manufacturing, digital and real estate sectors indicate that decoupling may not be an easy option, despite fears over China's weaponisation of commercial relations (1).

China's success in establishing regional economic institutions and its ability to split the Trans-Atlantic consensus over engagement with it also attests to its continued significance to major economies around the world and the obstacles in diversifying investments and trade away from Chinese supply chains (2). In this context, India's complete economic disengagement from China is unrealistic and, given that it only exercises relative marginal economic influence globally, India is unlikely to find many economic partners willing to move comprehensively away from Chinese supply chains despite the signing of the Supply Chain Resilience Initiative (SCRI) with Japan and Australia (3). The RCEP, with 15 members aboard including those in the Asia-Pacific who have pledged to create more resilient supply chains, runs against this, at least in



the short or medium term. The more recent China–European Union (EU) agreement on investments is also an endorsement of the value of the Chinese market (4).

The EU's position on decoupling from Chinese or other supply chains is more nuanced than the dominant discourse emanating from the US and echoed by the SCRI signatories. While the need to maintain its leadership in future technology is critical to EU economies, member states are more realistic in acknowledging “mutual technology dependency” with other economies as “mutually reinforcing (5).”

Concerns around restructuring global supply chains arise from the choice of sectors, the efficiency costs for firms (the initial drive to create supply chains), whether domestic policy changes can be made swiftly enough to make restructuring feasible and whether new regulatory frameworks can be put in place to avoid further economic disruptions (6). The SCRI may, at the end of the day, remain a strategic statement but one that could be repositioned to argue for better management of global value chains (GVCs), especially with regards to evident choke points—such as short supplies of active ingredients for pharmaceuticals ingredients from China on which Indian companies depend or the automobile sector's dependency on parts from China—as Chinese factories shut down during the pandemic (7).

Existing regulatory mechanisms also militate against strategic decoupling. For example, despite the Indian government's restrictions on Chinese companies last year, the exemptions given to multilateral agencies like the Asian Development Bank (ADB), the Asian Infrastructure and Investment Bank and the World Bank from procurement restrictions still provide Chinese companies access to infrastructure projects in India. As a member of multilateral financial institutions, India cannot easily discriminate against Chinese companies without violating the rules of these institutions. This applies to restrictions on companies that have contracts for infrastructure projects, such as China Railway Tunnel Group Co. Ltd, Continental Engineering Corp., SJEC Corp., China Harbour Engineering Co. Ltd in Mumbai and the Shanghai Tunnel Engineering Co., which won the contract for an underground stretch of the Delhi-Meerut Regional Rapid Transit System.

Also, if, as projected, an ambitious infrastructure investment initiative in India is expected to shut out competitive Chinese companies, it may result in pushing up the price of investments and hurting the Indian economy rather than giving it real advantages. Since Prime Minister Narendra Modi's first incumbency in 2014, Chinese businesses and investment firms have seen the Indian market as an opportunity (see





Tables 1, 2 and 3) and many of China's leading firms in infrastructure manufacturing, digital processes, renewable energy and real estate have established a presence in India (8). Around 800 Chinese companies are said to be operating in India's domestic market according to Invest India, the Indian government's investment promotion and facilitation agency (9).

## Chinese Firms in India

A brief survey of Chinese companies in India also indicates that they have no intention of relocating their businesses and manufacturing units (10). The fact that many Chinese companies will stay on in India after recent tensions between the two countries requires the development of rational and transparent protocols with security oversight, which adhere to global best practices. Concerns over Chinese companies linked to the People's Liberation Army raise strategic issues and India, like the rest of the world, has put a number of these firms on the restricted list, highlighting concerns over transparency (11). The EU's gold standard on transparency and reciprocity would be a good practice to follow.

**TABLE 1.** FDI EQUITY INFLOWS FROM CHINA (JANUARY 2000 TO SEPTEMBER 2020)

	TOTAL 2000 – 2016 (JAN – DEC)	2017 (JAN – DEC)	2018 (JAN – DEC)	2019 (JAN – DEC)	2020 (JAN – SEPT)	Cumulative Total (from JAN 2000 to SEPT 2020)	Cumulative Total (from JAN 2000 to SEPT 2020)	Percentage share of total FDI
	FDI IN INR					IN INR ₹	IN US\$	
<b>CHINA</b>	99,339.68	10,693.23	26,243.78	12,184.34	6,798.43	<b>155,259.46</b>	<b>2,433.52</b>	<b>0.18</b>

**Source:** Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India (12)

**TABLE 2.** CHINA'S INVESTMENT SHARE IN INDIAN INDUSTRY

Sectors	Automobile	Metallurgical	Power	Construction	Services
% of investment	40	17	7	5	4

Source: Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India (13)

**TABLE 3:** INDIAN UNICORNS WITH CHINESE INVESTMENTS

BRAND	CHINESE INVESTORS	INVESTMENTS (in US\$ Millions)
Big Basket	Alibaba Group, TR Capital	250
Byju's	Tencent Holdings	50
Delhivery	Fosun	25
Dream 11	Steadview Capital, Tencent Holdings	150
Flipkart	Steadview Capital, Tencent Holdings	300
Hike	Tencent Holdings, Foxconn	150
MakeMyTrip	CTrip	NA
Ola	Tencent Holdings, Steadview Capital, Sailing Capital and China, Eternal Yield International Ltd., China–Eurasia Economic Cooperation Fund	500
Oyo	Di Chuxing, China Lodging Group	100
Paytm Mall	Alibaba Group	150
Paytm	Alibaba Group (Alipay Singapore Holding, Ltd.) SAIF Partners	400
Policy Bazaar	Steadview Capital	NA
Quickr	Steadview Capital	NA
Rivigo	Saif Partners	25
Snapdeal	Alibaba Group, FIH Mobile, Ltd. (subsidiary of Foxconn Technology Group), Meituan Dianping	700
Swiggy	Meituan Dianping, Hillhouse Capital, Tencent Holdings, SAIF Partners	500
Udaan	Tencent Holdings	100
Zomato	Alibaba Group (Alipay and Ant Financial Services Group) Shunwei Capital	200

Source: Amit Bhandari, Blaise Fernandes, and Aashna Agarwal (14)



## **Implications of Moving Away from Chinese Supply Chains**

Many leading Indian companies with a presence in China also find the Chinese market lucrative and will also be hard hit by restrictions. Despite this, a relative shift from supply chains in China could help India access other markets and develop strengths in domestic manufacturing. But this will require a concerted effort by the government to implement reforms to support inward investment and manufacturing. The government has been cautiously optimistic that the country's economic recovery by mid-2021 may be faster than anticipated, even though a closer look at the performance of the economy over the last few years and especially during COVID-19 does not indicate a recovery, at least until 2023 (15).

Despite the Indian economy confronting a near recession for the past few years and the economic shocks of the COVID-19 pandemic, domestic reforms and external geopolitical concerns may still give it an advantage over other markets in attracting investments and interest from developed country economies also seeking to divert from China and from traditional markets, as with the UK post-Brexit (16). Global construction activity is expected to increase nearly 35 percent to US\$5.8 trillion by 2030—with two-thirds of the growth anchored in China, the US, India and Indonesia (17). India's increasing partnership with the US, also concerned about over-reliance on Chinese supply chains, and the potential gains from the possibilities created by Brexit might provide opportunities that nimble economic diplomacy could seal.

The reinvention of the 'Make in India' initiative as 'Atmanirbhar Bharat Abhiyan' could also provide the much needed financial and regulatory support that strategic sectors in the domestic economy need to grow. But these changes will not be sufficient to decouple completely from Chinese supply chains, given the already deep and extensive involvement of Chinese enterprises in many sectors in India and the fact that many potential partners outside China either have Chinese financing or have partnered with Chinese firms.

## **Challenges to Chinese Economy**

As with all economies in 2020, the Chinese economy also faces challenges at home and abroad, which provide some wiggle room, both for renegotiating economic relations and diversifying from Chinese companies. Given the increased attack on



Chinese supply chains in 2020, China is also reflecting on the need to focus on its domestic economy. Although China's 14th Five Year Plan, announced at the Fifth Plenum of the Chinese Communist Party in October 2020, and likely to be ratified at the end of the Two Sessions meeting in March 2021, outlines policies for a multipolar geoeconomic world, the document points to an inward turn in policy. It is less upbeat about its engagement with the global economy amid trade wars and the pushback to its technology enterprises, calling for a new model of growth that focuses on domestic technology innovations, domestic investment and consumption and 'dual circulation,' the last a euphemism for a balance between external investments and exports and domestic development (18).

The Belt and Road Initiative (BRI), Chinese President Xi Jinping's signature project, seems to have suffered from the challenges of a contracting economy, protectionist policies by economies along the BRI and Beijing's rethink on lending policies. Implementation of projects on the BRI has slowed down and funding is down by 29 percent from 2019 levels, according to Beijing's commerce ministry (19). From January to October 2020, the value of contracts shrank by 17.5 percent over the same period in the previous year (20). As COVID-19 took its toll on BRI countries that received loans from China, at least 12 states sought to renegotiate financing worth US\$28 billion, and about US\$94 billion loaned has come under renegotiation last year (21). As China changes its lending policies for BRI initiatives, there are indications that it is also rethinking its financial commitments to the China-Pakistan Economic Corridor (CPEC) despite signing an US\$11 billion deal in the middle of 2020 (22). Consequently, Islamabad is considering a bill to open up CPEC projects to joint ventures with countries other than China (23). The prospects for China shutting out other countries from the region has become that much weaker.

## **Recalibrating India-China Engagement**

Attempts to modify India's economic engagements with China will not be easy in a highly competitive global economic environment where bottom-line considerations prevail. Beyond the initial protectionist reactions, India needs to work towards establishing clear economic and political objectives in its economic engagement with China. Compartmentalising the political and the economic is no longer an option. These views have been expressed since 2003 by the Ministry of External Affairs (MEA) but have rarely been acted on (24). In common with the world's economies, India's objective of negotiating a level playing field in trade, investments and services in China



will be foremost. Preventing an overreliance on Chinese supply chains and China's entry into strategic domestic sectors, given that the ownership of Chinese enterprises is often in doubt, will remain heightened concerns. Beyond the bilateral engagement, competition from China in the South Asian region and economic dominance in the Indo-Pacific will matter, as will maritime security in the Indo-Pacific to safeguard energy and resource corridors and needs. The COVID-19 experience has added a new urgency to ensuring access to artificial intelligence, 5G and digital technologies beyond the current reliance on Chinese technology firms in India. Economic diplomacy with other partners will only positively balance the Chinese presence in these sectors. Finally, Indian objectives must include the more strategic and long-term issue of how the global economy will be shaped in multilateral institutions and across inter-governmental agencies over the next two or three decades and the span of time it takes for new technologies to change an existing economic paradigm.

In practice, ensuring these objectives are met means that Indian policymakers must move away from the existing framework of negotiations to one that actively acknowledges the impact of new agendas in trade relations. This is especially true for economic engagement with China, given the direction of Chinese investments in India. Hence, moving away from a focus almost entirely on tariffs, rules of origin and trade deficits to national laws on quality standards, complementarities with anti-corruption norms in contracts and green requirements, which have a greater impact on access to markets, will enable a reconfiguration of trade relations. In the long-term, India will also need to view trade as intrinsic to its pattern of growth and its global partnerships. This speaks to a more strategic view of economic engagement with China, putting aside the somewhat tactical approach of the last few decades. For India's economic diplomacy to be successful in meeting its objectives with China, it needs to be calibrated at multiple levels, the bilateral being only one of these. The regional and multilateral matter as much. A strategic approach to economic diplomacy is most likely to leverage bilateral economic relations with China.

The complexity of the task calls for a change in the way India has conducted economic diplomacy when it comes to China. While Indian diplomats have been adept at representing India at multilateral forums and inter-governmental bodies, the pullout from the RCEP at the last minute indicates a lack of broader inputs from industry and experts on trade policy (25). India has the necessary institutions to channel a shift in policy. Some of these need to be reoriented, such as the high-level strategic dialogue on economic relations between the two countries and the capacity of its embassies,



commercial attachés, and domestic trade and industry associations. Others, like multilateral institutions in which India has a presence, are handy instruments for redefining agendas, while still others like science, technology and medical research institutions should be critical partners in evolving regional and global models of cooperation and exchange to fill the dire development needs that COVID-19 has exposed.

### **Nature of India's Economic Diplomacy**

Currently India's economic diplomacy with China is conducted through the strategic economic dialogue (SED) through its embassy in Beijing and industry associations. These work in consultation with each other, some from the sidelines of more formal SED meetings. Since its inception in 2010, the SED has focused on India's growing trade deficit with China and efforts to close the gap by discussions on diversifying into investments in infrastructure and India's competitive sectors like pharmaceuticals. Despite six rounds of the SED, persistent problems with the bilateral engagement have remained. Market access for Indian firms and commodities in China is limited, given the state's ownership of the local economy. Little headway has been made on proposals on collaborative ventures with Chinese enterprises, market access for pharmaceuticals and, what the minutes of SED meetings euphemistically term, "bilateral practical cooperation." The programme of the SED, by its own account, remains limited to official joint working groups on various sectors and rarely goes beyond announcements (26).

This framework rarely recognises that the Chinese government or its state-owned enterprises are no longer the only, or even prime, investors and players in the Indian market. Since at least 2014, China's private sector has been far more active in India (27). On the Indian side, traders, corporates and technology companies have been the most enthusiastic enablers of Chinese trade and investment in India. Additionally, more localised associations and interest groups across many states in India have greater investments in the economic relationship. Hence, defining the direction of the India-China economic story entirely through the SED lens may ultimately be misleading. India's economic diplomacy with China should, therefore, include those who are likely to define these interests more clearly. The inclusion of these interests from outside government and at the level of the states can only support the work of understaffed departments at the nodal ministries for economic diplomacy, the MEA and the Ministry of Commerce and Industry. The MEA is the smallest of all



establishments among BRICS nations, has no transparent process of policy planning, and is rarely successful in reaching out to domestic actors in the process of planning projects. This attitude of parsimony reflects even in Indian industry associations like the Confederation of Indian Industry, which has not moved beyond establishing a small office in Shanghai, its only interface with Chinese industry.

As India enters a period of negotiating issues like cybersecurity and data privacy with China, domain knowledge, which officials with a bent for generalist expertise rarely have, becomes important. Adding to this the more realistic understanding of the practices in data control across major economies will ensure that knowledgeable negotiators do not view China as the chief culprit but establish a dialogue with it on the need for a standard policy that will apply to all countries, including the US, which has been less than cooperative on data controls. The diplomatic space needs to be crowded with a host of actors involved in data security issues, including regulators, consumers and civil society groups, which have an unbiased and realistic assessment of the issues involved. The pertinent government ministries need to retain and use personnel with an in-depth knowledge of these issues. This must be a sustained exercise. More, the need for expertise and domain knowledge increases in light of the next big development in the digital and cyber sector—data centres—where India is increasingly becoming the investment destination (28). Changes to the organisation and structure of the MEA were first suggested in 2009 but it was only in 2015 that the first consultants were hired at junior positions and in 2020 that the MEA got its first internal revamp (29).

India's economic diplomacy with leading technology powers has greater strategic import for the India-China relationship when viewed from the perspective of accessing technology to build capacity against China's growing sea and land dominance. Recent expectations are that the Quadrilateral Security Dialogue—comprising the US, Japan, Australia and India, and many of whom have borne the brunt of China's economic coercion and are looking to diversify from Chinese supply chains—will include an economic agenda that feeds into these interests (30).

### **India's Shaping of the Multilateral Order**

India's economic diplomacy should leverage its strengths in the region and in multilateral institutions in the face of China's influence and claims to leadership. If India hopes to implement infrastructure projects in the neighbourhood to restrain





Chinese presence, it will have to create management groups and technical personnel to support diplomats on the ground (31). This is especially true for the ailing Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation and International North–South Transport Corridor initiatives. A project-focused approach is imperative to ensure implementation, which has been missing until now. Many of these projects will create the goodwill India needs if it is not to be locked out of trade and resource needs in China's ever growing economic corridors. China now has six resource corridors in Asia and at least three in Africa, covering many countries that have an increasing dependency on Chinese loans and infrastructure technology (32). Indian diplomats need to ensure that the arrangements made are not biased against India's access to these regions.

Globally, recent years have been a period of existential challenge for multilateral institutions. The US and the UK, the founders of the liberal multilateral system, have tended to ignore and even attack it. Despite supporting multilateralism, developing nations have demanded reforms. The World Trade Organization has been stymied by the lockdown of its arbitration mechanism and the failure of its negotiation mechanism, its *raison d'être*. The World Health Organization, which should have been central to the management of the COVID-19 pandemic, has been overtaken by “vaccine nationalism” and private pharma companies, despite establishing the COVAX facility (33). Rich nations repeated behaviour from the time of the swine flu by making advance purchase agreements for the greater bulk of vaccines with pharmaceutical companies such as Pfizer (34).

Economic protectionism has endangered the concept of cooperation on which multilateral institutions are built. This was never so apparent as at the 2019 BRICS meet where each member country highlighted individual economic woes and seemed to be speaking at cross purposes, with no insights provided on the global economic crisis. However, if this is a moment of challenge for the multilateral order, it may be to India's interest not to let the leadership of that order fall to China. Indian diplomacy must address the future of this order and the way it can shape it to its interests.

More pertinently, this might also be a moment to view the global order from the chasms revealed by COVID-19. The global order failed, as did the notion of interdependencies so central to the neoclassical framework. As one study notes, the issue of supply chains was not just an issue of strategic interests. Firms with cross-country supply chains did not contribute to meet the challenge of COVID-19. Shutdowns of industries and social lockdowns disrupted GVCs. Scarcities of medical equipment and accessories



saw an increase in market competition and national procurement policies, affecting supplies to poor countries. In April 2020, the United Nations stepped in to create a supply chain for COVID-19 related materials (35).

Amid the pandemic, many countries' reliance on Chinese supply chains were disrupted, forcing them to diversify but mostly in support of domestic producers. Japan moved US\$26 billion investments out of China, although not necessarily back to Japan, and allocated US\$2.2 billion to support its domestic industries; the US invoked the Defense Production Act, 1950 to expand production in the US; and Canada, Brazil, Italy, South Korea and Russia gave state aid to producers to increase production (36). This was, in all likelihood, a momentary response to immediate and critical needs and does not indicate that the impulse towards globalisation has completely soured. But it does mean that any further impetus to globalisation must take into account not just elements of growth but also those of livelihood. India must draw upon its intellectual capital to formulate a global development plan to this end.

## **Conclusion**

Given the economic and strategic challenges with China, India has begun to articulate its position on the bilateral economic relations more sharply. It has voiced many of the anxieties over the issues related to dependencies, a skewed trade relationship and the entry of Chinese firms into strategic sectors. It has also announced the setting up of an India Strategic Trade Agency, which will presumably take a more strategic view of this relationship. Less obvious is the development of a plan for concerted economic diplomacy to renegotiate the relationship, expand the country's interests into areas where Chinese influence can be constrained and where India can secure advantages that ensure its strategic interests in relation to China.



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# 2.2

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## **Unpacking the India-EU Economic Relationship**

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Ankita Dutta



India's partnership with the European Union (EU) has come a long way since the signing of the strategic partnership in 2004 that led both partners to intensify and deepen their cooperation through summits, dialogues and high-level working groups. Their economic relation has emerged to be a cornerstone of their partnership and has evolved from that of development aid to development partnership.

### **Snapshot of India-EU Economic Ties**

India and the European Economic Community established diplomatic relations in the 1960s, cementing it in 1983 with the establishment of the Delegation of the European Commission to New Delhi. The 1994 Cooperation Agreement between India and the EU opened the door for larger political and diplomatic interactions. The recognition of each other's potential led to the signing of the strategic partnership in 2004 with emphasis on developing international cooperation to address issues related to multilateralism, intensification of economic interactions and furthering sustainable development. The signing of the strategic partnership led to the release of the first joint action plan (JAP) in 2005, which defined mutually agreed objectives and proposed a range of activities in the areas of economic, political and development cooperation. The high-level trade group established under the JAP recommended the initiation of negotiation of a free trade agreement (FTA); with negotiations beginning in 2007 focused on limiting up to 90 percent of tariffs and the liberalisation of services and market access.

Despite a robust start in the 2000s, the India-EU partnership lost much of its momentum over the next decade. While India's bilateral relations with EU member states—like Germany, France and the United Kingdom (UK)—developed substantially, it did not lead to the expected intensification of ties with the grouping. India and EU's pre-occupation with their neighbourhoods contributed to the relations taking a backseat. This was further affected by the lack of progress in the FTA and the 2012 arrest of Italian marines, which not only affected ties between Italy and India but also led to increased tensions with the EU (1). During this period, the EU largely turned its attention to China as a key partner and larger market in Asia.





However, the global geopolitical scenario has changed over the past few years. The uncertain US policy outlook under former President Donald Trump, the upending of the liberal multilateral order and the rise of an assertive China has led both India and EU to realise that a substantive engagement was imperative. Moreover, given India's growing regional and international relevance, it is crucial for the EU to renew its focus on developing the economic, political and defence partnership. Also, since 2016, both India and the EU, through their various joint statements and initiatives, have intensified their partnership in crucial strategic areas, including climate change, sustainable development and military-to-military dialogue.

Trade and economics remain at the core of the India-EU partnership. Since the 1970s, India has been a beneficiary of preferential tariffs for its exports under the EU's generalised system of preferences, which reduces import duties for almost 66 percent of product tariff lines with an aim to support various industrial sectors in the developing countries. In 2019-20, India's trade with the EU stood at US\$104.93 billion (INR 767,143 crore), comprising of US\$53.73 billion (INR 392,820 crore) worth Indian exports and US\$51.2 billion (INR 374,323 crore) of imports (2). Over the April 2000-March 2020 period, foreign direct investment inflows from the EU to India were valued at US\$109.55 billion (INR 800,920 crore) (3). Additionally, over 6,000 EU companies are said to operate in India, providing direct and indirect employment to over six million people (4). With the establishment of an investment facilitation mechanism for EU investments in India in 2017, there is a renewed focus on facilitating ease of doing business norms for EU investors in India. This mechanism allows for close coordination between the Indian government and the EU to formulate solutions to the issues and problems faced by EU investors in operating in India (5).

Strategically, the EU is placing renewed attention on India, which is visible through various policy documents it has published in the past few years. In the Global Strategy released in 2016, the EU highlighted that "In light of the economic weight that Asia represents for the EU – and vice versa ... the EU will deepen its economic diplomacy in the region, working towards ambitious free trade agreements with strategic partners such as Japan and India" (6). In its 2018 Strategy on India document, the EU further acknowledged its interest in promoting India's advancement and treating India on an equal footing—"A strong modernisation partnership between the EU and India should also support the EU's job creation, growth and investment objectives, and help promote sustainable connectivity for Europe and Asia" (7). In 2019-20, the EU accounted for only 11 percent of India's total trade, while India accounted for only



1.9 percent of the EU's trade (8), illustrating the huge untapped potential in India's economic ties with the EU given the size of their respective economies.

### **Emerging Development Partnership**

In recent decades, India has shifted from being a net recipient country to a provider of development cooperation under the aegis of South-South cooperation. For this, India has adopted a multi-pronged outlook that includes trade, investments and cooperation agreements, leading to increased bilateral visibility and capabilities. Its development compact includes “capacity-building and skills transfer, concessional finance (further divided into grants and lines of credit), preferential trade, investment, and technical cooperation” (9). Between 2008 and 2020, India disbursed approximately INR 61,067.58 crore (US\$8.35 billion) as grants and loans under various development compacts (10).

India-EU development cooperation spans several decades and encompasses issues like health, education, poverty reduction, water and sanitation. The 2005 JAP highlighted that since 1976, the European Commission has committed 2 billion euro (US\$2.4 billion) in development cooperation to India and recognised that “India is itself becoming an increasingly active player in evolving development policy” (11), reflecting the altered European view of India as an emerging economic powerhouse. Also, the Indian government's decision to limit the number of international donors marked a concrete step towards changing the dynamics of development cooperation with the EU. In 2014, the EU ended its Development Cooperation Instrument (DCI) with India; between 2007 and 2013, the total EU assistance to India through the DCI was 450 million euro (US\$545 million).

Since 2014, the India–EU partnership has changed from the donor-recipient paradigm to that of cooperation through several instruments. The first is the combining of loans from international financial institutions and EU grants for developmental needs with the combined DCI and Asian Investment Facility portfolio of 180 million euros (US\$218 million) in commitments over 2014–2020 (12) for investment in the health sector, smart cities initiative, sustainable urban development and mobility (13).

The second key development cooperation instrument is the European Investment Bank (EIB), which has provided loans for three different metro projects in India—450



million euro (US\$545 million) for the Lucknow metro, 600 million euro (US\$727 million) to support two metro lines in Pune, and 500 million euro (US\$606 million) for Bengaluru (14). With the signing of 2019-20 JAP, the EU and India also decided to step up their cooperation in the “development of smart and sustainable urbanisation”, complimenting the ‘Make in India’ plan that “presupposes quality and resilient infrastructural development” (15).

Third, the education and science and technology sectors have emerged as key areas of development cooperation. India is the largest recipient of Erasmus Mundus funding for higher education (16). Moreover, both sides have committed themselves to cooperate further through initiatives like the Global Initiative of Academic Networks and Erasmus+. India and the EU have also partnered on various projects related to climate change, resource efficiency, renewable energy and digital cooperation (17), with the statements released after the conclusion of the 2017 and 2020 summits setting a strong mandate for further development cooperation in these areas (18,19).

India and the EU have also committed to enhance their collaboration in other countries; Roadmap 2025 lays emphasis on “launch[ing] concrete trilateral/cooperation projects in pilot partner countries...and to establish an India–EU Annual Review on Development partnership in third countries” (20). They can also create a toolbox of partnership that can include information sharing, regular dialogues and financial assistance to enhance their developmental partnership, and can further their dialogue platforms by identifying new areas (geographical and issue-based), leveraging respective knowledge and resources and mobilising multiple actors (governmental and civil society).

Another key area of development cooperation is the 2030 Agenda for Sustainable Development. India and the EU are working closely on several fronts that cover the Sustainable Development Goals (SDGs)—such as the smart cities initiative (SDG 11), clean water and sanitation (SDG 6) and climate action (SDG 13). The two have become key stakeholders in global efforts to combat climate change through the framework of Clean Energy and Climate Change Partnership, 2017 (21).

Overall, the development partnership provides opportunities to India and the EU to collaborate on the bilateral issues and gives them a platform to formulate a comprehensive approach and policy framework towards various global challenges.



## Elusive FTA: Roadblocks in Negotiations

Negotiations for the India-EU comprehensive FTA—the Broad-based Trade and Investment Agreement (BTIA)—were initiated with the establishment of the high-level trade group during the 2006 summit. But the BTIA is nowhere near finalisation despite 16 rounds of discussions due to several contentious issues, including the trade in services and goods, intellectual property rights (IPR) and data security.

In trade in services, the areas of disagreement are in Mode 1, 3 and 4, as defined under the General Agreement on Trade and Services (GATS; see Table 1 for definitions of the three modes). Mode 1 and 4 are the areas where India has asked for greater access. In 2015, the total outsourcing opportunity from Europe was worth about US\$52 billion (INR 380,172 crore) (22). Given the economic slowdown in many of the European countries, it remains highly unlikely that the EU will outsource services to India or provide Indian professionals with preferential access to the larger European market. While India has demanded greater access to the European market under Mode 1 and 4, the EU has demanded increased access to the Indian economy under Mode 3. The EU is a major proponent of liberalising under Mode 3 in major markets like India and in sectors like banking, retail and insurance. But India has opposed such access to its financial sector due to domestic opposition and the lack of political consensus. Crucially, “India’s demand for greater market access in Mode 1 and 4 remains dependent on its ability to meet the EU’s demands in Mode 3” (23).

**Table 1:** Mode 1, 3 and 4 of General Agreement on Trade and Services

<b>Mode 1: Cross-border</b>	A user in a country receives services from abroad through its telecommunications or postal infrastructure. Such supplies may include consultancy or market research reports, tele-medical advice, distance training, etc.
<b>Mode 3: Commercial presence</b>	The service is provided within a country by a locally-established affiliate, subsidiary, or representative office of a foreign-owned and — controlled company.
<b>Mode 4: Movement of persons</b>	A foreign national provides a service within a country as an independent supplier (e.g., consultant, health worker) or employee of a service supplier (e.g. consultancy firm, hospital, construction company).

Source: WTO (24)



The second area of divergence is trade in goods. The EU has demanded the lowering of tariffs on wines, spirits, dairy and automobiles, but India has raised concerns that this could result in European imports flooding the market without any reciprocal access to the European market. Similarly, India has demanded the lowering of non-tariff barriers in the sanitary and phyto-sanitary sectors, and technical barriers imposed by the EU. The strict labelling and trademarking norm imposed by the EU has led to the reduction of Indian exports to the European market (25).

India and the EU have also been unable to reach an agreement on IPR. The EU expects India to strengthen its IPR regime, which may have a critical impact on India's vast pharmaceutical and generic drug sector. Moreover, Indian legislation bans both "ever-greening of patents (extending the time coverage of patents just before they expire, through minor changes to the product) and the exclusivity of test data (protection of clinical trial data), saying they jeopardise the sale of low-priced generic drugs and chemicals" (26). Also, the EU's demand of 'data exclusivity' will lead to the nullifying of previously existing data on the safety and effectiveness of the generic drug, forcing pharma companies to seek fresh approvals from the national health authorities and conducting expensive clinical trials before producing the medicines. All this would negatively impact India's vast and lucrative pharma sector (27).

Another major concern for India is to get recognised as a data-secure country by the EU. Without this, the flow of sensitive data can be hindered, increasing operating costs for Indian businesses in the EU. However, given EU concerns over its regulatory norms and data-privacy standards, it remains highly unlikely that the grouping will agree to this demand.

Other areas of concerns for the Indian side are legally binding clauses on human rights, and social and environmental and labour standards. The EU also appears uneasy about India's termination in 2016 of existing bilateral investment treaties (BIT) (28), with countries like France and the UK to renegotiate older pacts on the basis of a new model of the BIT approved in 2015. Another contentious aspect is the Investor-State Dispute Settlement mechanism in which EU wants detailed provisions while India is reluctant to accept this provision.

At the 2020 India-EU summit, both sides "reaffirmed their commitment to work towards a balanced, ambitious and mutually beneficial trade and investment agreements" (29) and established a new mechanism of a ministerial level dialogue to



“provide political guidance to the bilateral trade and investment relation and continue the dialogue on a regular basis” (30). However, the resumption of negotiations largely went unaddressed.

### **Three Issues and the Way Forward**

India and the EU have emerged as important stakeholders in the multilateral global system. Economic cooperation between the two sides has been grown despite the stalled FTA negotiations. Although India and the EU have not been able to tap into each other's strengths, there is tremendous opportunity to overcome long-standing differences in trade relations. Three issues will likely define their future economic trajectory—Brexit, FTA negotiations and post-COVID-19 economic recovery.

Since 2019, India and the UK have been the top five investors in each other's economies. The UK's exit from the EU will not only have an economic implication for the grouping but for the larger world economy, and India is not immune to this phenomenon. India considers the UK as a gateway to continental Europe (31) and with it exiting the EU, Indian firms will lose this advantage. Additionally, Indian firms with EU-wide operations and headquarters in the UK will likely be impacted due to the border restrictions. However, in a survey of 45 firms conducted in the immediate aftermath of the Brexit referendum in 2016, about half of the respondents said they “do not intend to set-up separate operations in any other EU country in the near term following Brexit” (32). Also, about 63 percent of the companies surveyed said that signing a “comprehensive FTA with the UK on goods, services and investments may help mitigate any negative impact of Brexit on India” (33). Brexit could provide India the opportunity to reset its trade and economic ties with the UK and the EU (34,35). India and the UK must consider launching their own trade deal negotiations and build on the already robust bilateral economic ties.

On the other hand, India and the EU have already showcased their readiness to address the sticky points in BTIA negotiations. An assessment on the potential impact of the FTA found that the likely gain from the pact will be between 8 billion euro (US\$9.7 billion) and 8.5 billion euro (US\$10.3 billion), and that exports to India from the EU countries will increase by 52 percent to 56 percent, while imports from India will increase by between 33 percent and 35 percent (36). The BTIA is crucial because both India and the EU are large markets and India's demographic dividend can help the



EU with the movement of skilled labour and professionals. Also, the increased market access will further integrate the services sector, increasing the scope for cooperation and joint ventures.

Negotiators from both sides must look beyond the multiple differences to focus on the complementarities. Given the reluctance to agree to the other's demands, India and the EU should begin by negotiating less difficult sectors and aim for greater cooperation in new areas like green technology and artificial intelligence, which could lead to a more balanced outcome in the talks. They need to find a middle ground to address the core issues. The conclusion of the BTIA will not only strengthen India and the EU's global standing but can also provide an opportunity to further integrate their partnership on various shared goals like green economy, sustainable development and resource efficiency.

The priority area for India and the EU remains the post-COVID-19 economic recovery. Over the past few months, the pandemic has expanded into an economic crisis, a geopolitical shock and a social challenge. Tackling its impacts requires multilateralism, cooperation and solidarity. This is where India's partnership with the EU can shine.

While the euro area economy is expected to contract by 7.8 percent (37) in 2020, the Indian economy is expected to contract by 10.3 percent (38). The pandemic has exposed the weaknesses in the global economic system and the overdependence on the China-dominated international supply chains. This has led many countries to re-evaluate their economic policies and push for self-reliance. India and the EU are not immune to these debates. India is keen to promote itself as an alternative manufacturing hub and an innovation destination to become the "nerve centre of global supply chains" (39). This is also the vision of the Atmanirbhar Bharat policy, which aims to merge domestic production and consumption with the global supply chains. In the post COVID-19 world, India-EU economic relations will not be defined just by BTIA negotiations but also on efforts to become part of reliable supply chain networks.

There are on-going debates in the EU over the need to diversify supply chains to reduce reliance on other countries for crucial products like pharmaceuticals (40). This could be one area for developmental cooperation between India and the EU. India's medical diplomacy during the pandemic (distribution of the anti-malarial





drug hydroxychloroquine) and the release of vaccines has drawn it plaudits (41,42). India's pharmaceutical manufacturing capabilities coupled with access to European healthcare technologies can provide new avenues for enhancing partnerships and promoting innovation between the partners (43). The two sides can explore collaboration between their hospitals and research centres for the exchange of information and best practices on scientific developments and to conduct joint research. The linking of research efforts can help India and the EU leverage their capacities to find innovative solutions for healthcare. Overall, this will also present new opportunities for joint ventures and enhanced trade between the two sides. Multilaterally, India and the EU can work to strengthen the World Health Organization and bring together various stakeholders, health experts and global economic institutions to prepare a coordinated approach to handle the current and any future health crisis.

Intensified dialogue and deliberations, a realignment of trade policies and emerging prospects of collaboration in the post-pandemic world provide India and the EU an opportunity to transform their economic ties into a robust strategic partnership.



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# 2.3

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## **India's Developing Economic Ties with the Indo-Pacific**

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Natasha Jha Bhaskar



**T**he COVID-19 pandemic has exposed the resource incapacities of governments, supply chain risks of businesses, and the inherent social and economic inequalities in civil societies, resulting in isolated countries, fragile economies and an inward-looking world.

The gains of globalisation—which ensured the free movement of people, goods, services and capital, and brought the world closer—stands threatened and uprooted. Tough questions are being asked by affected countries across the world, amidst debates on decoupling, economic sovereignty and self-reliance, and a simultaneous rise of economic nationalism with accelerated digital integration. The message is clear—the ‘new normal’ has new aspirations, new players and revised allegiances, brought together by the consequences of the pandemic.

The impact of the pandemic on regular life has also been a catalyst for greater connectivity, cooperation and coexistence, effectively forcing a reimagination and discovery of new ways to grow and engage with the changing global reality (1). COVID-19 has indeed brought the future forward.

The Indo-Pacific is emerging as a new area of importance, driven by the common interests and convergences of several strategic powers, each with their own set of influences and ambitions (2), reflective of three emerging geostrategic and geoeconomics shifts. First, strategic competition over the next several decades will be dominated by maritime and blue economy. Second, the Indo-Pacific covers a diverse and big region that envelopes Southeast Asia, South Asia and the littoral nations of the Indian Ocean. Third, the rise of China, its outward expansion and the heightening of the US-China rivalry. The rivalry peaked during the pandemic, with countries jostling to identify partners for long-term strategic and economic cooperation, to go beyond unipolar or bipolar dynamics (US and China) of uncertainty, instability and supply chain risks. China’s unrelenting pressure on countries, its role in the pandemic crisis, its attempt to hijack global institutions like the World Health Organization (WHO), its territorial aggression on India and using coercive trade practices to target Australia, has forced other countries to unite to address the situation they find themselves in. What is clear is that these countries have charted their own paths to self-realisation after experiencing some hard truths with China (3). The consolidation of the Indo-Pacific region could also offer alternatives to China’s Belt and Road Initiative, assert



the need for a connected multipolar region of numerous middle powers, and their strategic and economic aspirations (4).

The concept of the Indo-Pacific is internalised in diverse ways by its proponents. Former Japanese Prime Minister Shinzo Abe committed his country to a ‘free and open Indo-Pacific’ (FOIP) strategy in 2016 and ex-US President Donald Trump asserted the FOIP strategy in 2017, both with the aim of ensuring rule of law and freedom for shared prosperity. In India and Australia, the Indo-Pacific is primarily treated as a normative framing. And in the Association of Southeast Asian Nations (ASEAN), it is as an “outlook” with a strong departure from the China containment logic and is based on inclusivity and equidistance from the US and China. Similarly, France and Germany have outlined Indo-Pacific strategies that stress middle-power co-operation on issues such as climate change and regional governance. Pacific Island states have been most hesitant with the FOIP concept, which implies making a strategic choice between China and others (5).

In the *Contest for the Indo-Pacific: Why China Won't Map the Future*, Rory Medcalf writes that “The Indo-Pacific, is unified by the quest to balance, dilute and absorb Chinese power, it is both a region and an idea – a metaphor for collective action, self-help combined with mutual help, it is a mental map which speaks of power, strategic imagination, and a world view. It is inherently a multipolar region because it is too large for hegemony. This calls for partnerships among nations in order to preserve order (6).”

## **India in the Indo-Pacific**

India’s definition of the Indo-Pacific region stretches from the western coast of North America to the eastern shores of Africa.

The vast Indo-Pacific region comprises at least 38 countries, shares 44 percent of the world surface area, is home to more than 64 percent of the world’s population, and accounts for 62 percent of the global GDP with more than 50 percent of global trade traversing through its waters (7). The region is highly heterogeneous with countries at different levels of development connected by a common thread of ‘the ocean (8).’

Prime Minister Narendra Modi articulated India’s Indo-Pacific concept as the SAGAR doctrine— ‘Security and Growth for All in the Region’, an aspiration that





depends on ensuring prosperity for all stakeholder nations, guided by norms and governed by rules, with freedom of navigation (9). In 2019, at the East Asia Summit in Bangkok, India announced the Indo-Pacific Oceans' Initiative (IPOI) to support the building of a rules-based regional architecture centred on seven pillars—maritime security; maritime ecology; maritime resources; capacity building and resource sharing; disaster risk reduction and management; science, technology and academic cooperation; trade, connectivity and maritime transport (10).

IPOI is anchored on India's 'Act East' (focusing on the Eastern Indian Ocean and the Western Pacific) and 'Act West' (focusing on the Western Indian Ocean) policies (11). It seeks to widen the scope of the Indo-Pacific narrative by including a diverse set of challenges and opportunities that go beyond traditional security threats and geostrategic concerns. It also includes economic, environmental and technology related challenges in the maritime domain. The architecture is inclusive, cooperative and open, where any two or more nations can collaborate in a particular sector. For instance, India and Australia are collaborating in maritime security and safety, and protecting the Indo-Pacific marine environment (12).

India's Indo-Pacific priorities incorporate its closest neighbours (all South Asian countries), followed by its outer neighbourhood (Gulf states in the west and Southeast Asian and ASEAN countries in the east). India has also built partnerships and collaborated with likeminded countries in the region that have shared values and common goals—from the Pacific Islands to the archipelagos of the western Indian Ocean and off the eastern coast of Africa; to networks such as the Quadrilateral Security Dialogue (QUAD) with the US, Japan and Australia, the Supply Chain Resilience Initiative (SCRI) with Japan and Australia as participants, and the India-Japan-US, India-France-Australia and the India-Indonesia-Australia trilateral arrangements. These are all strong instances of cooperation, which will be nurtured and solidified in the post-pandemic world with new coalitions and effective operational outcomes (13).

According to Indian Foreign Minister S. Jaishankar, the "Indo-Pacific construct signifies the confluence of the Indian and Pacific oceans that can no longer be handled as distinct spheres. It is a reiteration that the world cannot be frozen for the benefit of a few, the security, stability, peace, and prosperity of this vast region is vital for the world. The Indo-Pacific concept is not tomorrow's forecast but yesterday's reality. It captures a mix of India's broadening horizons, widening interests, and globalised activities. The Indo-Pacific is central to India's exports and imports (14)."



In April 2019, India established a new division for the Indo-Pacific in its Ministry of External Affairs to address the region's growing salience in global discourse. The division converges the Indian Ocean Rim Association, the ASEAN region and the QUAD under one umbrella.

**India's Indo-Pacific expanse largely covers:**

- **Matters of Indo-Pacific** includes the QUAD, along with trilateral groupings India–Japan–US, India–Australia–Indonesia, India–Australia–Japan (SCRI), India–France–Australia
- **India–ASEAN relations** includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam
- **East Asia Summit** includes the ten ASEAN countries along with Australia, China, India, Japan, New Zealand, the Republic of Korea, Russia and the United States
- **Indian Ocean Rim Association (IORA)**, India's Indo-Pacific policy is rooted in the Indian Ocean and includes Australia, Bangladesh, the Comoros, India, Indonesia, Iran, Kenya, Madagascar, Malaysia, Maldives, Mauritius, Mozambique, Oman, Seychelles, Singapore, Somalia, South Africa, Sri Lanka, Tanzania, Thailand, the United Arab Emirates and Yemen. IORA has ten dialogue partners—China, Egypt, France, Germany, Italy, Japan, Turkey, the Republic of Korea, the United Kingdom and the United States
- **Asia–Europe Meeting (ASEM)**, includes 21 Asian countries and the ASEAN Secretariat along with the European Union and its 27 member states, plus Norway, Switzerland and the United Kingdom
- **Mekong–Ganga Cooperation (MGC)** includes India and five ASEAN countries, namely, Cambodia, Lao PDR, Myanmar, Thailand and Vietnam
- **Ayeyawady–Chao Phraya–Mekong Economic Cooperation Strategy (ACMECS)** includes Cambodia, Lao People's Democratic Republic, Myanmar, Thailand, and Vietnam—India was included as a development partner in 2019
- **Oceania** includes Australia, New Zealand and Pacific Island countries
- **Eastern Africa** includes Somalia, Kenya, Mozambique, Tanzania, South Africa, Mauritius, Seychelles, Madagascar and Comoros
- **Gulf Arab States** includes, Bahrain, Kuwait, Iraq, Oman, Qatar, Saudi Arabia and the United Arab Emirates
- **North America** includes United States and Canada, including the regions of Central America and the Caribbean islands

Although India has focused on building strong strategic and security partnerships in the Indo-Pacific, discussions on the economic potential of the region remain less developed. However, India's strategic priority for ensuring peace, stability, security and prosperity in the region (articulated through IPOI) is integrated with its goals of building a thriving 'blue economy', vital to the nation's economic growth and post-COVID-19 economic recovery.



## Indian Ocean Region: Pivot for India's Economic Ties with Indo-Pacific

The heart of India's economic ties in the Indo-Pacific is rooted in the Indian Ocean (see Figure 1). The Indian Ocean is almost 20 percent of the world's ocean area, touching the shores of 36 countries and connecting three continents (Africa, Asia and Australia), with a total coastline area of 66,526 km, or 40 percent of the global coastline. The Indian Ocean is home to major sea-lanes and choke points that are crucial to global trade, connecting major centres of the international economy in the North Atlantic and Asia-Pacific—90,000 commercial shipping vessels form the backbone of international goods trade; and about 40 percent of the world's oil supply travels through strategic choke points into and out of the Indian Ocean, which is also a valuable source of mineral and fishing resources. Currently, within the Indian Ocean region, East Asia and the Pacific outperforms South Asia, West Asia and Africa on all aspects of economic dynamism of the Indian Ocean, leaving countries to identify and address the gaps that exist (15).

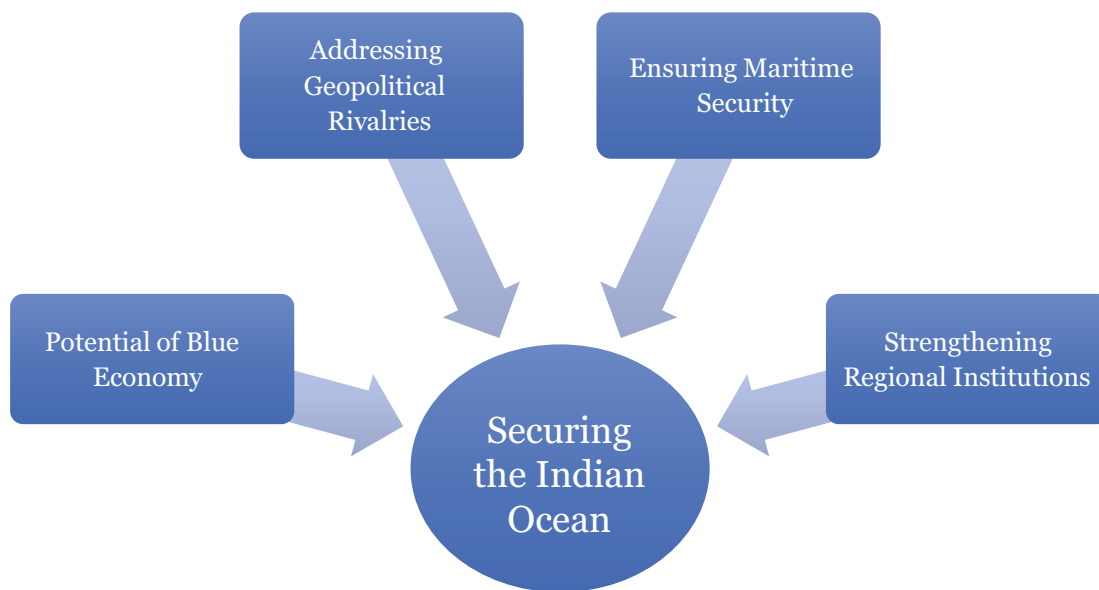
### India and the Indian Ocean:

- India has a 7,516-km coastline, over 1,300 islands and islets, and an Exclusive Economic Zone of over 2 million sq km
- 95 percent of India's trade by volume and 68 percent of its trade by value comes via the Indian Ocean
- 80 percent of India's oil and 45 percent of its liquefied natural gas is imported by sea via the Indian Ocean
- As per India's offshore oil production and petroleum exports, India's sea dependence for oil is about 93 percent
- India is looking at a US\$250 billion maritime economy by 2024
- 70 percent of natural disasters emanate in the Indian Ocean Region
- Challenges include maritime terrorism, arms trafficking, drug smuggling, human trafficking and poaching
- Indian Ocean as a global economic highway has nearly 120 warships from over 20 nations always present in the Indian Ocean Region to safeguard their maritime interests (16)

India's economic future in the Indo-Pacific region will largely be defined by its capacity to build on its blue economy potential (ranging across several sectors), regional economic integration (trade agreements to address trade barriers) and connectivity infrastructure to promote intra-inter regional trade (ports and logistics) in the Indian Ocean.



**Figure 1:** India's Growth Pivot to the Indian Ocean



Source: Author's own

**India's blue economy potential: Sectors and activities**

The blue economy has a 4.1-percent share in India's GDP, with immense potential for growth (see Table 1) (17). Modi has stressed the importance of the ocean economy by likening it to the blue *chakra* (wheel) in India's national flag (18).

**Table 1:** Resources from an Ocean Economy

Sector	Activity
<b>Fishing</b>	Capture fishery (addressing the problems of overfishing, illegal, unreported and unregulated fishing, fishing in high and open seas), aquaculture, seafood processing, to emphasise the optimum use of fisheries
<b>Marine biotechnology</b>	Pharmaceuticals, cosmetics, nutritional supplements, molecular probes, enzymes, fine chemicals and agrichemicals, seaweed harvesting, seaweed products, marine-derived bio-products
<b>Minerals</b>	Oil and gas, deep-sea mining (exploration of rare earth metals, hydrocarbons) led by rising demand and use of these critical minerals in advanced applications
<b>Marine renewable energy</b>	Offshore wind energy production, wave energy production, tidal energy production
<b>Marine manufacturing</b>	Boat manufacturing, sail making, net manufacturing, boat and ship repair, marine instrumentation, aquaculture technology, water construction, marine industrial engineering



Sector	Activity
<b>Shipping, port and maritime logistics</b>	Ship building and repairing, ship owners and operators, shipping agents and brokers, ship management, liner and port agents, port companies, ship suppliers, container shipping services, stevedores, roll-on roll-off operators, custom clearance, freight forwarders, safety and training. India's Sagarmala project and its draft Maritime Vision 2030 document aims to boost development through promotion of ports and shipping. The port-led development plan is based on four pillars of port modernisation, connectivity, port-led industrialisation and coastal community development.
<b>Marine tourism and leisure</b>	Water sports, coastal natural reserves
<b>Marine construction</b>	Marine construction and engineering
<b>Marine commerce</b>	Marine financial services, marine legal services, marine insurance, ship finance & related services, charterers, media and publishing
<b>Marine information and communication technology (ICT)</b>	Marine engineering consultancy, meteorological consultancy, environmental consultancy, hydro-survey consultancy, project management consultancy, ICT solutions, geo-informatics services, yacht design, submarine telecom
<b>Education and research</b>	Education and training, research and development

Source: *Blue Economy Report 2015, RIS* (19)

### ***Regional economic integration and connectivity infrastructure***

The Indian Ocean economy is expected to account for over 20 percent of global GDP by 2025 (20). India's share in the growing Indian Ocean economy will be dictated by its improved port quality and logistics, lowered barriers to trade and investment, strengthened regional economic governance, and ability to balance geopolitical tensions. India's current statistics on economic integration and infrastructure highlight the substantial room for improvement (see Tables 2,3 and 4).

**Table 2:** Status of India's Economic Integration and Infrastructure

Benchmark component 0-100 (best)	Overall score	Overall rank	Rank compared across nations
<b>Quality of port infrastructure (2019)</b> Liner shipping connectivity Efficiency of seaport services	59.9 59.1	25 49	Across 141 economies
<b>Trading across borders (2020)</b> Time to export, border compliance	82.5	68	Across 190 economies
<b>Trade openness (2019)</b> Prevalence of non-tariff barriers Trade tariffs percent Complexity of tariffs Border clearance efficiency	57.6 3.8 65 49.1	66 134 87 41	Across 141 economies
<b>Global Innovation Index – India (2020)</b>		48	Across 131 economies
<b>Logistics Performance Index, LPI (2018)</b> <b>Overall (1=low to 5=high)</b> Customs Infrastructure International shipments Logistics competence Tracking and tracing Timeliness	Overall LPI Score: 3.18 2.96 2.91 3.21 3.13 3.32 3.50	44	Across 160 economies

Source: Author's own, from various sources (20)

**Table 3:** India's Non-Tariff Measures

Sanitary and phytosanitary	247
Technical barriers to trade	193
Anti-dumping	313
Countervailing	20
Safeguards	4
Quantitative restrictions	59
Tariff-rate quotas	3

Source: WTO, December 2020 (21)

**Table 4:** India's Free Trade Agreement Status, 2020

Under negotiation	Signed but not yet in effect	Signed and in effect	Total
Framework Agreement signed – 1 Negotiations launched – 16			
17	0	13	30

Source: ADB, Dec 2020 (22)

## Advancing India's Interest in the Indo-Pacific

At the core of the Indo-Pacific region is a collection of sub-regions of diverse countries, each with different strengths, capabilities and capacities. The countries within these sub-regions are creatively and strategically building the Indo-Pacific narrative. Going forward, India needs a crafted and coherent Indo-Pacific strategy to navigate the competitive, complex and contested region. This is critical to maximise its economic opportunity and maintain its maritime security.

India can experiment with the ways of alignment (bilaterals, minilaterals and multilaterals with countries in the region) (23), and address existing drivers, barriers and inhibitions within countries or sub-regions in a more focused manner. This will include securing the Indian Ocean, deeper integration with Southeast Asia, strong partnerships with other strategic powers (such as the US, Japan, Australia, France and the UK), managing China, investing in maritime logistics and infrastructure, reducing barriers to trade and investment, and strengthening regional economic governance via regional and bilateral trade agreements.

There is considerable work to be done and much to build on. India can consider the following recommendations:

- ASEAN is at the centre of India's Indo-Pacific vision. India can consolidate deeper ties with the East Asian economies at a bilateral level and minilateral level, irrespective of its non-engagement on multilateral platforms like the Regional Comprehensive Economic Partnership (RCEP) or Asia-Pacific Economic Cooperation (APEC) forum. The ASEAN region and India make up one-fourth of the global population and their combined GDP has been estimated at over US\$3.8 trillion (24).





- India should also consider playing a proactive leadership role in minilateral organisations such as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation and the Mekong–Ganga Cooperation, both of which include ASEAN member countries (25). India must bolster its economic cooperation with ASEAN further, in sectors like infrastructure, fintech, information technology/information technology enabled services, e-commerce, education and skill development, healthcare and pharmaceuticals, and agriculture and food processing (26).
- Continuing Indo-Pacific economic integration also asks for establishing greater physical infrastructure and connectivity between South and Southeast Asia, supported by stronger private sector participation, which requires substantial funds (US\$8 billion currently, against the overall need for US\$73 billion) (27). This could also provide the right impetus to complete the pending India-Myanmar-Thailand Trilateral Highway and the Kaladan Multi-Modal Transit Transport.
- India's state governments must also proactively align with the central government's Act East policy. ASEAN and India can also consider upgrading the ASEAN-India free trade agreement to promote sustainable, inclusive and resilient growth (28). This has to be supplemented with stronger ease of doing business reforms at home and state governments honouring business agreements.
- India's evolving ties with Australia, with the elevation of the relationship to a Comprehensive Strategic Partnership and the release of India's economic strategy for Australia and vice versa, offers opportunities to create a dependable partnership in the Indo-Pacific (29).
- In September 2020, India created a new vertical in its foreign ministry, with the Oceania territorial division and Australia at its centre and including ASEAN and the Indo-Pacific divisions (30). India and Australia strategically anchor the Indo-Pacific in the northwest and southeast. India surrounds the Indian Ocean and Australia lies between the Indian and the South Pacific Ocean (31). The Australia and India free trade deal (Comprehensive Economic Cooperation Agreement) has been in works since 2011, with over nine rounds of negotiations, but the two countries have yet to reach a settlement. Gains from the pact are estimated to be in the range of 0.15 percent and 1.17 percent of GDP for both countries,



and will likely boost confidence in the business environment; bolster export in sectors like agriculture, food processing, mining and resources; and facilitate investment flows. Robust ties between the two countries will pave the way for a stronger Indo-Pacific economic architecture (32).

- The revival of the QUAD and SCRI grouping were motivated by shifts in the regional order in the Indo-Pacific (33). However, the degree of shared ambition among the countries in these groups vary, driven by their outlooks, interests and approaches, specifically on trade liberalisation and membership of multilateral organisations—for instance, Australia and Japan are members of Comprehensive and Progressive Agreement for the Trans-Pacific Partnership, APEC, RCEP and Organisation for Economic Cooperation and Development.
- India must find common points of interest and collaboration with each country and address the economic dependencies on China independently (India's trade exposure to China is at 11 percent of two-way trade, Japan's is twice as high and Australia's a massive 30 percent). All partner countries have shared interests and outlook in sectors like critical minerals and infrastructure (34). India will also need to reflect on SCRI's goal in the region—supply chain reconfiguration or ensuring supply chain efficiency by addressing the stretched balance sheets of companies across sectors and the inhibition to move and relocate (35). These factors will determine the emergence of the Indo-Pacific region as a hub of global value chains-oriented trade and investment.
- Economic growth in Indo-Pacific countries can only be revived by sound economic (power, water and transport) and social infrastructure (education and health). Connectivity and inclusivity in the region must be based on comprehensive policies (robust legal and regulatory framework, interagency coordination) that can attract investment in infrastructure, build financial systems and shape digital economies—a necessary step to realise the Indo-Pacific trade potential (36). Private investment in infrastructure must be mobilised. Out of the US\$50 trillion global stock of capital managed by pension funds, sovereign wealth funds, insurance companies and other institutional investors, only 0.8 percent is allocated to infrastructure (37).
- The pandemic has reversed decades of progress on the Sustainable Development Goals, with collateral damage to education, health and nutrition (38). It has



exacerbated social and economic inequalities and has exposed global disparities. Countries in the Indo-Pacific must work together to create a resilient development paradigm to address this severe humanitarian crisis. The ultimate test of India's diplomacy in the Indo-Pacific should not be limited to exports, investment and its strategic clout, but also importantly how it has improved the standards of living.

- India should prioritise creating a full-fledged Ministry of Blue Economy, with an effective institutional mechanism for coordination and leadership (39). This will put all components of a blue economy, including security, maritime budgetary allocation, naval acquisitions, maritime trade, energy needs, transportation, connectivity, fisheries and marine exploration, under a single ambit.
- Sectors like automobiles, pharmaceuticals, medical devices, advance manufacturing, critical minerals, healthcare, education, infrastructure, science and innovation, and technology transfer could offer opportunities for regional recovery and also build substantial intellectual capital to address shared challenges (40). India could provide inclusive and creative leadership driven by reciprocity in the region, provided it focuses on capacity building across government institutions and business organisations, market integration and regional links with established norms for stronger economic cooperation. There must be greater convergence of goals, supported by coordinated actions.
- India will need to develop a multi-layered approach towards cooperation in the region, matching its strengths and priorities with other countries, building inter-trade facilitation centres, with a focus on niche goods and services, and using technology to build responsive processes (41). India's institutional competence is central to achieving these economic goals in the region, which should include specialised departments of competitiveness and industrial development, trade policy and negotiation.
- Economic diplomacy and domestic reforms are intricately linked. How India chooses to engage with the world will primarily depend on its ability to build a new narrative around its strengths and offerings, its capacity to build new engines of growth and productivity (like its pharmaceuticals, automotive and telecom sectors), its drive to prosper and grow and look out for the world, and



its commitment and ability to engage at granular and macro levels (42). India should also focus on developing a sophisticated knowledge base on countries in the region.

- Social and economic inequality in the Indo-Pacific region will challenge its full economic integration. Hence, post-COVID-19 economic diplomacy must create long-term solutions that ensure the ‘new normal’ is more equitable than the previous one. The metrics of engagement must be defined differently, not just based on flows of physical goods, money and people, but on the basis of building capacity-led connections, complementarities, sustainable commitments and mutual dependence across countries and sub-regions.
- The ‘new normal’ economic diplomacy should seek for balance between competition and cooperation, aspirations and the achievable, and regional and global. It should be navigated on the strong foundation of rules-based collaboration. India’s concerted actions in the Indo-Pacific region will determine its evolution as a key player. This requires a reimagination, reform, resolve and resilience based on trust and transparency. It is no longer about rising India, but how India could lead.



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# 2.4

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## **Exploring India's Economic Diplomacy with the US**

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Dhruva Jaishankar



**T**he US is India's most important economic partner today. In 2019-2020, it was India's single largest trade partner, accounting for almost US\$89 billion (11 percent of India's total) in two-way goods trade (1). It is the fifth-largest source of incoming foreign direct investment (FDI) (2). However, these figures arguably understate the importance of the economic partnership. Services trade is a major component of bilateral commerce, accounting for over one-third of total trade (37 percent). Over 2,000 US companies currently have a presence in India, some—including such major corporations as GE, Cisco, Microsoft, and Amazon—being significant employers. In 2018-2019, over 200,000 Indian students studied in the US, a number that has reduced somewhat due to the COVID-19 pandemic. India provides a massive user base for US technology companies; it is already home to the largest number of Facebook users and other technology giants—many prevented from entering China's market—see immense potential in India. About one in seven Silicon Valley startups were founded by Indians, with the impact of Indian-born entrepreneurs in the US felt equally in areas such as the biological sciences (3). While India's other economic relationships—with Europe, China, Japan, Southeast Asia, and the Gulf—are also intensifying, the US for now holds particular importance for India's economic diplomacy.

But there are also areas where the US and India do not hold much value for each other—yet. Both are consumer-driven economies and net importers (they rank first and third, respectively, in terms of current account deficits). Regardless of the political party in power in both countries, ensuring employment for the middle class will be essential, making it difficult to offer concessions on trade or manufacturing. Barring select sectors, neither is a major exporting powerhouse of manufactured goods, along the lines of China, Germany, Japan or South Korea. In the US's case, this is a consequence of its economic trajectory; in India's case as a developing economy, it is often a product of insufficient competitiveness. Infrastructure is also not always a strong suit for the two countries, nor is government-backed institutional investment. At the same time, some areas that were previously underdeveloped have come online in recent years, such as energy and defence, two significant areas of trade and commercial cooperation that have emerged only relatively recently.

India's economic engagement with the US over the next decade can be assessed along five dimensions—trade, migration, capital flows, technology, and standards



and regulations. Trade is likely to remain a fraught subject but will depend in large part on the evolution of US manufacturing, India's industrial development and the resolution of trade frictions. Migration will see bumps along the road but could quite conceivably result in a tightening of relations. Capital flows will depend in large part on the success of India's post-COVID-19 economic recovery. Technology offers perhaps the greatest potential for accelerated economic links between the two countries, with wide-ranging effects on security, communications and the environment. Finally, standards and regulations may offer one of the more significant areas of India-US engagement, with global implications. As two large democratic economies, India and the US will have the potential (along with Europe and Japan) to shape global standards on sustainable development, international lending, telecommunications and banking systems, among a host of other areas. For India's economic diplomacy over the next decade, these areas will be worth greater emphasis. India's development will require sourcing critical goods, investment and technologies; ensuring market access; absorbing best practices and knowledge; and leveraging international agreements for domestic competitiveness.

### **Trade: Frictions Amid Flattening**

Trade in goods is likely to remain a contested area, not just between India and the US, but globally. After the end of the Cold War, the world witnessed an enormous growth of cross-border trade, rising from 39 percent of global GDP to 61 percent in 2008. But following the global financial crisis, trade has plateaued, falling to 59 percent of global GDP by 2018. With the proverbial pie no longer growing, trade is increasingly viewed in zero sum terms. This also applies, if to a lesser degree, to services trade, as governments continue to prioritise employment growth in critical value-add sectors.

Trade is also extraordinarily politicised, for two reasons. One is sector-specific sensitivities. In both India and the US, narrow politically-mobilised constituencies can exert considerable influence over broader trade negotiations—including multilateral negotiations as at the World Trade Organization—if they fear becoming disadvantaged. For example, in recent years, American medical device, pharmaceutical and dairy industries have lobbied the US government to take action against India for protecting its markets. Similarly, the retail and agricultural sectors in India have been resistant to trade liberalisation.



While sector-specific disputes have long been a feature of trade relations, an additional factor—especially after 2008—has been concern over employment. In both the US and India, overall growth figures since the turn of the millennium have been encouraging (in fact, the US and India are the second and third largest contributors to global growth in that period). However, median incomes in the US have not grown significantly, while employment growth has not matched the demographic potential in India. Ensuring jobs has become a concern for the leaderships of both countries amid fears of jobless and uneven growth, no matter the political party in power. Making concessions on merchandise trade has consequently become more difficult.

Nonetheless, there have been opportunities for growth in bilateral relations. Prior to the COVID-19 pandemic, bilateral trade in goods and services had climbed from US\$60 billion in 2009 to US\$146 billion in 2019 (4). Indian purchases of energy (including liquefied natural gas), defence and commercial aviation had contributed further to US exports and narrowed the US deficit with India, which had been a point of focus for former US President Donald Trump. In a post-pandemic world, goods trade and supply chains will also be more closely associated with national security concerns and political trust. These factors do present some opportunities to bolster trade, including in key areas such as healthcare. Efforts at rerouting supply chains to ensure resilience offer additional opportunities. These may, in time, translate into select trade groupings and arrangements, even if recent efforts at multilateral trade negotiations involving both India (the Regional Comprehensive Economic Partnership) and the US (the Trans-Pacific Partnership) have been unsuccessful.

Overall, trade—particularly in merchandise—will remain a difficult prospect for India and the US. Sector-specific concerns and employment woes will continue to be factors, only partly offset by supply chain resilience initiatives. In the near-term, putting to rest niggling trade frictions, which defined both the Obama and Trump-era engagements with India, will be a priority. But a ‘phase one’ trade truce should be seen as only a first step towards setting the trade relationship on a more solid footing.

### **Migration: The Prospects for Overhaul**

The people-to-people links and the success of the Indian diaspora in the US have been heralded as among the major developments behind transforming the bilateral relationship. The Indian-American community is by many measures the wealthiest



and best-educated ethnic group in the US. The people-to-people links, however, go beyond that. For India, it is manifested in the large number of students in the US (second after students from China), many of whom return to India. For its part, India has made it legally easier for people of Indian origin to live, work and invest in the country through the creation and expansion of the Overseas Citizen of India programme. This combination of factors has led to a large and growing number of business links between the two countries as well as research and entrepreneurial collaborations. The effects of these relationships are hard to quantify.

A combination of more restrictive immigration policies pursued by the Trump administration and the disruption caused by the pandemic have threatened the prospects of such mutually beneficial exchanges. Measures taken by the Trump administration affected several categories of migrants, three of which pertained to India. The first was student visas, as well as associated policies such as optional practical training. Proposals that students not be allowed to return to the US if they were engaging in remote learning from US universities (a situation brought about by the COVID-19 pandemic) were successfully challenged by universities, but threatened to deter future enrollment in US institutions. A second category was short-term skilled labour, often through the H-1B visa programme. Oversubscribed by Indian nationals, the H-1B visa has become controversial, with many US officials believing that it no longer serves its original purpose and is often exploited by employers. Finally, the process of achieving permanent residency (“green cards”) through employment had been restricted by quotas, something a Biden administration has committed to overturning.

There is a widespread belief among leaders on both the political right and left in the US that the current immigration regime is untenable. But more ambitious immigration reform has been resisted by certain constituencies, including the Congressional Hispanic Caucus. Asian-Americans—of whom Indian-Americans are the third-largest group, after Chinese-Americans and Filipino-Americans—have been the major beneficiaries of changes to US immigration policy since the early 1990s. They have since become the fastest-growing immigrant group in the country. Hispanic Americans, however, remain the largest group of first-generation migrants and are concerned that further wholesale changes to US immigration will come to their disadvantage.



If a political deadlock is broken, it is possible that the US might move to a points-based system, akin to countries like Australia. Such an immigration regime would conceivably prioritise individuals who are younger, highly educated, English-speaking, and have degrees in science, technology, engineering or mathematics. Should they be instituted, such criteria would considerably benefit Indian-Americans, resulting in greater Indian migration to the US. But such a comprehensive breakthrough—resulting in a replacement of the H-1B programme—is by no means a foregone conclusion.

Overall, the prospects for continued growth in people-to-people contacts between the two countries appear positive. The challenge will be how best to harness the diaspora and educational exchanges to accelerate the two countries' economic well-being. The challenges will include, but not be restricted to, India's engagement with second- and third-generation Indian-Americans, the recognition and utilisation of US degrees in India, expanding access to quality US education for Indians (including possibly by encouraging the establishment of campuses in India), and incentivising research collaborations between individuals and institutions in both countries. Some of the benefits will accrue naturally, but policy interventions can help accelerate and thicken links, to the economic benefit of both countries.

### **Capital: Following the Money**

Over the past two decades, capital flows between India and the US have undoubtedly increased, as the overall economic relationship has grown. However, as with other elements of economic ties, it is arguably still underdeveloped. Much of the focus, given the more competitive context surrounding trade and jobs, has been around FDI. In 2019, the stock of US FDI in India stood at US\$45.9 billion. By comparison, US FDI in some large Asian economies is significantly higher—US\$162 billion in Australia, US\$126 billion in Japan and US\$116 billion in mainland China (6). Meanwhile, Indian FDI in the US is US\$5 billion, also suggesting considerable room for growth. As with many countries, ensuring regulatory and legal clarity through an instrument such as a bilateral investment treaty would encourage investors in both countries to work with the other. FDI is not the only form of capital flows between the two countries. Indirect or portfolio investment is significant, and there is considerable potential for expanding secondary markets in India. The further development of Mumbai as a financial hub is important.



Other forms of capital flows have decreased in relevance over time, including government-backed lending. US development assistance to India, for example, was over US\$200 million per year two decades ago but has fallen to less than half that amount (US\$97 million in 2019), in part a consequence of India's development. By contrast, remittance flows from the US to India have grown steadily. In 2017, US\$11.7 billion was remitted from the US, making it the second-largest source of the US\$69 billion in remittances to India that year (7). Whether that figure continues to grow or plateaus will largely depend on US immigration policy over the next decade.

Ultimately, the future of capital flows from the US to India (and vice-versa) will depend significantly on commercial diplomacy—government engagement with the private sectors. For the Indian government, it will require convincing investors about the benefits of committing to its country. While India has benefited in sectors where market access to China is limited, such as e-commerce and retail, a surge across the board has not yet occurred. Like diaspora diplomacy, commercial diplomacy has been something that the Indian government has learned over the past quarter-century. But now with some track record, it will necessitate working more seamlessly with entities in India to facilitate foreign investment (such as the Department for Promotion of Industry and Internal Trade or state governments).

### **Technology: From Frustration to Promise**

Leveraging diplomatic relations to seek access to advanced technology has been a challenge for India almost since independence. The initial emphasis was on strategic technologies—defence, nuclear energy and space—but a combination of India's non-alignment, US export controls and questions of cost prevented a fruitful partnership from emerging in many of these areas. On the other hand, India was perhaps the single biggest beneficiary of US agricultural technology in the 1960s, resulting in the Green Revolution. The introduction of new strains of grain, facilitated by the US government and affiliated entities, resulted in bumper crop yields and India becoming no longer reliant on food aid. In a very different way, technology was a prime catalyst for the India-US economic relationship taking off in the 1990s. In this case, it was demand for skilled labour in the US that led to the Indian information technology boom, something the Indian economy still benefits from.





Since India's 1998 nuclear tests, when severe sanctions were imposed on India by the US government, successful diplomatic efforts were made to free India from technology denials. This was initially under the Next Steps in Strategic Partnership umbrella, but accelerated with the passage of the civilian nuclear agreement between 2005 and 2008 (7). This paved the way for India to be made a major defense partner under the Obama administration and be categorised in one of the highest categories by the Department of Commerce under the Strategic Trade Authorization initiative, essentially minimising licensing requirements for export certain sensitive technologies (8).

While Indian diplomatic efforts have been successful over 20 years in lowering (and in some fields, eliminating) barriers to technology, the challenge has moved into other domains. One is offering incentives for the transfer and absorption of technology from the US private sector. This requires Indian entities (whether government or private players) to pay high costs or offer secondary benefits for cutting-edge technology. Additionally, it requires India to have the means—whether through private research and development or universities—to absorb that technology. Questions of costs, public procurement and non-competitive academic environments (among other factors) prevent India from taking full advantage of technological opportunities presently on offer. Government-led efforts to improve educational links will be necessary.

Another line of effort will relate to technology policy and standards. In an era of greater competition, particularly with China, ensuring common technological security and compatibility standards will be necessary. This will extend to several areas, possibly most immediately on data security, 5G telecommunications, and artificial intelligence. India-US efforts at cooperating in these areas, which may take the form of multilateral initiatives such as the D-10 or Global Partnership on Artificial Intelligence, will be a certain feature of bilateral diplomatic ties in the years ahead.

## **Standards and Regulations**

Finally, beyond seeking market access, critical materials (for instance, energy), knowledge, investment and technology, India will have to engage the US in setting standards, norms and regulations. This is an opportunity to deepen or facilitate cooperation in certain areas of economic or commercial cooperation. For example, aligning export controls ensures that India can receive access to critical technology.



Additionally, such a process can make India more competitive at home, as a catalyst for reform.

In many cases, this will take the form of issue-specific multilateral negotiations. Climate change offers one example of recent consensus building, and the Paris Climate Treaty now functions as a benchmark for international cooperation. Newer initiatives related to climate and sustainability, such as the International Solar Alliance and Coalition for Disaster Resilient Infrastructure, represent Indian attempts at setting norms and standards on related issues. Similar opportunities are discernible in other areas. Trade and investment could well end up being either more problematic or bilateral, but public health, education and technology will all assume greater urgency in a post-COVID-19 environment. Other norms will take center stage in response to attempts by certain rising powers, most notably China, to set them unilaterally. A critical example relates to the Belt and Road Initiative, which India challenged in 2017 on normative grounds. Subsequent efforts by both India and the US to offer and enforce alternative norms for infrastructure lending—based on financial sustainability, transparency, environmental standards, national sovereignty and local demand—have been developed in parallel, although discussions have taken place on US-led proposals such as the Blue Dot Network. Nonetheless, there are a host of similar issues that will require better coordination in a post-pandemic world, as the international order grows accustomed to new power realities.

## **Conclusion**

The opportunities and challenges for Indian economic diplomacy in its efforts at engaging the US over the next decade are immense. The US holds enormous importance for India's future economic trajectory, not necessarily as the dominant actor in every facet of international economic exchange, but in its totality. But it is logical to assess what India hopes to derive from that relationship. In an ideal world, India seeks market access, the import of critical raw and intermediate materials, capital (whether in the form of investment, remittances, loans or grants), broader and deeper people-to-people exchanges, the transfer of technology and know-how, and cooperation in setting global norms and standards. Many of the steps deterring or complicating these objectives are domestic in nature, often a product of vested interests or insufficient capacity in India. At the same time, other barriers that had previously been imposed by one government or the other (such as India's license-



permit-quota regime or US export controls) are less relevant today.

The agenda over the next decade will therefore include, but not be limited, to the following possibilities:

- A “**phase one**” trade agreement between India and the US—or more accurately a “trade truce”—that reaches basic agreement on several outstanding points of bilateral trade friction.
- Discussions towards a higher quality **trade arrangement**, which may take the form of a bilateral or multilateral preferential trade agreement. At its most ambitious, such an arrangement might resemble a modified Trans-Pacific Partnership, although in a form that is more politically palatable to both countries.
- A **bilateral investment treaty** that clarifies questions surrounding regulatory unpredictability, particularly in India.
- A more robust Indian **commercial diplomatic presence** in the US that is coordinated with line ministries and state governments to facilitate large-scale investment.
- An **education dialogue**, with the objectives of facilitating the establishment of US higher education campuses in India, enhancing research and development collaboration, and recognising degrees conferred by educational institutions in the two countries.
- Multilateral discussions on **setting or strengthening global norms** on such issues as climate change and sustainability, emerging technology standards (such as data, artificial intelligence, 5G and automation), lending and international finance, and export controls.



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## **India-Gulf Ties Over the Next Decade: Navigating Frontier Areas for Cooperation**

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Talmiz Ahmad



India's relations with the peoples of the Gulf and the Arabian Peninsula go back several millennia when Indian sailors, merchants, intellectuals and men of faith traversed the waters of the Indian Ocean, exchanging navigation skills, goods, ideas and belief systems. They thus enriched each other materially and spiritually and created a shared ethos that endures to this day.

Over the last decade, the Gulf has been in ferment—the fall of Hosni Mubarak in Egypt in the wake of the Arab Spring in 2011 deprived Saudi Arabia of its security partner and created in the kingdom a deep sense of strategic vulnerability. It saw in Iran a hegemonic player in regional affairs and opted to challenge the expansion of Iran's presence on a sectarian basis in the region that it considered its zone of exclusive influence. This set up proxy conflicts between the two Islamic neighbours in Syria, Yemen and Iraq.

The four-year term of former US President Donald Trump exacerbated regional tensions—he extended full support to Saudi Arabia and Israel, expressed visceral animosity for Iran, and actively promoted Israel's ties with the Gulf countries. As his term ended, sharp battlelines were drawn in the region—with the US, Israel and Saudi Arabia (and selected Gulf allies, the UAE and Bahrain) on one side, and Iran, backed by Syria and its Shia militia in Lebanon and Iraq on the other (1).

The ongoing COVID-19 pandemic has effected remarkable changes in the economic, social and cultural lives of people the world over. Over a year since the first appearance of the virus, with vaccines now available to combat the disease, there is a dawning sense that the international community can gather its resources to explore areas where crises could be transformed into opportunities.

Given the central importance of the Gulf for India's abiding interests—political, economic and strategic—how can the substantial traditional ties be reshaped to suit the contemporary needs and interests of India and the region?



## India-GCC Engagement

The significant presence of the Indian community in the Gulf countries over the last 40 years and the role of Indian enterprises in the development of the region have taken place in the framework of important changes in bilateral political and economic relations. Between 2005-07, the head of state or government of every Gulf Cooperation Council (GCC) country visited India. The GCC countries also became India's principal trade and investment partners.

Then Saudi ruler King Abdullah bin Abdulaziz was chief guest at India's Republic Day in 2006, the first visit to India of a Saudi monarch since 1955. He signed with former Prime Minister Manmohan Singh the 'Delhi Declaration' that committed the two countries to a strategic energy partnership, recognising India's status as a major global oil importer, with over 50 percent of its needs being met by the GCC countries (2).

Later, the Pakistan-sponsored attack on Mumbai in November 2008 also affirmed the shared threat that the GCC and India were exposed to from extremist elements nurtured by Pakistan. This provided the rationale to elevate India-GCC ties to a strategic partnership that was given formal shape by the 'Riyadh Declaration' of February 2010 (3). This enjoined the two sides to pursue the expansion of ties in political, security, defence, economic and cultural areas.

Given the importance of India's relations with the Gulf, Prime Minister Narendra Modi focused on the region from the beginning of his term with a series of visits to all the major regional capitals in 2015-16 and encouraging return visits. These visits have included Saudi Arabia, the UAE, Qatar, Bahrain and Oman (4).

These interactions have built on the solid foundations prepared earlier but have imparted to the ties an unprecedented momentum through the frequency of high-level engagement and the institutionalisation of interactions through joint ministerial councils, joint commissions, bilateral strategic dialogues and task forces to address specific issues.

The joint statements issued at the end of each high-level interaction share several common features. Each of them celebrates India's age-old civilisational ties with the region, applauds India's democratic order, and recognises the relationship as a





“strategic partnership”. On this basis, each document sets out the shared interests and concerns of the two sides relating to extremism and terrorism and emphasises the need for cooperation between them for to promote regional peace and security.

The joint statements recognise the value of the traditional pillars of ties with India—energy, trade, investments in infrastructure and industry, and the presence of the community. Then, in line with the age-old practice of revitalising relations with fresh content, they identify new areas for bilateral cooperation. These include food security; renewable and nuclear energy; education and skill development; the defence industry; biotechnology; space; electronics; and digitisation, including cyber security, innovation and support for start-ups.

These ideas provide a valuable blueprint for the shaping of new relations over the next decade.

### **Shaping India-Gulf Ties for the Post-Pandemic Era**

Economic recovery after the pandemic and the building of ties on fresh bases will need to take into account that the pandemic has accelerated many of the trends in the world economy that were at nascent stage earlier. These are a shift in favour of clean energy, digitisation and the attendant need for skilled manpower, and the paramount importance of connectivity, both physical, to explore new trade links, and digital, to shape new regional value chains.

The economies of the GCC states are expected to contract by 5.2 percent in 2020. This downturn is accompanied by low oil prices that are expected to remain at US\$55 to US\$60 per barrel in 2021. Trade has declined by 40 percent across the region, causing a total loss of about US\$116 billion (5). In a recent estimate, the International Monetary Fund expects the Gulf economies to contract by 6.6 percent, as against the world average of 4.4 percent, largely on account of their dependence on oil revenues—for instance, oil accounts for 45 percent of the Saudi GDP and 75 percent of Oman’s revenues (6).

On the positive side, the states concerned are asset-rich—they have US\$43.7 trillion in liquid and quasi-liquid assets, including US\$ 3.3 trillion in sovereign wealth funds. Besides this, they also have proven oil and gas reserves valued at US\$ 40.4 trillion (7).



The ideas for cooperation set out in the various joint statements, the changes wrought by the pandemic in the global and Gulf economies and the attempts of Gulf leaders to cope with the challenges posed by the pandemic provide the template to shape India-Gulf economic relations in the post-pandemic era.

## **Energy and Renewables**

The collapse of oil prices in the wake of the pandemic has adversely affected the oil revenues and the GDP of GCC countries. For instance, Saudi Arabia's GDP growth was 5.4 percent in 2012, plunged to -0.7 percent in 2017, recovered to 2.3 percent in 2018, and then collapsed to -6.8 percent in 2020 due to the pandemic (8). This parlous economic scenario has led Gulf producers to pursue the use of renewable energy sources to meet the burgeoning domestic demand for energy—for electricity, desalination projects, domestic use and industry—and keep their hydrocarbon production for the export market.

This approach meets India's needs perfectly. The Draft National Energy Policy (NEP) document prepared by India's premier economic advisory body, NITI Aayog, in June 2017 provides that the share of "renewables" in the country's energy mix will go from 3.7 percent in 2012 to 6.6 percent in 2022 and will peak at 13.7 percent (9). At the same time, in all scenarios, India will remain heavily import-dependent for its hydrocarbon needs—(a) its import-dependence for oil will go from 77 percent in 2012 to 90 percent (business as usual) or 86 percent (ambitious); and (b) its import-dependence for gas will go from 12 percent in 2012 to 27 percent (business as usual) or 20 percent (ambitious).

These projections make it clear that India will be dependent on the Gulf countries for its oil and gas needs for the foreseeable future, thus retaining the principal pillar of its ties with the region. At the same time, it is important to note that "renewables" offer a new and important area for bilateral cooperation. This is because both India and the GCC countries are committed to developing renewables, as is borne out by the following (10):

- Between 2014-18, the total renewable electricity installed in the GCC states increased by over 300 percent.



- The UAE has a total installed renewable energy capacity of 589 megawatts; the country has expanded its renewable energy projects by 330 percent between 2014-18; it has committed itself to obtaining 44 percent of its energy production from renewables by 2050, and has already achieved 5 percent. Again, in 2016, Saudi Arabia set a target to source 9.5 GW of its electricity from renewables by 2023.
- India too has made major strides in pursuing ambitious renewable energy goals. Globally, the country is ranked fourth in wind power, fifth in solar power, and fifth again in renewable power installed capacity. The government is expecting to reach 225 GW of renewable energy capacity by 2022, well over its target of 175 GW under the Paris Climate Accord. Given its installed capacity of 89 GW in August 2020, these are certainly ambitious targets (11).

Renewable energy development provides for an extraordinary synergy between India and the GCC. This partnership meshes well with similar plans that are animating both sides. This development has been encouraged by the significant decline in the cost of renewable energy technologies. Thus, the global average levelised cost of electricity from solar panels has decreased 73 percent between 2010 and 2017, while from onshore wind power it has fallen 22 percent (12).

This provides great scope for mutual corporate investments and transfer of technology, and experience between the two sides. Over the last six years, investments in India's renewable energy sector have amounted to US\$42 billion, with US\$11.1 being invested in 2018 alone (13). Foreign investment in India's clean energy is picking up momentum—in just 2016-18, it amounted to about US\$2 billion.

Besides funding, India is also building infrastructure. Solar parks are being set up across the country, with the world's largest solar power plant, the Bhadla Solar Park, currently under construction in Rajasthan. To add corporate heft to these ambitious plans, the Adani Group has announced plans to become the world's largest solar power company by 2025, and the world's largest renewable energy company by 2030 (14).



## Water Conservation

Water conservation is a new area for cooperation between India and the GCC countries to sustain a better quality of life over the long-term, given that both regions are facing water stress. The World Resources Institute reported in August 2019 that 18 of the 22 Arab states were suffering severe water shortages, with 10 experiencing “extremely high” water stress (15), including all six GCC countries and Lebanon, Israel, Jordan and Libya.

The report noted some scope to take remedial action. It pointed out that 82 percent of the region’s wastewater is not reused, though some initiatives in water treatment and reuse were already emerging—Oman treats 100 percent of its collected wastewater and reuses 78 percent of it; about 84 percent of all wastewater collected in the GCC countries is treated to safe levels, but only 44 percent goes on to be reused.

The report also included India in this list at number 13 out of 18 countries in terms of water stress. This category includes countries that are withdrawing 80 percent of their available fresh water every year for agriculture, industry and urban needs. The report quoted a NITI Aayog statement from 2018 that said saying that the country is “suffering from the worst water crisis in its history, and millions of lives and livelihoods are under threat.” India is currently at the bottom of 122 countries in the Water Quality Index—at 120—with nearly 70 percent of its water sources contaminated (16).

At the beginning of the decade, the GCC was home to around 50 million people. By 2050, that number is expected to increase by around 14 million. By 2050, it is predicted that annual freshwater consumption rates for the GCC will hit 33.7 billion cubic meters, outstripping projected future storage levels by almost 8 billion cubic meters. Given the region’s high dependence on desalinated water, boosting desalination capacity is the principal initiative of the GCC states to increase water supply (17).

Around 57 percent of the world’s desalination plants can be found in the GCC, allowing it to create 18.18 million cubic metres of potable desalinated water every day. To keep up with demand, planned projects in the pipeline are estimated to add around 40 percent additional capacity by 2025, boosting that total to over 25 million cubic metres per day.



However, the GCC countries are anxious to pursue obtaining new water supplies with minimum ecological impact. India shares the same interest and has been turning to innovative approaches to meet its needs for sufficient and safe water. Thus, to meet the challenge of diarrhoeal illnesses and deaths, Indian scientists are attempting to purify water by using nanotechnology. The technology removes microbes, bacteria and other matter from water by using composite nanoparticles that emit silver ions that destroy the contaminants (18).

Similarly, in desalination, which is so important in the GCC countries, new technologies are being researched to reduce the huge amount of energy that desalination plants consume—about 4 kwh of energy for every cubic metre of water. Again, smart technologies are being investigated to monitor water leakages that wastage of 60 percent of water globally and managing water use with computer algorithms and modelling. Above all, using technology to process wastewater for industrial and personal use (19).

Working together on water conservation, processing of wastewater and making water safe for drinking will be in the joint interest of the highly water-stressed India and GCC states, and will complement the related new area for cooperation, food security.

## **Food Security**

Food security is a priority concern for all GCC nations, with the countries being particularly anxious about supply disruptions due to market or political volatilities. They had, for instance, found themselves in a parlous situation in 2007-08, when the global food crisis had caused rice prices to go up 217 percent, the problem being exacerbated by major suppliers—India, Russia, Vietnam and Argentina—putting restrictions on their food exports.

Given these and other concerns associated with the possible impact of climate change on agriculture, the GCC countries have undertaken several new initiatives. The UAE has moved to investing in agricultural companies in relatively developed countries, such as Serbia, Poland and Ukraine. Being surplus in food production, these countries do not generate local concerns relating to foreign ownership of arable land.



The GCC states have also invested in corporations dedicated to agriculture. The UAE has a 50 percent stake in the region's largest agribusiness, Al Dahra, that operates in 20 countries and specialises in production of rice, flour, fruits and vegetables, as also animal feed. Another UAE-owned company is involved with agritech at a facility set up in the UAE with an American partner. The Saudi sovereign wealth fund is securing food supplies by investing in an Indian group, Daawat Foods, that guarantees rice supplies to the kingdom.

This background throws up interesting opportunities for the GCC states and India to cooperate in the sensitive area of food security for mutual benefit. A start has been made with the pioneering 'farm-to-port' project, which envisages a special corporatised farming zone where crops are grown for the UAE market, with dedicated logistics infrastructure to the port (20). This farm will also house agro-industries facilities.

Given India's huge fruit and vegetable produce and vast quantities that are wasted due to poor storage, the food processing sector has the greatest potential for GCC-India cooperation, especially investments. India loses about 21 million tonnes of wheat annually, the equivalent of Australia's entire produce, valued at US\$ 8.3 billion, due to inadequate storage and distribution facilities (21). According to the national auditor, India lacks appropriate warehouses to store 33 million tonnes of food grains procured from farmers (22). Similarly, India loses about 21 million tonnes of vegetables and 12 million tonnes of fruits annually due to the absence of requisite cold storage amenities (23).

These realities in both countries open several opportunities for UAE investment in India's farm-related logistics sector. This technological cooperation could yield extraordinary quantities of cereals and processed food that will boost domestic stocks and partly meet the needs of the UAE as well.

Another area of cooperation between India and the GCC is that of agricultural research, particularly in food technology. The UAE has announced it plans to become a regional hub for food knowledge, the goal being to increase food production by 30 percent by 2021 and further develop the local food processing industry (24). India can be a worthy partner in this endeavour.



India has one of the largest agricultural research systems in the world, with the greatest number of scientific personnel of any developing country engaged in research and education relating to agriculture and allied areas. This includes approximately 30,000 scientists and more than 100,000 supporting staff engaged in research related to agriculture (25). The apex body for research is the Indian Council for Agricultural Research, which directly administers 47 research institutes in the areas of crop, animal and fishery sciences. India also has 42 research institutes dealing with crop sciences, horticulture and resource management (mainly soil-related) and technology (26). These significant capacities, developed over a century and a half, are a valuable resource that could play a major role in augmenting food security in the GCC countries, with the partnership simultaneously upgrading food transport and storage in India as well.

## **Digitisation**

In his recent book on the lessons of the pandemic, Fareed Zakaria simply says: “Today, life can be lived digitally” (27). Technological change has moved in waves—commencing with the personal computer, it advanced to the internet, the World Wide Web, and then to the mobile revolution. In the process, digital technology has brought us digital photography, streaming services, digital retail, and software for Uber that has revolutionised transport.

The pandemic has accelerated the role of technology in daily life—working from home; online school and college education, online consultations with doctors and health-workers; and use of software for medical diagnosis, surgery, treatment and therapy, with devices attached to the person to monitor vital functions and transmit data to the cloud to be analysed by specialists (28).

The pandemic has already speeded up the increased use of digital technology in GCC countries. Impelled by worker safety, major regional oil companies are monitoring complex operations from a digital command centre located at headquarters. The region’s largest food and beverage company, Al Marai, has also become the world’s largest vertically-integrated dairy manufacturing company, with 100 filling and packaging lines. Digital technology has meant greater efficiency and reduced water consumption (29).





In the GCC countries, digital technology is playing a central role in shaping the countries' post-oil future. In Dubai, for instance, it is promoting food security by handling research, production methods, infrastructure improvement and water-saving processes. The other sector is finance, where Dubai is aspiring for global status.

India is a credible partner with GCC countries in developing digital capabilities for diverse operations. In June 2018, the NITI Aayog identified the following as priority sectors for use of digital technology—healthcare, agriculture, education, smart cities and infrastructure, and smart mobility and transportation (30). This was followed by the World Economic Forum launching the 'Centre for the Fourth Industrial Revolution' in India in October 2018. It will initially focus on—artificial intelligence and machine learning, and blockchain and distributed ledger technology (31).

Linked with expanding digitisation, both India and the GCC nations will face the need for skill development. This challenge is being addressed in India through the skill development programme under the electronics system design and manufacturing scheme that aims to train 328,000 people, with the government providing 75 percent to 100 percent of training cost for industry-specific skills for skilled and semi-skilled workers. The scheme also provides opportunities for skill development for the private sector through telecom and electronics sector skills councils (32).

Gulf countries are also paying attention to digital education through local institutions, such as the UAE University, the Mohammed bin Zayed University for Artificial Intelligence and the New Media Academy. Besides these institutions, most major Gulf universities have departments devoted to teaching and training in the digital technology sector and welcome foreign companies running regular as well as special courses and joint internship programmes to develop knowledge and skill in areas such as artificial intelligence, cloud training and information and communications technology.

Thus, India, with its well-established IT companies in the region and its high-quality teaching institutions, can confidently look at a future when it will not only provide human resources to meet the needs of GCC countries, but will also be able to provide training facilities for GCC youth in diverse applications of digital technology.



## Global Value and Supply Chains

The pandemic commenced in China's Wuhan province in December 2019 and by February 2020, it had spread to 18 other provinces. These provinces are home to 90 percent of active businesses in China. Almost all major global corporations have important suppliers in the impacted area. The pandemic disrupted major global value chains that are centred on China and compelled a worldwide debate on reshaping value chains.

The role of global value chains in world trade had started decreasing even before the pandemic, after reaching a peak of 52 percent of world trade in 2008. This was due to labour-saving technologies available in several countries, including automation and 3-D printing, as also trade conflicts between major countries, such as the US and China, due to allegations of protectionism.

So far, India has been a reluctant and marginal presence in the global value chains. This may have been due to its lacklustre domestic reforms, limited infrastructure facilities and poor logistical connectivity. This could now change. India is well-placed to participate in global value chains in sectors of its strength—buyer-driven networks of high-quality in labour intensive areas such as garments, textiles, footwear and toys. But achieving international standards would need major changes at home—improved logistics and infrastructure, improved ease of doing business procedures, and upgraded skills of the workforce (33).

As the GCC countries and India rebuild their economies and are open to fresh ideas, in an innovative move, new value chains for manufacturing could be linked to new supply chains as part of more resilient trade structures. The principal concern in the Gulf is to both shorten and diversify supply lines and avoid risky transactions (34). Two initiatives that are already in place in the Gulf offer attractive opportunities for Indian companies:

- **Free zones:** Gulf states today have 50 free zones, with many of them focusing on e-commerce and other technological ventures. However, beyond the physical free zones, GCC innovators are looking at digital free zones—virtual commercial zones that can host several thousand enterprises. The one in Dubai is modelled on a pioneering initiative in Malaysia that handles goods valued at US\$65 billion and has created over 60,000 jobs worldwide.



- **Digital supply chain platforms:** Dubai-based DP World is a leading shipping and logistics operator. It has now established digital supply chain platforms that link it with similar operators across Asia, thus obtaining an exponential expansion in global connectivity and business (35).

India fits the bill perfectly in regard to shaping new value and supply chains with the Gulf in the post-pandemic era, largely due to its geographical proximity, the comprehensive strategic partnerships India has set up with all the GCC countries, the substantial economic ties that have linked the two sides over several millennia.

### **Navigating Frontier Areas**

There will be a clear synergy in India and the GCC countries consolidating their traditional areas of cooperation—energy, trade and investment—and pursuing the frontier areas in that GCC investment and partnerships will upgrade infrastructure and manufacturing facilities in India, while Indian entrepreneurs will create manufacturing bases and skills development facilities in the Gulf region. This will need adopting of an integrated and cohesive approach, backed by institutional support, to develop ties in the diverse areas set out above—renewables, water conservation, food security, digital technology and skills development.

In a broad historical perspective, the pandemic is a watershed event. From the debris of the ravages that it has wreaked on earlier relationships and arrangements, it is also offering opportunities to take the human saga forward into new realms that need new instruments, new operations and new mindsets. Given the five millennia-old narrative of engagement that has defined India's links with the Gulf, the pandemic has opened opportunities to reinvent our connections on new bases, as we have been doing over several centuries.



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# 2.6

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## **India-Africa Relations: Partnership, COVID-19 Setback and the Way Forward**

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Malancha Chakrabarty



India has a long history of partnership with Africa, with solidarity and political affinity going back to the early 1920s when both regions were fighting against colonial rule and oppression. India's freedom movement had an internationalist outlook; many Indian nationalists viewed the struggle for independence as part of the worldwide movement against imperialism. After India gained independence, it became a leading voice in support of African decolonisation at the United Nations. Independent India, though extremely poor after two centuries of colonial exploitation, strived to share its limited resources with African countries under the banner of South-South cooperation. In 1964, India launched the Indian Technical and Economic Cooperation (ITEC) programme to provide technical assistance through human resource development to other developing countries, with African countries the greatest beneficiaries of it and the Special Commonwealth African Assistance Programme (SCAAP).

India's economic engagement with Africa, on the other hand, only began intensifying in the early 2000s. India's total trade with Africa grew from US\$6.8 billion in 2003 to US\$76.9 billion in 2018, and India is now Africa's third-largest trade partner (1). Indian investments in Africa have also grown rapidly in the last decade and the country is currently the seventh-largest investor in Africa (2). The scale of India's development cooperation with Africa has also grown rapidly. From 2003 onwards, India began to use concessional lines of credit (LoC) as one of its key development partnership instruments to fund the construction of railway lines, electrification and irrigation projects, farm mechanisation projects, among others. The LoCs are demand-driven and extended on the principle of mutual benefit—recipient countries make development gains, while the LoCs help create new markets for Indian companies, foster export growth, build good relations with countries that are important sources of food, energy and resources, and contribute to the country's image abroad. So far, India has sanctioned 182 LoC projects in Africa through the Export Import (EXIM) Bank of India, with a total credit commitment of about US\$10.5 billion (3). Indian LoCs have significant development impacts in Africa. For instance, India's irrigation project in Senegal led to a six-fold increase in rice production and currently over 30 percent of that country's consumption is covered by domestic production, as





compared to 12.1 percent prior to the implementation (4,5). Similarly India's LoC worth US\$640 million to Ethiopia helped the country become self-sufficient in sugar production and had major spill-over benefits (6). The sugar factory installed a water-purification plant, which benefited nearly 10,000 villagers who previously relied on untreated water, and pastoralists in the region now have access to a stable source of income (7).

## **Building African Capacity**

Although India was poor and underdeveloped after two centuries of colonial exploitation, it launched systematic efforts to promote African development soon after its independence. In 1949, India announced 70 scholarships for students from other developing countries to pursue studies in the country (8). The ITEC programme, launched to share India's lessons in development with other developing countries, continues to remain an important pillar of Indian development cooperation programme. Currently, about 98 Indian institutions run training courses in fields such as agriculture, food and fertiliser, engineering and technology, and environment and climate change (9). In addition to civilian training programmes, ITEC also conducts and oversees defence training programmes, study tours, aid for disaster relief, the deputation of Indian experts abroad and project-based cooperation. Africa is a key beneficiary of the programme with nearly 50 percent of the ITEC slots reserved for countries from the region.

India-Africa cooperation has also focused on technoeconomic capacity building. Skill development and capacity building featured prominently in all the India-Africa Forum Summits, and in a speech to the Ugandan parliament in 2018, Prime Minister Narendra Modi reiterated India's commitment to building African capacity: "Our development partnership will be guided by your priorities. It will be on terms that will be comfortable for you, that will liberate your potential and not constrain your future. We will rely on African talent and skills. We will build as much local capacity and create as many local opportunities as possible (10)."

Information technology (IT) is an important pillar of India's technical cooperation with Africa, given the role of the information and communication technology (ICT) sector in India's growth story and the importance most African leaders attach to ICT sector development. The Pan African e-Network, launched in 2009, was a groundbreaking



initiative to extend Indian expertise in IT to provide better healthcare and education facilities in 53 African countries. The second phase of this programme, e-VidyaBharti and e-ArogyaBharti (e-VBAB), was started in 2018, with an aim to provide free tele-education to 4,000 African students each year for five years and continuing medical education for 1000 African doctors, paramedical staff, and nurses (11). The programme is fully funded by the Indian government and is web-based, so any Indian university qualified to offer online education can do so for African students.

India's scholarship programme also grew rapidly. At the third India-Africa Forum Summit in 2015, India pledged to provide 50,000 scholarships to African students over a five-year period and set up institutions of higher learning in Africa. Over 42,000 scholarship slots have already been utilised in the last five years.

In 2018, India's Ministry of Human Resource and Development launched the 'Study in India' initiative to attract students from neighbouring and African countries. Foreign students can choose from 1500 courses being offered at the undergraduate, graduate and PhD level by public and private institutions in India, and meritorious students could receive up to 100 percent fee waivers. However, the initiative has not been successful in attracting African students to India. Most foreign students who come to India only opt for the Indian Institutes of Technology through academic collaborations (and not the 'Study in India' programme) (12). Of the top ten countries with the most number of students in India (making up about 63.9 percent of all foreign students in the country), only two are African—Sudan, accounting for 4.5 percent of foreign students, and Nigeria, with a 3.4 percent share (see Table 1) (13). Foreign student enrolment for higher education programmes such as PhDs is also far lower than undergraduate programmes, highlighting that India is not perceived as an appropriate destination for higher education and research (14).

**Table 1:** Country-wise distribution of foreign students in India (Top 10)

Country	No. of Students	Share (%)
Nepal	12747	26.8
Afghanistan	4657	9.8
Bangladesh	2075	4.4
Sudan	1905	4
Bhutan	1811	3.8
Nigeria	1614	3.4
United States	1518	3.2
Yemen	1498	3.2
Sri Lanka	1252	2.6
Iran	1127	2.4
Total	47427	

**Source:** Ministry of Human Resource Development (2019) (15)

China, on the other hand, has been viewed as a more attractive destination for higher studies to African students. Between 2003 and 2015, the number of African students in China increased from less than 2000 to about 50,000 (16). China is currently the second most popular destination for African students after France, which hosts about 95,000 African students. The US and the UK, the two most popular destinations for international students, host about 30,000 African students each (17).

The poor quality of education in India is the primary reason it is not the foreign destination of choice for African students. The Concept Note by the Ministry of Commerce and Industry and the Confederation of Indian Industry presented at the India-Africa Higher Education and Skill Development Summit in September 2019 describes India's higher education sector as "reputable, older and more developed" (18). But African students objected about the quality of education in India: "What you hear and read about the quality of Indian education, and what it actually is, are two totally different things. There are some colleges which the Indian government shouldn't allow them to admit international students in the first place. They simply aren't good enough. They neither have a good set up, nor well-trained teachers. Just



because you have thousands of colleges doesn't mean every one of them is good. Certain amount of streamlining is required" (19). Although the quality of education varies from institution to institution, even India's most prestigious institutes do not meet global standards on infrastructure, research and faculty-student ratio. According to the All Survey on Higher Education 2018-19, India has 993 registered universities (20), yet not even one features among the world's top 100, not even most reputable Indian institutions such as the Indian Institutes of Technology.

### **Cooperation on Global Issues**

India and Africa have often held common positions in global platforms and worked together to guard the interests of other developing countries. They have moved joint proposals, such as the Agricultural Framework Proposal and Protection of Geographical Indications, at the World Trade Organization (WTO) and World Intellectual Property Organization, and have worked towards protecting the food and livelihood concerns of farmers at the Doha Development Round of WTO negotiations. The 'Framework for Strategic Cooperation', the outcome document of the Third India-Africa Forum Summit, also mentions that India and Africa will "enhance cooperation through training and collective negotiations on global trade issues, including at the WTO to protect and promote the legitimate interests of developing countries, especially the LDCs [least developed countries]" (21). India and South Africa are also currently pressing for a waiver of certain provisions of the Trade Related Intellectual Property Rights for COVID-19 treatment and vaccines (22).

India and Africa have also coordinated responses in climate action negotiations. Nearly half of all member countries in the International Solar Alliance, initiated by India, are from Africa. India has announced an LoC worth US\$2 billion to Africa over five years for the implementation of off-grid solar energy projects and is working to develop solar power systems across the Sahel region to provide electricity to approximately half of the 600 million Africans who are currently off-grid (23).

India has also aided African countries amid crises, including during the COVID-19 pandemic. India has provided 270 metric tonnes of food aid (155 metric tonnes of wheat flour, 65 metric tonnes of rice, and 50 metric tonnes of sugar) to Sudan, South Sudan, Djibouti and Eritrea (24), and supplied essential medicines (including hydroxychloroquine and paracetamol) to over 25 African countries (25). The Indian



government also organised an e-ITEC training course for healthcare professionals on COVID-19 prevention and management protocols (26). And even as developed countries have focussed on securing large vaccine supplies for their own populations, India is being hailed for its vaccine diplomacy—it has exported over 1.6 crore doses of vaccines globally, of which about 62.7 lakh doses (or about 37 percent) are as grant assistance (27). Mauritius and Seychelles have received 1 lakh doses and 50,000 doses, respectively, via the grant route.

### **Limitations to India's Approach**

Despite being a developing country with huge domestic challenges, India has played an important role in building African capacity, with several notable ongoing initiatives. Additionally, the values that steer India's development cooperation—demand driven, conditionality free and based on the principle of partnership among equals—are appreciated in Africa. But India's model of development cooperation in Africa lacks a clear strategy. “Beyond the ‘platitudes that they do business differently,’ it has so far proved tricky to distinguish what shape the ‘Indian model’ of cooperation with Africa would assume in practice. While it is increasingly obvious that the postcolonial rhetoric inherited from the Nehru years has limited relevance in the current global economic context, it remains difficult to pinpoint India's position in contrast with other major players” (28). In the absence of a clear and well-articulated vision for Africa, India's development cooperation is often compared to the Chinese model of development cooperation in the region (29)—despite significant differences—which is based on state-led infrastructure for resources deals, rising debt threats, lack of domestic capacity building and job creation. In 2018, Modi outlined the ‘Ten Guiding Principles for India-Africa Engagement’ (30), often regarded as India's vision statement for Africa. But these tenets cannot be seen as the mission for the next decade because many aspects are not new and instead represent continuity in principles that have traditionally defined India-Africa engagement (31).

There are two main flaws in India's development strategy in Africa. Firstly, India is not actively pursuing any specific development goals. An assessment of India's development cooperation instruments (LoCs, grants, and capacity building projects like ITEC) reflects the absence of a plan for Africa. Indian LoCs have not been designed to achieve a larger development goal such as food security, health security, clean energy or education for all. LoCs are typically used by recipient countries to fund small



development projects such as roads, bridges, railway lines, power transmission and water supply systems. Although the individual projects have development benefits for recipient countries, the overall development impact of Indian LoCs in Africa is not significant. These individual projects barely make a dent on any of the larger development challenges (for instance, food insecurity, health insecurity, poverty) in African countries.

Secondly, there is no synchronisation between different development instruments. LoCs, grants and capacity building initiatives operate as standalone instruments of development cooperation, with almost no links with each other. As a result, the overall development impact of India's development cooperation is small and difficult to measure. "India-Africa partnership is yet to achieve its full [development cooperation] potential. What is needed is an infusion of energy, of something new and concrete, and with a specific focus and direction" (32). Moreover, implementation has been a key constraint for Indian LoCs, with poor disbursement rates and project completion record.

India must chart out a roadmap for its development cooperation programme in Africa that outlines a long-term strategy and delineates how it will deploy state capacity to pursue common development goals. Doing so will become even more important for India in the aftermath of the COVID-19 pandemic given the harsh economic impacts and the resultant inability to keep increasing its development cooperation budget without any tangible outcomes.

Although India projects its engagement with Africa as an ideal model for cooperation within the Global South, with frequent references to India's support of African decolonisation and Afro-Asian solidarity, instances of violence against African students is common in India. There have been numerous cases of violence against African students in India and most African students complain of harassment and discrimination, with many leaving India without finishing their studies (33).

### **COVID-19 Setback and the Way Forward**

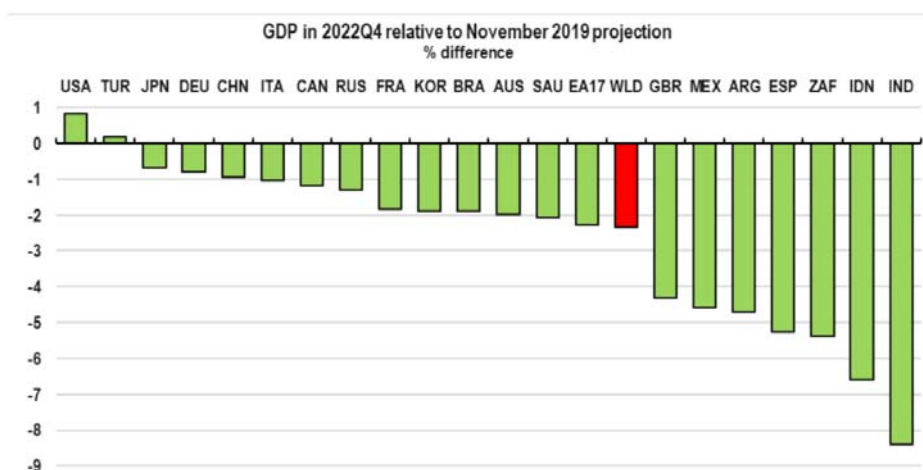
India is among the African continent's oldest and most consistent development partners, and the country has gained tremendous goodwill in the region. Unlike many Western countries that carry the baggage of colonialism or China, which has



been severely criticised for its debt-trap diplomacy, disregard for local laws and lack of local employment creation in Africa, India enjoys good ties with the African states.

The coming decade presents massive development challenges for India and Africa, which have both been severely affected by the socio-economic consequences of the COVID-19 pandemic. India's GDP declined by 8 percent in 2020 (34) and about 10.9 million jobs were lost across the country (35). Poverty and hunger are also on the rise (36). A strong recovery in 2021 is unlikely to reverse the damage caused by the lockdown. The Organisation for Economic Cooperation and Development forecasts suggest that India's real GDP in the fourth quarter of 2022 will be over 8 percent lower than its pre-pandemic prediction (see Figure 1).

**Figure 1:** Risk of Lasting Cost From the Pandemic Remains High In Many Countries



**Source:** OECD (2021) (37)

**Note:** The November 2019 projections are extended to 2022 using the November 2019 estimates of the potential output growth rate for each economy in 2021.

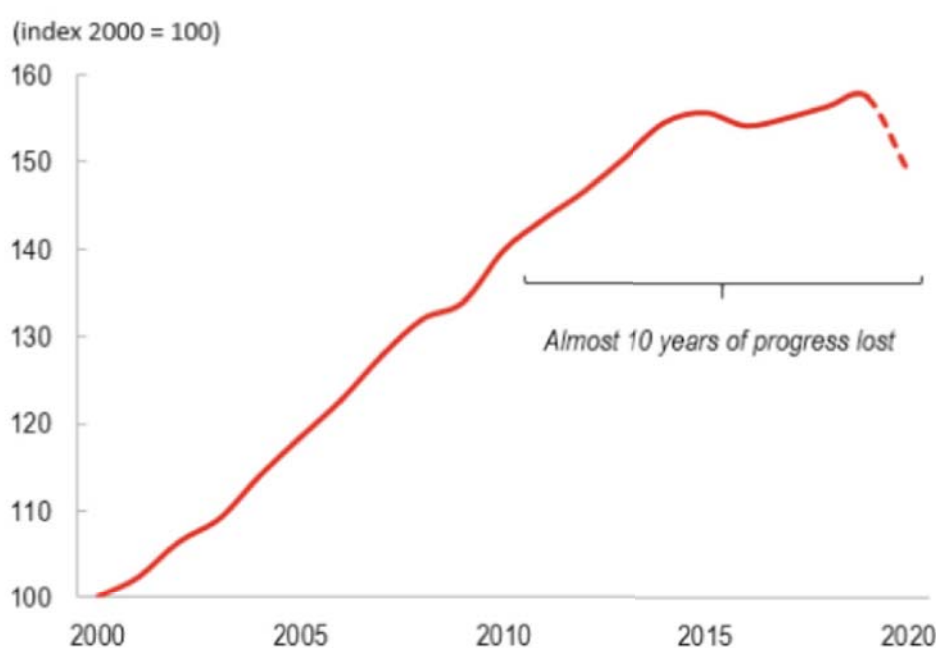
The COVID-19 pandemic is also expected to completely wipe out economic progress made by Sub-Saharan Africa in the previous decade. According to International Monetary Fund (IMF), the real per capita GDP of the region will decline by 5.4 percent in 2020, bringing it back to the 2010 level (see Figure 2). The pandemic is likely to push about 26 million more people into extreme poverty in Sub-Saharan Africa and income inequality is also expected to increase substantially. Most African countries also do not have the fiscal room to fund large stimulus packages to revive their economies. Rising debt levels were already a concern for many African countries, but the pandemic and the associated loss in economic growth has made things worse for the region. Amid the pandemic, the G20 nations announced the Debt Service





Suspension Initiative that allowed the world's poorest countries—most of them in Africa—to suspend up to US\$14 billion of debt service payment due in 2020. Twenty-nine African countries have also received IMF funding from emergency facilities or programme arrangements. But given the scale of the crisis, these efforts are not enough. The pandemic has widened Africa's financing gap to US\$345 billion and it will be extremely difficult for countries in the region to find the resources to meet the Sustainable Development Goals (38).

**Figure 2:** Sub-Saharan Africa's real GDP per capita (2000 to 2020)



**Source:** IMF (2020) (39)

Hard won development gains have been lost in India and Africa due to the pandemic. Poverty, unemployment and hunger are on the rise. Given the enormity of the challenges before India and Africa, closer cooperation is essential. However, domestic needs will not allow India to substantially increase its development aid budget. With its limited resources, India can try to make its development cooperation with Africa more impactful in the following ways:

- **Clear strategy for African development:** Both India and Africa face major challenges in the next decade. Unlike China and the West, India does not have substantial resources to support Africa. Therefore, it should prepare a focused



Africa strategy for the next decade and identify a few areas for closer cooperation. Targeting a few important areas like food and health security, climate change adaptation and gender equality will help improve development outcomes and make India's development cooperation programme more effective.

- **Continue the current focus on capacity building:** Commodity-led high growth in the last decade did not lead to adequate job creation and poverty alleviation in Africa. Therefore, a simple focus on building physical infrastructure and economic growth will not contribute to a stable and prosperous Africa. Investment in human capital is the key to development in Africa. The current focus on capacity building is in line with Africa's needs given the continent's huge youth population that need skills and jobs.
- **Harness Indian civil society organisations, NGOs, and Indian diaspora:** Many Indian civil society organisations and NGOs are playing an important role at the grassroots. Some Indian organisations like Pratham and Barefoot College are also playing an important role in Africa. The Indian government should explore greater collaboration with these organisations to implement development projects in Africa at low costs. (See Navdeep Suri and Anurag Reddy's chapter in this series for more details)
- **Promote development-friendly private investments:** The presence of Indian companies in Africa has grown rapidly in the last two decades. Given the emphasis on mutual benefit in its strategy, India's development cooperation should be aligned to its commercial interests in Africa. Therefore, India should try to support Indian companies making investment in development-friendly projects for mutual benefit (40).
- **Timely completion of projects:** Though some improvement in project implementation has occurred in recent years, India's overall record is poor. Efforts must be made to expedite the LoC projects. Lessons should be drawn from other countries that have a much better record in implementation.
- **Address concerns about academic experience in India:** India's record in providing higher education to African students has been patchy. Although it is too early to judge the 'Study in India' programme, initial results do not seem to be promising as very few African students prefer to come to India. Merely



extending scholarships to African students will not be enough to increase the flow of African students to the country. Also, affordability is not the only consideration for international students who are looking for a wholesome academic experience, which includes living conditions, quality of education, exposure, the institution's global ranking and cultural experience. Therefore, India must make largescale investments in its own higher education sector to project itself as an education hub for neighbouring countries and Africa.

- **Improve the experiences of Africans in India:** The Indian government is usually quick to respond to instances of Indian students facing racism in foreign countries. It should respond to instances of harassment and attacks on African students with the same alacrity. Incidents of race attacks on African nationals have severely dented India's image. If untreated, this could be a potential source of tension between India and Africa and damage the goodwill India currently enjoys in the continent. Therefore, the Indian government should ensure that Africans studying or working in India are safe and enjoy their stay in the country. Efforts should also be made to educate Indians about Africa so that people-to-people connections between India and Africa flourish.



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# 3

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## INDIA'S POSITION ON KEY ISSUES

# 3.1

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## **A Roadmap for Sustainable Food Security**

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Priya Rampal





**T**he COVID-19 pandemic exposed the weakness of the global food system, with hunger becoming a critical issue in most countries. With slowing agricultural growth, expanding populations and resource constraints, achieving food and nutrition security will remain a major challenge long beyond the pandemic. India can take a leadership role in ensuring global food security through technology partnerships with developing countries in Asia and Africa, and by providing food aid. India must rethink its policy towards subsidies and its stand at the World Trade Organization (WTO), which could help make it food secure and a net provider in the Indian Ocean region.

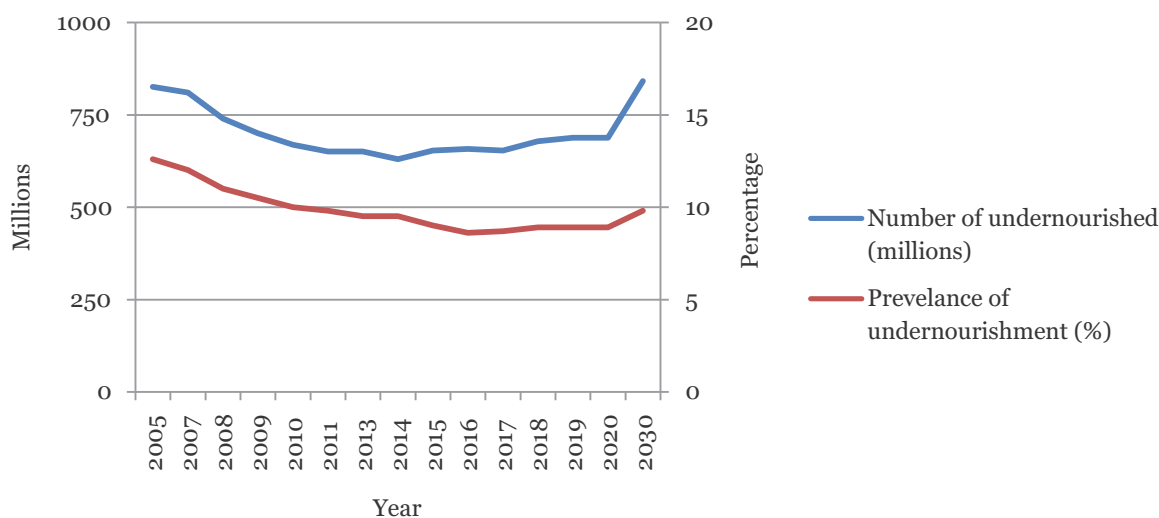
### **India's Position on Agriculture and Food Security**

In 2015, 193 countries adopted the ambitious aim of completely eradicating hunger by 2030, a target that seemed achievable on the back of significant progress in fighting hunger over previous decades (1). The absolute number of undernourished persons declined from 1010.6 million in 1990-92 to 794.6 million in 2014-16 (2). After a period of sustained decline, this number increased from 777 million in 2015 to 815 million in 2016, and by 2017, parts of Nigeria, Somalia, Yemen and South Sudan began to experience crisis-level food insecurity (3).

The onset of the pandemic exacerbated the situation. Border controls and lockdown measures to contain the spread of the virus adversely affected global food supply chains, damaged livelihoods, and led to an increase in the price of basic food items in many countries. According to a 2020 report by the Food and Agriculture Organization of the United Nations, 840 million people will be undernourished in 2030, even without accounting for the impact of the pandemic (see Figure 1) (4). The pandemic could double the number of food insecure people (5). And it is now clear that the world is no longer on track to achieve the zero-hunger goal.



**Figure 1:** Number of Undernourished People Globally



**Source:** Graph generated using data from Food and Agriculture Organization of the United Nations (6)

As the net security provider in the Indian Ocean region (7) and a responsible global power, India took cognisance of the challenges posed by the pandemic to provide relief and assistance to several other countries. The country deployed the Indian Navy Ship (INS) Kesari in May 2020 on a special relief mission (Mission Sagar) to deliver essential medical and 580 tonnes of food supplies in addition to two medical assistance teams to the Maldives, Mauritius, Madagascar, Comoros Islands and Seychelles (8). In October 2020, the INS Airavat was deployed with food aid to South Sudan, Djibouti and Eritrea (9). India also provided medical support and food aid to Nepal and Afghanistan, and contributed US\$10 million to the South Asian Association for Regional Cooperation COVID-19 emergency fund (10).

However, with nearly 195 million undernourished persons and a raging crisis in its farm sector, India's own position is critical (11). Over two decades of high economic growth has failed to make a dent in domestic undernutrition figures. India is home to nearly a third of all undernourished children globally (12), and it ranks 94<sup>th</sup> among 107 countries in the Global Hunger Index 2020 report, behind its neighbours Nepal (73<sup>rd</sup>), Bangladesh (75<sup>th</sup>) and Pakistan (88<sup>th</sup>) (13). The highest levels of stunting and underweight are found in Jharkhand, Bihar, Uttar Pradesh, Madhya Pradesh, Gujarat and Maharashtra (14). Starvation deaths are also common in some parts of Jharkhand and Bihar (15).



Ironically, India's undernutrition problem coexists with overflowing food stocks—70 million tonnes of rice and wheat stocks were available as of September 2020, enough to ensure zero hunger in the country (16). The reasons often attributed for India's high levels of hunger are declining relative incomes, low produce of small and marginal farmers, which does not last year long, and the absence of a universal public distribution system (PDS) (17). Additionally, the stocks are of foodgrains and there is a dearth of fruits, vegetables and other perishables, which constitute about 78 percent of total consumption (18).

The pandemic exacerbated the vulnerabilities of certain sections of the Indian population. Restrictions on transportation led to disruptions in the food supply chain, with farmers reported to have dumped their produce on the roads as a result (19), heightening the food accessibility problem. Further, 92 percent of India's workforce is in the informal sector, including construction workers, domestic help and street-side vendors (20). Additionally, approximately 450 million internal migrants work in the informal sector and micro, small and medium enterprises. During the nationwide lockdown, informal workers experienced loss of livelihoods, uncertainty and disrupted income flow, which directly affected their food security. Many walked on foot to their hometowns with no access to proper food and nutrition (21). A study estimated that the incomes lost by vulnerable sections of India's workforce during the first two months of lockdown would amount to about INR 4 trillion, or nearly 2 percent of the country's annual GDP (22). The most deprived sections of the population depend on flagship government programmes such as Mid-Day Meal (MDM) and Integrated Child Development Services (ICDS) to meet their food and nutrition needs. Although the government initiated a 'take home ration' programme, there was a shortage of manufacturing units to produce these rations (23). Similarly, although schoolchildren were to get grains or allowance in lieu of the MDM, there were many slips in implementation, leaving large numbers deprived (24). Even the work under Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), a rural work guarantee programme, was suspended in the early weeks of the lockdown (25).

A deep agrarian crisis is another feature of India's growth story. In 2003, 40 percent of India's farmers wanted to abandon agriculture because it was an unviable occupation (26). By 2014, the situation had worsened; expenditure was higher than the net income received by about 70 percent of the households (27), and although production volumes have increased, rising labour and input costs and outdated technology have made agriculture an unsustainable occupation (28). About 10,281 persons involved



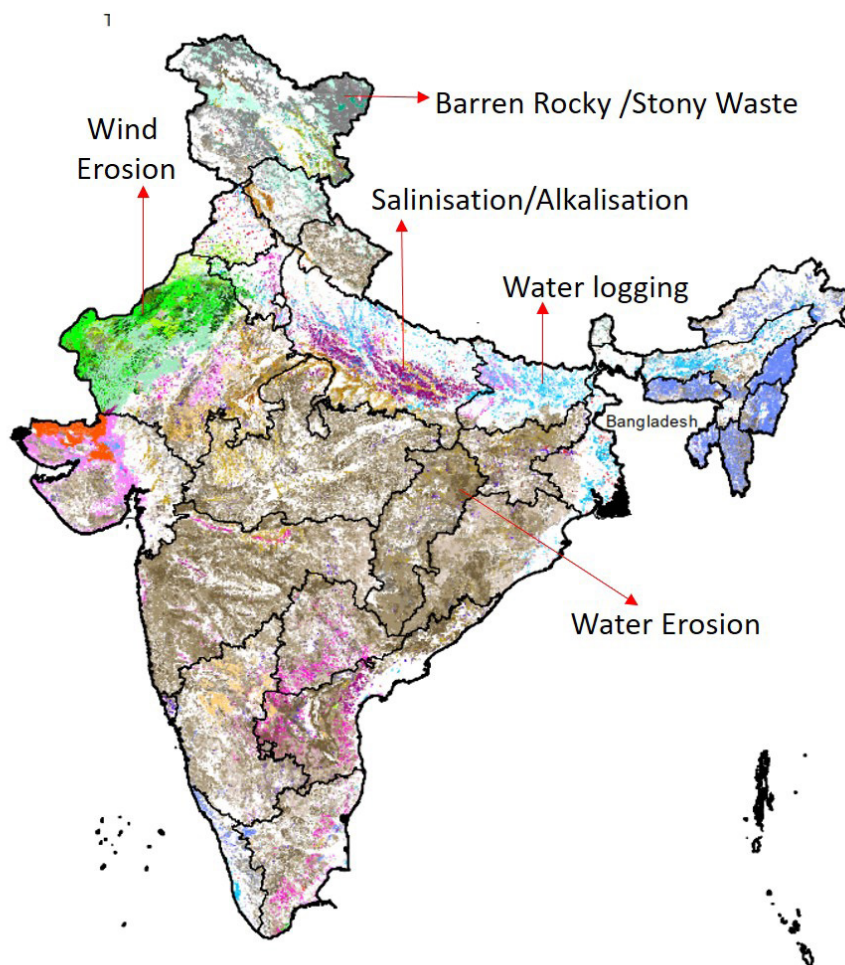
in the farm sector ended their lives in 2019, accounting for roughly 7.4 percent of all suicides in India (29).

In September 2020, parliament passed three bills on agriculture—the Farmers Produce Trade and Commerce (Promotion and Facilitation) Act, the Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Act, and the Essential Commodities (Amendment) Act (30). The laws are meant to open sale of agricultural produce outside the *mandis*, remove barriers to inter-state trade of crops, and facilitate electronic trading of farm produce (31). The farmers claim these laws would end the *mandi* system and free-market players would dictate their terms to them. Protests by farmers at the Delhi borders against the laws have exposed the vulnerability of Indian farmers and their livelihood concerns and brought disrepute to India (32). Though the largest protest by farmers so far, farmer protests have rocked India in the last decade – Nashik to Mumbai in 2018 and 2019 for loan waiver and compensation against natural vagaries (33). For a country that aspires to double farmer income by 2022 (34), agrarian distress and continued agitation by farmers are challenges that need to be resolved urgently.

At the same time, an ecological crisis is fast emerging in India and will cause irreversible damage to natural resources and a loss in productivity, if left unchecked. Farmers are directly affected by floods, droughts, soil salinisation, rising temperatures, unpredictable rainfall, crop diseases and pests such as locusts (35). Subsidies for electricity and fertiliser along with a lucrative minimum support price (MSP) have led to the lopsided growing of water-intensive crops such as paddy and wheat in northwestern India (Punjab, Haryana and western Uttar Pradesh), leading to groundwater depletion and stubble burning in the winter months, which in turn causes a deterioration in air quality in northern cities like New Delhi (36). Wheat, rice and sugarcane are grown in 40 percent of India's gross sown area but consume 80 percent of the irrigation water (37). Large tracts of farmlands across the country have become barren due to imbalanced fertiliser use and excessive use of a single fertiliser, urea (38). Of India's total land area of 329 million hectares (Mha), 147 Mha has degraded soil or has water-related issues such as dwindling surface water and unregulated groundwater extraction (see Figure 2).



**Figure 2:** Land degradation map of India (2015-16)

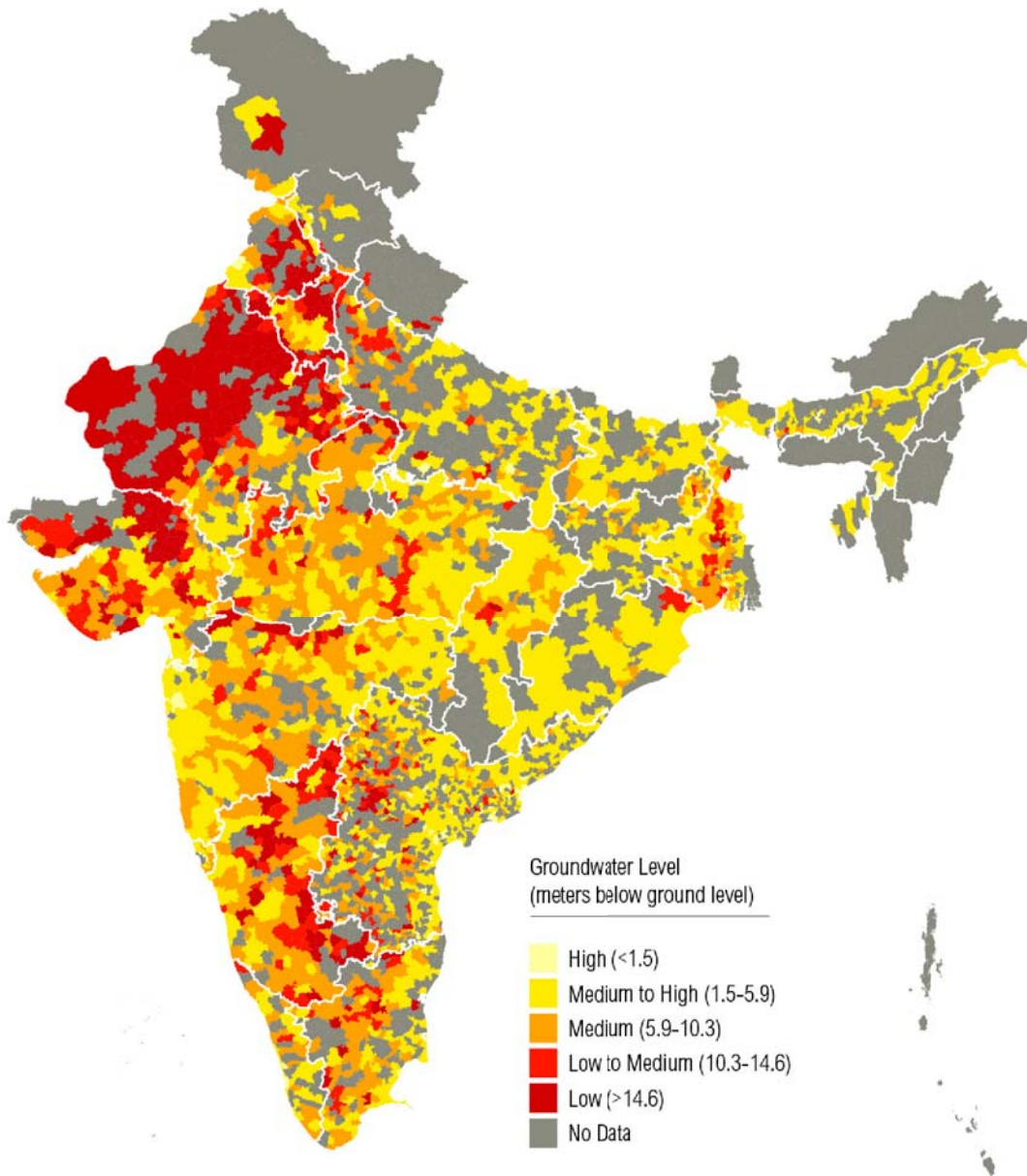


**Source:** ISRO (39)

The frequency of extreme weather events such as floods and droughts has increased exponentially. The impact of climate change on water availability will be severe for India because large parts of the country already suffer from water scarcity (see Figure 3) (40).



**Figure 3:** Groundwater level in India (meters below the ground level)



Source: Water Resources Institute (41)





Despite facing challenges like rising costs of labour and other inputs, a depleting water table, soil salinisation and climate vagaries, agriculture contributes 18 percent to India's GDP, almost three times the world average (42), and provides a livelihood to about 58 percent of the Indian population (43). Agriculture and allied activities are the most important source of food and employment but its contribution to food security and nutrition is not prioritized (44). Additionally, agriculture is also a means to achieve the Sustainable Development Goals (SDGs), directly or indirectly (Table 1), and its revival should therefore be a top policy priority.

**Table 1:** Sustainable Development Goals and Links with Agriculture

SDG	Link with Agriculture
SDG-1: End poverty in all its forms everywhere	As most of the poor in the developing world are dependent on agriculture, ending poverty is linked to increasing returns from agriculture. Major indicators are ownership and control over land and natural resources, both of which are essential endowments for practicing agriculture.
SDG-2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture	Directly related to sustainable agriculture
SDG-3: Ensure healthy lives and promote wellbeing for all at all ages	Can only be achieved through nutritious food produced via agriculture and allied sectors
SDG-5: Achieve Gender Equality and empower all women and girls	Women play an important but largely unrecognised role in agriculture; their empowerment, decision-making and time for care work are pathways in leveraging agriculture for nutrition
SDG-6: Ensure availability and sustainable management of water and sanitation for all	Increasing water use efficiency across sectors, integrated water resource management, and protection and restoration of water related ecosystems—all have a bearing on agriculture
SDG-7: Ensure access to affordable, reliable, sustainable and modern energy for all	Reduction in agriculture's dependence on fossil fuels and consequent pollution
SDG-8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Agriculture engages a large segment of the working population and consequently has a bearing on the realisation of decent work and economic growth





SDG	Link with Agriculture
SDG-10: Reduce inequality within and among countries	Disparity in asset ownership and wages in agriculture activities
SDG-12: Ensure sustainable consumption and production patterns	Sustainable management of all-natural resources, sustainable production patterns, and reducing food loss and waste
SDG-13: Take urgent action to combat climate change and its impacts	Strengthening resilience and adaptive capacity of agriculture to the impacts of climate change, and lowering green-house gas emissions without affecting food production
SDG-14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development.	Conservation and sustainable use of marine and coastal ecosystems, reduction of pollution, and sustainable fish harvest.
SDG-15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	All these are the feedstock for agriculture activities; indiscriminate agriculture expansion has led to decline of forest area and biodiversity loss and overexploitation of land, resulting in degradation.

Source: Bhavani and Rampal (2020) (45)

## India's Success and Position at WTO

Despite the current challenges, India has made some advances in food security that can provide lessons for other developing countries. Unlike most African countries, which are critically dependent on imported food grains or food aid, India was one of the first developing countries to prioritise food security as a policy goal and become self-sufficient in the production of food grains in the 1970s. The stimulus for the Green Revolution came from harvest failures and famine conditions in the mid-1960s (46). Most African leaders are inspired with India's green revolution and want to replicate it in their countries (47). Food security featured prominently in each of the India-Africa summits.

The framework for strategic cooperation between India and Africa mentions food security as a key pillar of India-Africa partnership (48). India, as a 'rising power', is committed to helping African countries escape poverty and underdevelopment, build the policy and institutional foundations necessary for reversing the productivity



decline in agriculture, generate jobs, reduce poverty and ensure food security on the continent (49). India plays a key role in supplementing Africa's food output by providing low-cost technology solutions, improved seeds and agricultural machinery (50). India's interest in African agriculture is in line with its commitment to South-South cooperation. Africa is a huge market for India's growing food and agriculture sector, and it depends on imports for food security (51). Among the many successful Indian investments in Africa is the Kirloskar Brothers Limited irrigation project in Senegal (2010) that helped the country's rice production capacity increase by six times to over 660,000 tonnes (52). In 2006, India provided a US\$640 million line of credit to Ethiopia for development of its sugar industry; as of 2016, Ethiopia had become a net exporter of sugar (53). Production of quality seeds is another major challenge for African nations. The 'India-Africa Seeds Bridge' project targets to provide quality seeds to African farmers by creating a space for Indian seed companies in African markets. The main beneficiaries under this project are Liberia, Kenya, Malawi and Senegal (54).

India has also initiated similar plans with neighbouring countries as well. India and Nepal formed the 'New Partnership in Agriculture' in 2018 to strengthen cooperation in the agriculture sector in the areas of farm research and education, supply of fertilisers, trade facilitation, strengthening livestock services, veterinary research and development, and promoting exchanges between the India Council for Agricultural Research and the Nepal Agricultural Research Council (55).

Domestically, India passed the National Food Security Act (2013) to tackle price volatility and food security. The Act relies on four existing programmes to provide food and nutritional security—the Targeted Public Distribution System, the ICDS, the MDM programme and the Indira Gandhi Matritva Sahyog Yojana, which was replaced by the Pradhan Mantri Matri Vandana Yojna programme in 2017, a conditional cash transfer scheme for pregnant and lactating women of 19 years of age or above for the first live birth. The National Food Security Act also has a special focus on women and children—in addition to providing meals to pregnant and lactating women (for six months after childbirth), they are entitled to receive a maternity benefit of INR 6,000 (56). The distribution system also hedges the poorest of the poor against price rises in food commodities. Food inflation is largely due to an inadequate supply response to increasing demand, aggravated by various other logistical, infrastructure and market-related constraints (57). The Food Corporation of India (FCI), the nodal government agency that manages the procurement and distribution of foodgrains,



has also incurred rising debt since the Act came into existence; the financing of subsidies to maintain buffer stocks and distribute foodgrains under the Act has led the FCI's debt to rise to INR 3.3 lakh crore up to 2019-20 (58).

The rising debt due to agriculture subsidies is a sore point at WTO negotiations. India has been a champion of food security issues at the WTO and often pushes for the interests of other developing countries in discussions. WTO rules restrict India's ability to build its food stock as there are strict limits to the procurement of food grains at MSP (59). Under these limits, the amount of support on account of procurement of food grains at MSP cannot exceed 10 percent of the value of production of the procured product. India exceeded this level for rice during the pandemic. In negotiations on the WTO Agreement on Agriculture in 2001, India emerged as a leader for other developing countries and took a stand on food security and the provision of subsidies to key farm inputs (60). The WTO's aim has been to reduce the subsidies provided to the farmers and citizens for farming and food security to ensure free markets, and there have been some talks of the organization taking actions, such as imposing trade sanctions, against countries where subsidies exceed this level (61). There are benefits for food security from imports as countries that have a competitive advantage can provide the same good in an economical way. For instance, the sugar industry is heavily subsidised in India and India does not have a competitive advantage in it. India implements a price-support-backed public stockholding programme to safeguard the interests of both its consumers and farmers. WTO members adopted a decision at the Bali Ministerial Conference in 2013 on public stockholding for food security purposes (62). As an interim solution, this decision allows developing members to invoke the peace clause, which protects their public stockholding programmes for food security purposes from legal challenge, even if they lead to a breach of commitments (63). At the 2015 Nairobi Ministerial Conference, WTO members agreed to eliminate agricultural export subsidies, the most important reform of international trade rules in agriculture since the organisation was established (64). By eliminating export subsidies, WTO members delivered a key target of SDG-2 (zero hunger) as it will help to level the playing field for farmers around the world.

If a consensus emerges against allegedly 'trade-distorting' subsidies at the WTO, India will have to decrease the quantity of agricultural products it procures from the farmers. Also, the government will not be able to increase the MSP in favour of farmers as this will increase the overall level of subsidies, which is not allowed by the WTO (65). Agricultural imports are seen as in competition with the rural sector and



are therefore restricted using tariffs, subsidies and other non-tariff barriers. However, more trade will increase choice and diversify supply, strengthening “access to sufficient, safe and nutritious foods (66).” An unbiased and efficient WTO is required to conduct trade negotiations with a focus on food security (67), with a recent World Bank report on achieving food security even concluding that “fixating on national self-sufficiency has been costly and counter-productive (68).” Historically, food stocks were maintained to contain price volatility, to correct the basic market failure of aggregate food markets, to complement the private sector and to prepare for food emergencies (69). There are arguments about the costs of maintaining the reserves; however, in India, the existing food stocks and their control and management in the pandemic were a boon for the country.

India has been taking a flagship role in convincing the WTO about the importance and adequate flexibility for developing countries on maintaining public stocks for food security purposes (70). During the pandemic, global agricultural supply chains tried to keep up with the changes in the patterns of consumption—first due to panic buying, then by the shift away from processed food, and finally due to decreasing incomes. Avoiding disruptions in the food supply chains has been a priority for governments across the globe, and strengthening international cooperation to ensure its smooth functioning should be a priority. India refrained from imposing any export restrictions on agricultural products during COVID-19 (71).

The prevalence of hunger and malnutrition in the vulnerable sections of the Indian population showcases that food insecurity at the household and individual level can coexist with surplus foodgrain production due to poor management and faulty distribution systems. The question then is whether India can become a net provider when its own people are suffering from high levels of hunger and malnutrition. The COVID-19 crisis has made it clear that food security depends on sufficient supplies, both domestic and foreign. The current situation could lead to increased calls for greater self-sufficiency, protectionist measures and lesser international trade. However, the path to recovery in the aftermath of the pandemic should focus on a world without borders, which India has already shown a proclivity for by providing food security to its neighbouring nations (72).



## **The Way Forward**

Given the rapidly growing population, resource constraints and climate change concerns, accompanied by the impacts of the COVID-19 pandemic; it is imperative for India to make food security a core policy priority. India must address this challenge and build on its successes. A few policy changes are essential to improve India's hunger situation:

### ***Universal PDS and supplementary programmes for nutrition***

The plight of migrant workers at the height of the pandemic showcased that the lack of a universal PDS is a major limitation in achieving food security (73). The 'one nation one ration card' scheme should be operationalised through the proper issuance of ration cards to individuals seeking foodgrain so that the PDS can be accessed at any geographical location in the country.

The government should ensure continued home delivery of meals and cooking material to the beneficiaries of the supplementary nutrition programme under the ICDS and MDM for as long as *anganwadis* (childcare centres) and schools remain closed. Nutritious food should be provided to the vulnerable section of the population, especially during the pandemic and its aftermath, as this can help avoid heightening food insecurity. Highly subsidised cooked meals were distributed to the urban poor through community kitchens in Tamil Nadu, Jharkhand, Rajasthan, Kerala, Uttar Pradesh, Maharashtra and Odisha (74), which must continue for now.

### ***Sustainable agricultural practices, resource use and rethinking subsidies***

Sustainable agriculture practices—such as crop rotation, mixed cropping with pulses, using biofertilisers, limiting the use of pesticides or fertilisers, and integrated pest management—must be encouraged and promoted. Drip irrigation and solar panels for electricity generation will lead to the conservation of natural resources. This can be encouraged by redirecting the subsidy on electricity for drawing water for irrigation purposes to the adoption of drip irrigation techniques and installing solar panels. Investment is needed for the development and distribution of climate-resilient



crops that can handle temperature variation and precipitation fluctuations (75). The government should incentivise the production of water- and nutrient-efficient crops (such as millets and pulses) that replenish the soil and utilise less water (in comparison to water-intensive crops like sugarcane and paddy) by announcing a lucrative MSP and input subsidies for farmers. It is crucial to reconsider providing subsidies for certain crops as they are having an adverse impact on the natural resources. For instance, the current MSP regime encourages growing rice and wheat in northwestern India, leading to a declining water table and increased pollution from stubble burning in the winter months.

### ***Enhance social security***

Given the risks associated with farm incomes, the government must continue rendering support in the form of agricultural credit, subsidies on inputs and disaster relief along with micro-insurance for crop, weather and livestock. To counter the economic impacts of the pandemic, including job losses and reverse migration, the MGNREGA programme must be scaled up. In the past, MGNREGA has increased rural wages, reduced gender wage gaps, enabled better access to food and reduced distress migration from rural areas (76). Post the pandemic, the programme has the potential to cater to the health, nutrition and livelihood needs of the migrants who have returned home. MGNREGA has also made an important contribution to child wellbeing, through the reduction of hunger and improvement of health and education (77), and it must continue to be promoted.

### ***India's position at WTO and development cooperation initiatives***

India must take a key role in designing new trade disciplines in the WTO that take advantage of imports and new market access opportunities for its agriculture sector in the developed world to increase its food security and the welfare of its farmers. India needs to continually provide support to other developing countries in Africa and Asia through technology partnerships, joint research in promoting drought resistant crops, promoting climate smart agriculture, and increasing resource efficiency in the usage of water, land, fertilizer and electricity.



### ***Increased budget, technology, and research and development***

In the 2021-22 Union Budget, funding allocations for the health sector have been nearly doubled due to the pandemic (78). The Budget also allocated more funds towards agricultural credit, and for the promotion of animal husbandry, dairy and fisheries sector (79). But merely allocating funds will not be enough for a nation that is home to about a third of the world's malnourished children. The agrarian sector, which provides livelihoods to about 65 percent of the Indian population, is also in distress. With supply-side constraints, the role of research and development is crucial as it can offer long-term solutions for Indian agriculture (80). Farmers' access to the latest research can help in improving seed quality, decreasing pest and disease problems, increasing crop sustainability, reducing irrigation problems, lessening incidents of soil erosion, and increasing productivity to feed a burgeoning population.

In the fight against food insecurity, the global community needs to understand country-specific food security policies instead of constraining developing countries with limits under the WTO rules. The pandemic is a wakeup call for the world to ensure food security for all.





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# 3.2

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## **Strengthening Climate Diplomacy: An Imperative for Indian Climate in the New Decade**

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Madhura Joshi



Climate change is among the biggest challenges currently facing nations. Over the last decade, a drum beat of dire reports have highlighted the urgency of addressing the climate crisis. In 2010, it was estimated that countries had 30 years to reduce greenhouse gases (GHGs) by half; today, this must happen in less than 10 years (1). The Intergovernmental Panel on Climate Change 2018 analysis shows that the window of opportunity to limit temperature rise to 1.5°C to avoid the worst impacts of climate change is rapidly declining (2). The average global temperature rise in 2020 is projected to be about 1.2°C above the pre-industrial period (3). The last decade also saw exceptional global heatwaves, retreating ice and record sea-level rise caused by GHGs as a result of human activity (4). A recent study finds that the climate impacts have increased the frequency and intensity of extreme weather events such as heatwaves, floods and cyclones over the Indian region, and are likely to worsen in the future (5).

If the last decade was marked by increasingly dire impacts, decisive climate ambition—while ensuring that communities are not left behind—needs to be the call-for-action of this decade. The year 2020 has marked a critical point. According to estimates, the COVID-19 pandemic has already caused over a million deaths and pushed millions more into poverty. The global economy shrunk by 5.2 percent (6) and hundreds of millions lost their jobs (7). The pandemic surged against an ominous backdrop of extreme climate events across the world—raging forest fires in Australia and the US, super-cyclones in the US and India, locust attacks in South Asia, and extreme heatwaves in US, Europe, Russia and India. Extreme climatic events have also wrought havoc, costing millions to the global economy and destroying lives and biodiversity. The multiple simultaneous crises—health, economic and environmental—foreshadow what countries will have to deal with if they do not comprehensively act on climate change.

Globally, there are signs of reinvigorating and accelerating collaborative climate action. The UK declared climate change as a national emergency in 2019 (8) and has put in place ambitious carbon neutrality targets (9). The European Union has also announced a mid-century net-zero carbon emissions target and is considering a carbon-border tax for its international trade agreements (10). The US rejoining





the Paris Agreement in January 2021 will spur greater action. Importantly, the two parallel processes of the Paris Agreement and Sustainable Development Goals are converging. Meeting climate goals needs to ensure “leaving no one behind (11).” The move towards viewing the climate crisis as an international peace and security issue is also likely to grow (12). This is evidenced by the push to include climate change on the United Nations Security Council agenda (13) and the by US’s Special Presidential Envoy for Climate John Kerry’s remarks that “America will soon have a government that treats the climate crisis as the urgent national security threat that it is (14).” It is becoming increasingly clear that climate change has become an integral part of bilateral and multilateral diplomacy.

For India, large development and growth needs have been a policy priority, with climate seen as a co-benefit. India has made huge strides in lifting millions of people out of poverty while transitioning its economy to a low carbon future. India is investing in clean energy transitions because it makes economic sense, creates jobs and helps in mitigating impacts on climate change, and is one of the few countries on track to meet its Nationally Determined Commitments (NDCs) under the Paris Agreement (15). India has also stepped up its international climate and clean energy diplomacy by establishing the International Solar Alliance (ISA) in 2014 and the Coalition for Disaster Resilient Infrastructure in 2019. India’s experiences in transitioning to a low-carbon economy can provide replicable examples for other developing countries.

Given the magnitude of the climate challenge and the transboundary impacts of climate disasters, individual country-level efforts are not sufficient. Climate and clean energy collaborations are particularly important for developing countries, which face multiple challenges of low energy access, high growth and employment needs, and worsening impacts of climate change. In the coming decade, India can emerge as a global climate leader by guiding developing countries on balancing multiple objectives, such as creating jobs, meeting development and growth objectives, and preventing high carbon lock-ins while mitigating climate change and protecting communities.





## **Moving Towards an Inclusive Low-Carbon Future**

The 2015 Paris Agreement, a landmark in global climate policy, was ratified by 196 countries with the aim to limit temperature rise to “well below 2°C” and who agreed “to pursue efforts to limit the temperature increase to 1.5°C.” Additionally, 192 countries pledged to reduce emissions (16). Globally, there are positive signs—126 countries have committed to net-zero emissions by mid-century (17), representing 51 percent of all GHG emissions. This will increase to 63 percent if the US announces a carbon neutrality or net-zero target. Investors with more than US\$9 trillion of assets under management have committed to transitioning their investment portfolios to net-zero GHG emissions by 2050 (18).

As countries now focus on reviving their economies in the aftermath of COVID-19, studies show that investing in a green recovery can create more jobs, boost economic growth, and help mitigate climate actions (19). While carbon neutrality targets are a good start, they need to be backed with strong capacities and actions on-the-ground to develop and implement pathways to achieve these goals. For developing countries, the task is even more complex. They will need to balance enabling climate transitions and building resilience while meeting large development needs. First, achieving universal energy access is a critical goal. For instance, around 580 million people lack access to electricity among African countries (20). Second, infrastructure needs are huge, with a large portion of the infrastructure required for the future yet to be built. For instance, over half the buildings required by 2030 in India have not yet been built (21). Third, employment generation to lift people out of poverty and provide decent livelihood opportunities is critical. Fourth, investment and capacities required to meet the current and future needs are also large. For instance, ensuring reliable electricity to all Africans is likely to require US\$120 billion a year through 2040 (22). Drawing from its domestic experiences, India can play a pivotal role in bringing together the needs of developing countries to mobilise cooperative climate actions.

### ***India's co-benefits-focussed climate actions***

Growth, development and security have historically been the central tenets of India's energy policy decisions, with climate considerations as an important, albeit secondary, co-benefit.



In 2009, India set up the National Action Plan for Climate Change and eight missions to promote sustainable development and action on climate mitigation and adaptation, centred around “co-benefits (23).” Since 2009, the eight missions, particularly the solar and efficiency missions, have expanded significantly in scope and scale. They predicated India’s NDCs.

When ratifying the Paris Agreement in 2016, India submitted eight NDCs, three of which are key with quantifiable targets (24):

- To reduce the emissions intensity of its GDP by 33 percent to 35 percent by 2030 from the 2005 level
- To achieve 40 percent cumulative electric installed power capacity from non-fossil-fuel energy sources by 2030 with the help of technology transfer and low-cost international finance including support from the Green Climate Fund
- To create an additional carbon sink of 2.5-3 billion tonnes of carbon dioxide equivalent through additional forest and tree cover by 2030

India is one of the few countries on track to achieve its NDCs and is likely to achieve two of its three quantifiable targets before time. First, India’s emissions intensity has reduced by 21 percent over the period 2005–2014 (25). By 2030, India’s emission intensity is expected to be even lower, between 35 percent to 50 percent (26). Second, India’s non-fossil fuel capacity, which includes renewables, large hydro and nuclear, is very close to its NDC target, at 38.5 percent as of January 2021 (27). India will also achieve this target before time. However, there is more work required on India’s carbon sink target. For instance, the forest and tree cover has increased by only 5,188 sq km, yielding a 42.6 million tonne carbon sink increase (28).

Internationally, India has stressed on the need for common but differentiated responsibilities in the fight to address climate change. India has reiterated the need to ramp progress by developed countries on their climate actions, substantially increase new climate finance and enable more technology transfers to developing countries as conditions for raising India’s climate ambitions (29).



## **Strengthening India's Climate Diplomacy**

India has a unique opportunity to set and lead a development-centred, climate and clean energy agenda by increasing its domestic ambitions and international engagements. This can be done by boosting multilateral, regional and bilateral diplomatic efforts to help coalesce action on inclusive low-carbon transitions, develop climate resilient economies and communities, and mobilise climate finance.

### ***Coalescing international action on inclusive low-carbon transitions***

India's approach to multilateral action is anchored in five S's—*samman* (respect), *samvad* (dialogue), *sahyog* (cooperation), *shanti* (peace) and *samridhi* (prosperity) (30). India has also emphasised that “global development, addressing climate change, and eradicating poverty are central to the planet's future (31).” Thus, ideas of climate justice and inclusive transitions should form the basis of the country's climate diplomacy.

India is a world leader in the solar and wind sectors, ranking fifth and fourth, respectively, in cumulative capacity installations in 2019 (32), and has made huge gains in improving the energy efficiency of its economy. The ISA, a treaty-based intergovernmental organisation created by India and France in 2015, can play a pivotal role in boosting low-carbon transitions among its member countries; 90 countries have signed ISA's framework agreement and 73 countries have ratified it. Through ISA, India has set its foreign policy compass in the right direction. ISA can help the country strengthen continental engagement (with the African Union), regional initiatives (with organisations like the Indian Ocean Rim Association) and also bilateral relations among member countries. India has pledged US\$26 million to create a corpus fund for ISA and has opened lines of credit worth US\$1.39 billion for implementing 27 projects in 15 ISA member countries, 13 of which are African states (33).

Going forward, India can promote climate diplomacy in a few ways. First, increasing climate diplomacy with regional African groupings and programmes, such as the Southern African Development Community, Economic Community of Western African States and the African Renewable Energy Initiative, can help in strengthening ties with the region, and help develop solutions to address energy poverty and



promote growth. Second, India's technical expertise and commercial successes in renewable energy and energy efficiency (see Box 1) can be leveraged through capacity building, knowledge exchanges through its multilateral and bilateral relations. Third, through ISA, India can help countries develop inclusive low-carbon development plans. Fourth, India's commercial success in the clean energy space, particularly wind and solar, provide opportunities for collaborations, investments and developing innovative financial solutions. Fifth, India can integrate its diplomatic efforts to spotlight inclusive, development-centric multilateral arrangements to enable low-carbon transitions in international climate negotiations. This can help grow the domestic renewable energy sector, enhance energy security, promote sustainable development and improve energy access for all.

### **Box 1: Examples of India's Successful Climate Policies**

#### **Growing Renewable Energy**

In 2009, India launched its solar missions with a modest target of 20 GW of installed solar capacity by 2022. In 2015, it dramatically increased the renewable energy target to 175 GW of installed capacity by 2022 (34). The target was further increased to 450 GW by 2030, more than India's current total installed capacity (377 GW) (35). Meeting the 175GW target can employ over 300,000 workers, creating over a million jobs in the grid-connected utility-scale and rooftop solar and wind sectors (36). As of January 2021, with 92.5 GW of renewables, representing 25 percent of total installed capacity, India is halfway towards meeting its 175 GW by 2022 goal (37). India has added more renewable capacity than thermal power year-on-year since 2017 (38). Annual investments in renewables have also regularly been higher than thermal capacity for more than the past four years (39). Solar tariffs have routinely touched INR 2.4 per unit (39), 20 percent to 30 percent below the cost of existing thermal power in India (40). Supportive government policies backed by strong industry interest have helped in growing India's renewable energy sector.

#### **Improving Energy Efficiency**

India's progress in improving energy efficiency has been remarkable. The standards and labelling programme of the Bureau of Energy and Efficiency (BEE) covers mandatory and voluntary schemes for 26 major appliances (41). The government has successfully reduced costs of LED bulbs and efficient fans, making them more accessible by aggregating demand and bulk procurement carried out through the state-run Energy Efficiency Services Limited. For instance, through the Ujala programme, 366 million LED lights have been distributed, resulting in an annual emission reduction of 38.5 million tonnes of carbon dioxide equivalent (42). To improve efficiency in high-emitting energy-intensive industries, BEE established a regulatory and market-based energy efficiency trading mechanism, Perform Achieve Trade (PAT), under the National Mission for Enhanced Efficiency. Over five cycles, spanning from 2012 to 2022, the PAT scheme has expanded to cover 11 sectors, such as aluminium, cement, iron and steel, thermal power plants and petrochemicals. Implementing the programme has led to significant energy savings and avoided emissions; the first PAT cycle (2012-2015) led to energy savings of over 6.6 million tonne of oil equivalent, avoiding emissions around 31 million tonnes of carbon dioxide equivalent (43).



### **Improving Energy Access**

India has several successful initiatives that have helped in providing improved lighting, clean cooking and clean energy solutions. To expand electricity access, building on past efforts, the Saubhagya Yojana aimed to electrify all households by December 2018 (44). According to government estimates, India has achieved nearly 100 percent household electrification (45). The Pradhan Mantri Ujjwala Yojana was launched in 2016 to improve access to cleaner cooking sources and reduce exposure to harmful indoor air pollutants by providing 80 million liquefied petroleum gas connections to women from low-income households by 2019. India exceeded this target ahead of time and has further expanded the scope of the scheme to cover 10 million more households (46). India also launched the Pradhan Mantri Kisan Urja Suraksha evam Utthaan Mahabhiyan in 2018 to promote solar-based irrigation for agriculture and boosting farmer incomes. The scheme aims at creating 10 GW of ground-mounted grid-connected decentralised renewable energy plants, installing around two million off-grid solar, and 1.5 million grid-connect solar powered agriculture pumps (47).

### ***Developing climate resilient economies and communities***

According to the 2020 Climate Risk Index, India and its neighbouring countries are among the most vulnerable to impacts of climate change (48). The South Asian region has experienced an average rise of 0.1°C -0.3°C per decade in the last five decades. This is expected to increase by 1.5°C to 2°C by 2065 (49). The growing frequency and intensity of extreme heatwaves and cyclones highlight the need to increase cooperation on climate resilience.

Carbon neutrality conversations risk a focus on mitigation-centric actions and policies. Adaptation is critical for developing nations, which have contributed the least to the climate crisis. India can lead efforts on climate adaptation through diplomatic actions and draw greater international focus. In 2019, India launched the International Coalition for Disaster Resilient Infrastructure (CDRI) at the Climate Action Summit to support the construction of climate-resilient infrastructure for sustainable development in various countries (50). CIDRI, which has 21 member-countries, aims to promote the resilience of new and existing infrastructure systems against climate and disaster risks in support of sustainable development (51).

More recently, India has taken a leading role in asserting long-term strategic interests in its neighbourhood through climate diplomacy. India is keen to strengthen climate change and resilience across the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) region to protect vulnerable communities and improve maritime security. Apart from opening lines of credit to neighbouring



countries, India is also tapping into its blue economy potential with regional partners in the Indian Ocean region. This has included advancing technical, logistical, technological and regulatory measures to develop climate resilient ports, and promote renewable energy for ports and the shipping industry.

India has also led the establishment of disaster management mechanisms, such as the Agreement on South Asia Rapid Response to Natural Disasters in 2011, the BIMSTEC Centre for Weather and Climate in 2014 and the South Asian Cooperative for Environment Protection in 2018. Emphasis on disaster management cooperation in BIMSTEC also led to the formation of BIMSTEC Disaster Management Exercise. However, these have been largely dormant institutions (52).

These initiatives point to an emerging focus in India to address environmental emergencies and natural disasters through multilateral engagement. In the coming decade, India should prioritise climate resilience in its diplomatic engagements through its 'Neighbourhood First' policy. Four measures can help.

First, strengthening joint disaster response mechanisms by risk identification, awareness, mitigation plans and operating procedures in existing institutions to deploy rapid responses in case of disasters.

Second, developing common frameworks on adaptation measures to protect communities against extreme events through sharing best practices and information. For instance, India's Heat Action Plans (53), the first of its kind in South Asia (54), and the Air Information Response Plan (55), which can help protect communities and vulnerable groups from heatwaves and incidences of high air pollution, respectively.

Third, increasing cooperation on building resilient infrastructure and strengthening existing infrastructure, particularly ports. For instance, Security and Growth for All in The Region (SAGAR) is at the centre of India's maritime strategy in the Indian Ocean Region (56). Developing a regional climate mitigation and resilience strategy, promoting renewable energy for ports and all infrastructure projects, and innovating financial mechanisms to help transition can help achieve SAGAR objectives.

Fourth, coalescing India's various bilateral, regional and multilateral climate diplomacy efforts can help mainstream action on climate resilience. Through CDRI, India can help develop institutional mechanisms to foster collaboration, create



a knowledge and investor pool for countries to tap into, develop opportunities to channel investments, and establish knowledge exchange platforms.

### ***Mobilising climate finance to enable climate resilience and adaptation measures***

Perhaps the most important aspect of climate action is the finance required to implement mitigation and adaptation strategies globally. Financing needs are particularly critical for developing countries. For instance, meeting India's renewable energy targets will require at least US\$20-US\$30 billion annually (57). However, the access to and availability of international climate finance has not been adequate. Under the Paris Agreement, developed countries have committed to providing US\$100 billion a year in new and additional climate finance to developing countries by 2020 to enable them to expand their climate change action. But actual flows were only around US\$79 billion in 2018 (58). An increase in climate finance has been one of India's key asks at climate negotiations. This will help mobilise funds for other developing countries, particularly small and medium countries, and small island developing states.

Simultaneously, India has also undertaken efforts to improve market access and credit facilities to various stakeholders across the clean energy spectrum. Domestically, India has boosted its renewable energy sector through innovative financial solutions. Institutions such as the Indian Renewable Energy Development Agency, National Agriculture Bank for Agriculture and Rural Development, Solar Energy Corporation of India and private sector firms like Tata Cleantech Capital Ltd. are at the forefront of India's green financing efforts, and have successfully developed solutions such as credit enhancement scheme, alternate investment funds and payment security mechanisms to improve project economics and help project developers attract lower cost, long-term financing (59).

Internationally, ISA aims to mobilise US\$100 billion to promote solar energy by 2030, and plans to set up a World Solar Bank to help achieve this goal (60). ISA can help aggregate demand for solar projects among its member nations to bring down costs, help finance and boost investments, particularly for the smaller countries. India can play a critical role in helping channel finance and attract private sector investments through integrating its climate and economic diplomacy efforts. A few solutions can help.





First, promoting the development of catalytic financial institutional frameworks, such as green banks, can help in boosting finance for climate transitions. India can support the development of catalytic finance institutions, share knowledge and eventually develop innovative solutions using its development assistance and lines of credits. Catalytic financial solutions leverage low-cost public (national and international) funds, which are typically limited, to attract greater private capital for identified sectors. In 2019, India announced that it will be setting up Green Windows, a green bank-like structure, to grow the underserved renewable energy sectors and new technologies (61). Solutions such as aggregating, warehousing, and co-financing offered through catalytic finance institutions can help in improving project economics to attract private capital.

Second, through its various bilateral, trilateral and multilateral engagements, India can help aggregate demand for clean energy or resilient infrastructure to bring down costs and boost private investments. Countries in Sub-Saharan Africa and smaller states elsewhere find it difficult to attract affordable finance because of their disaggregate demand and its size. ISA is implementing such measures by aggregating regional demand and issuing a global tender to bring down costs of solar.

Third, India's experiences on green bonds can also be extended through knowledge exchanges on financial solutions. Despite the country's nascent bond market, green bond issuances are steadily growing, reaching a total of US\$11.2 billion in 2020 (62). These experiences can be extended through bilateral and multilateral engagements.

Financial solutions need to be tailored to the developing country contexts. India can play a constructing role by boosting cooperation on climate finance in its external relations while simultaneously highlighting the need to increase climate finance from developed countries.

## **Conclusion**

The new decade will be key in determining the world's fight against climate change. Policy decisions taken today will determine whether the world moves towards a sustainable future "leaving no one behind (63)." To do this, bolstering both domestic ambitions and fostering greater international cooperation will be important.



India has the potential to become a lighthouse for the world on inclusive climate action. Championing a climate and development agenda in the country's bilateral, regional and multilateral collaborations can help boost trade, drive investments to inclusive solutions, and foster progress towards sustainable and resilient transition. There is a rapidly narrowing window of opportunity for the world and India to avoid the devastating impacts of climate change and safeguard the future. The time to act on collaborative, ambitious and resilient solutions is now.



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## **Understanding the Role of Health in Foreign Policy: The Indian Experience**

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**A** culture of interdependence resulting from rising incidences of health crises is one of the striking features of globalisation. Health conditions beyond territorial boundaries can have a defining effect on individual countries' public health and may even pose a grave risk to the economy. For many years, decision-makers around the world have treated health issues as secondary concerns in foreign policy (1), primarily due to the lack of awareness about the interconnectedness between health and areas of politics. Historically, health has been categorised as 'low politics', occupying the lower echelons in national priority (2). But developments in recent decades have revealed a new context and reality for foreign policymakers and practitioners. Health issues have graduated to a mainstream foreign policy priority and emerged as an effective soft power tool for states to pursue their economic interests and international relations. For example, by the mid-1990s, the HIV/AIDS epidemic posed a formidable challenge for public health communities and to leaders around the world (3). The Bill Clinton administration not only increased the US's overseas funding for HIV/AIDS related work but also shifted its foreign policy to focus more on infectious diseases (4). Given the growing economic and social costs of the epidemic in the developing world, the World Bank and other international agencies also opened up new lending programmes and expanded their resource commitments to health-related developmental projects (5).

Although the term 'health diplomacy' has gained traction in recent decades, especially with the onset of globalisation, the practice can be traced back to the mid-nineteenth century. Between 1851 and 1894, medical administrators and scientists from different European countries gathered to discuss cholera, plague and yellow fever at a series of international sanitary conferences (6). These conferences provided a key platform for states to collaboratively develop new medical thinking on dealing with epidemics. When Europe was hit by a cholera outbreak in the early nineteenth century, countries struggled to implement national policies, especially the quarantine system. Despite the transnational character of the disease, it continued to be handled on a local community basis, as infectious diseases had been managed since medieval times. In the absence of international cooperation on transboundary diseases, many Europeans debated the effectiveness of preventive strategies imposed by the national governments (7). Preventing the spread and diffusion of transmissible diseases was the primary focus at the international sanitary conferences, and it was only after these



conferences that countries worked towards creating an international health agency, which led to the establishment of the World Health Organization (WHO) in 1948.

### **Health and Foreign Policy: The Changing Context**

Health diplomacy was practiced long before the establishment of the formal institutions that are part of modern foreign policy and diplomacy. Health diplomacy is a multi-level and multi-actor interaction that shapes global health governance. Nation states remain central to health diplomacy, especially in building cooperation with various stakeholders—state, non-state and multilateral actors, non-governmental organisations, private-sector companies and the public (8). As health diplomacy varies from country to country, it provides a useful window into a country's approach to international health institutions, guidelines and agreements, as well as their response to regional and global health challenges. Health diplomacy, therefore, acts as a bridge between the domestic and the global, as it binds national and bilateral commitments to multilateral partners.

The practice of health diplomacy, however, faces three paradoxes. Health issues have a technical and scientific core, which makes it a sole concern of domain experts, who not only distance themselves from politics but also the diplomatic community (9). As a result, the political visibility of health in certain countries remains low as does political will, ultimately reflecting in the low resource allocations for public health. However, increasingly, the determinants of health and the means to deal with health issues are moving beyond the control of healthcare professionals and require the involvement of a cross-section of policymakers, including diplomats, politicians, businessmen, civil society activists and private players.

The second paradox is that states still consider health issues as a fundamental national responsibility—despite their transnational character—and approach health-related challenges within nationalist frameworks (10). What they fail to realise is that health is a shared social objective that necessitates global partnerships.

Finally, the dissonance between international health agencies has widened with the increasing popularity of health issues on the global agenda. The collection of multilateral entities and bilateral agencies responsible for improving the health of



the global population suffer from coordination issues and have failed to establish relationships conducive to collective action.

Health also involves critical economic dimensions related to international trade (11). The first two international sanitary conferences (in 1851 and 1859) put commerce at the heart of discussions, with policymakers deliberating on treaties to protect cross-border trade amid health threats (12). With the liberalisation of trade regulations, health has emerged as an arena of commercial interests of both governmental and non-governmental entities (13). Increasing collaboration can be seen between health and trade ministers within and among several countries. For instance, At the 5th ASEAN [Association of Southeast Asian Nations] Health Ministers Meeting in 2000, senior health officials reiterated the need to strengthen the national and collective ASEAN capacity on issues of “health implications of globalization and trade liberalization” (14) to promote inter-agency coordination and policy coherence and curtail competitiveness between countries. The adoption of the Sustainable Development Goals (SDGs) have further strengthened these linkages and highlighted the centrality of health in economic development, diplomacy, human rights and international cooperation (15). Although the absence of primary healthcare in SDG documents and policies remains a lacuna, the combined targets under SDG 3—good health and well-being—reinforces the connection between health and non-health goals, as well as the need to consider different approaches to health systems to deal with multiple and different health conditions (16).

At the end of the Cold War, health acquired a security dimension, particularly within the human security framework. As the perception of security changed to include a wide range of human rights-related issues, health concerns began to be viewed as ‘high politics’ with direct and indirect implications for a country’s political stability and national security (17). The rise in the transborder spread of infections, non-communicable diseases and biological threats not only serve as a source of social and political unrest but also create diplomatic tensions between countries. This complex interdependence of health and security offers opportunities to a cross-section of actors to interact and collaborate for an integrated public health system. Health diplomacy catalyses this collaboration both within and among countries and plays an important role in diffusing tensions and mobilising global resources for collaborative action.

The world is currently facing unprecedented challenges arising from the COVID-19 pandemic (18). The pandemic has put a sharp focus on health as critical to economy,



politics, society, foreign policy, security and diplomacy. More broadly, this health crisis has imposed high costs on foreign policy goals. While the pandemic has undoubtedly affected poorer and developing countries more, developed countries have not been spared either, laying bare existent inequalities across countries (19). Major developed countries failed to display the political will for mobilising collective action and turned inwards in their fight against the pandemic. For example, amid a shortage in medical equipment supply, the US and Europe halted the exports of N95 masks and ordered a re-routing of their overseas production to meet domestic demands (20). In such an environment, India demonstrated a strong commitment to boost regional cooperation and coordination to deal with the pandemic, and became a major provider of pharmaceuticals and other medical equipment critical in the treatment of COVID-19 (21). New Delhi has also taken the lead in global vaccination efforts through its ‘Vaccine *Maitri*’ (friendship) initiative by supplying hundreds of thousands of Indian-made vaccines to around 71 countries (22). India’s approach to global health diplomacy is particularly instructive and can be regarded as an extension of its overall strategy to revive and reform multilateral cooperation, even as multilateral institutions like WHO and the World Trade Organization (WTO) face existential crises and are in dire need of reform.

### **Health Diplomacy and the ‘Indian Way’**

The promotion of health in India’s foreign policy agenda can be traced back to WHO negotiations leading to the Framework Convention on Tobacco Control (FCTC), ratified by India in February 2004 (23). Tobacco, which became the major source of premature deaths globally in the twentieth century, had posed some complex challenges for policymakers worldwide due to the presence of a strong tobacco lobby (tobacco industries, advertising and promotion agencies, and other ancillary companies) that catered to large markets and yielded huge profits. The severity of the tobacco problem was greater in India than anywhere else—the country recorded about 630,000 tobacco-attributable deaths in the late 1980s as well as a rise in associated diseases like cancer, heart ailments and lung-related complications (24). As the second-largest tobacco producer, India viewed the tobacco industry as a revenue source and employment generating sector, ignoring the health-related consequences (25). Although India’s tobacco industry was able to dilute the civilian movement seeking a comprehensive domestic tobacco control strategy, international support was able to galvanise the movement. India passed a national legislation on



tobacco control in 2003, with the FCTC negotiations gaining steam soon after (26). India was the principal negotiator in FCTC discussion, playing a key role in building regional consensus on the draft text, marking the country's first successful effort in health diplomacy. Despite the domestic initiative, the number of tobacco consumers in India has grown to over 274 million in 2020, becoming the second-largest group of tobacco users in the world (27). To discourage tobacco use, the government continues to focus on the strict implementation of control policies and prohibits the advertising or promotion of tobacco products. India has also passed an ordinance banning the production, manufacturing, import and export, sale, distribution and advertising of electronic cigarettes, drawing global attention to the health hazards from such devices (28).

India's approach to global health initiatives reflects the realities facing the countries in the Global South. Health issues are rooted in complex socio-cultural determinants that influence policy implementation at the national level. For example, while India took part and supported the 2003 World Health Assembly (WHA) negotiations to restrict the marketing of unhealthy food and non-alcoholic beverage products to children and adolescents, its national approach to implement the provisions have been unique. Obesity, which is a vexing problem in developed economies, is not seen as a significant health problem in the developing world (29). In India, where the prevalence of underweight children is among the highest in the world, morbid obesity is not yet a public health priority (30). The WHA recommendations to combat obesity indicate a western view of the problem that does not reflect the public health realities in developing countries. Although India supported the global health diplomacy initiative to reduce the marketing of fatty, sugary and salty foods to children, it took a realistic approach to implementing a similar policy domestically. Instead of adopting stringent regulations, it has taken the food and beverage industries on board in its overall strategy. The Indian government has set up an 'India Pledge' system, whereby the 'Food and Beverage Alliance of India' has voluntarily committed to not engage in marketing food or beverages to children in primary schools and instead promote healthy dietary choices (31). The Indian government is also trying to encourage physical activities to tackle the obesity problem and increase the overall fitness of the population. For instance, India has made diplomatic efforts to promote yoga globally and the United Nations (UN) has adopted 21 June as International Day of Yoga (32).

India's commitment to traditional health practices and ancient medicinal systems goes back to colonial times when Indian Ayurvedic medicine manufacturing



companies and civil society groups resisted the British government's bid to ban the public consumption of such medication (33). In the post-independence period, several health committees recommended the revival and development of traditional medicinal systems. A department of Indian system of medicine and homeopathy was created in 1995 and renamed as AYUSH (Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homeopathy) in November 2003 (34) and became part of India's mainstream healthcare under the National Rural Health Mission in 2005. Attempts to internationalise AYUSH received a boost under Prime Minister Narendra Modi's vision for a 'Healthy India' (35). Soon, AYUSH became part of the WHO's Traditional Medicine Strategy 2014–2023 and member states of the WHO South-East Regional Office signed the Delhi Declaration in 2014 to boost cooperation, collaboration in all fields of traditional medicine (36).

Indian diplomats are also playing a key role in generating awareness about AYUSH in neighbouring countries. India has so far set up 33 information cells in 31 countries and signed memorandums of understanding with 23 countries (37). India is also offering incentives to promote the country's health agenda in the region. The Ministry of AYUSH, in collaboration with Indian Council for Cultural Relations, offers annual scholarships to foreign students to pursue undergraduate, postgraduate and PhD courses in AYUSH from premier Indian institutes (38). AYUSH experts and drug manufacturers are encouraged to participate in international meetings, conferences, training programmes and seminars to popularise India's traditional medicine and health practices (39). India has also successfully developed Standardised Terminologies and National Morbidity Codes for uniform usage of terminologies of respective AYUSH systems of medicine in line with the International Classification of Diseases of WHO (40).

To demonstrate leadership in global health diplomacy, a country must bolster its own public health system. The outcomes of global health strategies are tied to the national context, in which institutional capacities and political will play an important role. India's public health sector along with its pharmaceutical industry has undergone a major transformation in recent years. India has managed to address most of the health challenges it experienced in the early years after independence through state-led policy directives. It has successfully eradicated smallpox and polio through targeted public intervention, and its Universal Immunisation Programme, rolled out in 1985, is considered among the most cost-effective public health interventions in the world (41); In 2014, the WHO declared India polio free (42). India's health diplomacy





efforts are also supported by a robust pharma sector. Indian pharma currently contributes around 20 percent of the world's generics and 62 percent of the global vaccines (43). As part of the indigenous vaccine manufacturing effort, India became the first country in the region to develop the rotavirus vaccine through collaboration between academia, industry and international institutions such as National Institute of Health, Gates Foundation, the GAVI Alliance, WHO and the International Centre for Genetic Engineering and Biotechnology (44). Given its low cost, the vaccine is considered a 'game-changer' for low-resource countries in Sub-Saharan Africa and southern Asia, where the child mortality rates due to rotavirus are very high (45). The vaccine development programme received fresh impetus under the Modi government's "Neighbourhood First" and "Act East Policy" announced in 2014 (46). In 2018, India launched the Ayushman Bharat (Long Live India) healthcare scheme, in line with the WHO's Universal Health Coverage movement, to meet the targets of SDG 3 (47). Although primarily a national scheme, Ayushman Bharat also includes a global component by way of extending affordable healthcare through telemedicine to other countries, especially developing ones (48).

## **Exploring New Avenues**

The WHO has found itself in the middle of many controversies since the start of the COVID-19 pandemic—it has been accused of a 'dereliction of duties'; siding with the Chinese state in its cover-up of the outbreak; delaying the declaration of the epidemic as a public health emergency; and an inability to establish a timely and coordinated global response to the health crisis (49). The WHO's shortcomings in handling the pandemic have exposed the existent structural problems plaguing the organisation. With a proliferation of actors in global health governance, problems related to coordination and priority-determination have become almost unmanageable, rendering the global body somewhat ineffective. The WHO must also contend with declining budgetary contributions from member states and private bodies (50). These are some of the reasons that have raised concerns over the WHO's credibility and has forced a reconsideration of its structure, scope and priorities.

India is uniquely placed in spearheading some meaningful reforms within the WHO. As chair of the WHO Executive Board, India can now play an important role in integrating perspectives from the Global South into WHO's normative framework (51). The challenge is to make the organisation's functioning more transparent,





accountable and representative of the needs of developing and least developed countries (52). While the WHO's 'one country, one vote' formula suggests a level playing field, many developing countries lack the capacity needed to take the lead in policy interventions, propose public health agendas or table resolutions in WHA meetings (53). As an active proponent of reforms in key multilateral institutions, India has a major stake in WHO's global health governance.

At the G20 Virtual Summit held in March 2020, Modi called for the reform of the WHO and underscored the need to revive multilateralism to deal with the devastating effects of the pandemic (54). His call came amid rising tensions between the US and China that was deflecting international attention away from the other important issues. Although the Trump administration's decision to withhold WHO funding was a blow to the organisation, it allowed new players like India to rise to the challenge. In March 2020, India proposed the creation of a 'SAARC COVID-19 Emergency Fund' for coordinated COVID-19 mitigation efforts in South Asia, with all member countries, except Pakistan, contributing to the fund (55). India has also been prompt in its response to the UN Secretary General's call for global solidarity against the pandemic. In the initial months following the outbreak, India ramped up the commercial supplies of essential drugs like hydroxychloroquine, paracetamol and azithromycin, and testing kits to around 90 countries (56).

India has invested in producing affordable COVID-19 vaccines and has also pushed for its rapid and easy access by poor countries. Serum institute of India, the largest vaccine manufacturer by volume globally, has been producing the Oxford-AstraZeneca vaccine for domestic use and export. These efforts and the Vaccine Maitri initiative have contributed to strengthen India's bilateral relationships and in expanding its global influence. For instance, ties with Bangladesh received a boost through the initiative, with the country becoming the largest recipient of COVID-19 vaccines from India (57). New Delhi's vaccine diplomacy efforts extend beyond its neighbourhood; at least 50 percent of least developed countries have received vaccine doses from India (58). India's vaccine production and trials have been conducted in a transparent manner, which is crucial for building public trust globally (59). Additionally, India and South Africa have also urged the WTO's Trade-Related Aspects of Intellectual Property Council to temporarily suspend intellectual property rights related to COVID-19 so that the vaccines and other new diagnostic technologies are accessible to poor countries (60). Although WTO members have failed to reach a consensus on the proposal, several developing countries have rallied behind this effort (61).



## Conclusion

Health is now becoming an integral part of India's foreign and economic policy. Indian health professionals, trade officials and diplomats are actively engaged in promoting the country's health agenda among other countries (62). These relationships will enable India to make significant contributions to negotiations at the WHO and at other global health bodies. To influence the global health agenda, India not only needs to proactively engage within the WHO, but also outside the organisation at the regional and international levels, as part of a coalition of like-minded constituents (63). India can forge these coalitions by building solidarity among countries of the Global South and by moving beyond the traditional donor-recipient relationships to develop meaningful partnerships with friendly countries around the world. India must rely on its ancient philosophical ethos rooted in *vasudhaiva kutumbakam* (world is one family) as guidance in developing global health cooperation.



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# 3.4

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## **Reorienting India's Global Value Chains Post COVID-19**

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Karishma Banga





**T**he COVID-19 pandemic has exposed existing vulnerabilities associated with international trade, especially for developing countries that are heavily linked into existing global value chains (GVCs). Disruption in the existing manufacturing GVCs due to the pandemic, on the back of disruptions caused by the Fourth Industrial Revolution, has led to a drastic fall in the exports of many developing countries and a decline in the import content of their exports. This has necessitated a rethinking of trade policies in developing countries.

With growing digitalisation and amid the ongoing pandemic, India needs to reorient its trade policy with emphasis on developing its own GVCs and upgrading existing ones to accelerate its export diversification. This has become important given India's falling export competitiveness, especially in labour-intensive sectors like textiles and clothing, gems and jewellery, and leather and leather products. India can achieve a sustainable V-shaped recovery—a strong recovery after a harsh economic decline—in its manufacturing exports by adopting certain specific strategies, such as strengthening the 'right kind' of GVC linkages and leveraging digital technologies.

### **India's Export Competitiveness**

Although India's overall exports have been rising, crossing over US\$300 billion in 2018, there has been a steady and sharp decline in merchandise export growth after 2011 (1). While this has coincided with the global slowdown, importantly, India's comparative advantage in its traditional exports has been shrinking. Between 2011 and 2017, India experienced a fall in its revealed comparative advantage in over 75 products at the three-digit product level, including in traditional export products—precious stones, spices, jewellery, cotton, tea, fabrics, clothing articles and leather (2).

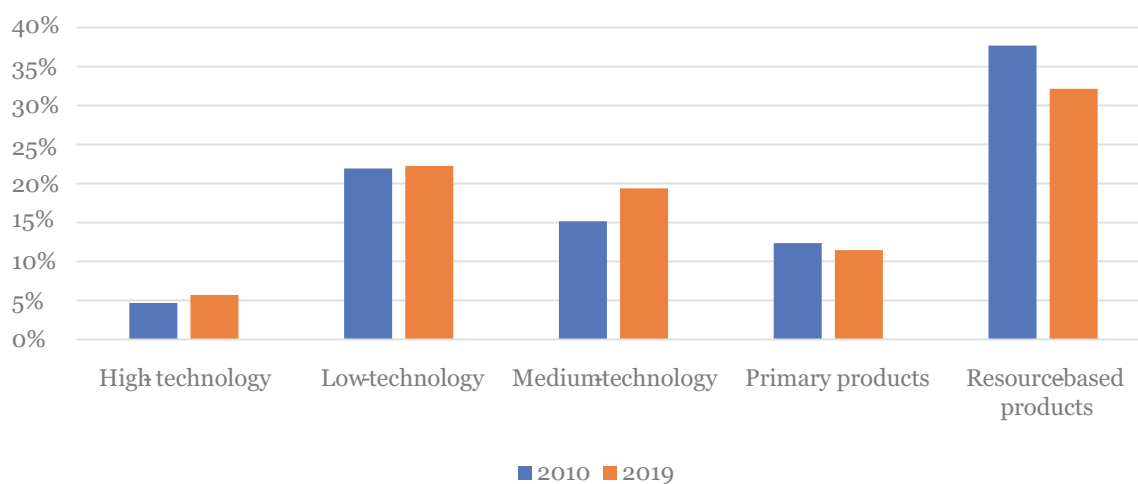
However, some export diversification has taken place, both in terms of products and markets. In 2018-19, the top 10 exported products accounted for 60.6 percent of total exports, a decline from the 62.7 percent in 2010-11, indicating that India's dependency on its traditional exports have fallen by roughly 2 percent (3). Products that have seen an increase in India's export basket include nuclear reactors, boilers, machinery



and mechanical appliances; vehicles other than railway or tramway rolling stock or related parts and accessories; organic chemicals; pharmaceutical products; and iron and steel. Diversification has also occurred in terms of destination markets, with the total share of India's leading export markets declining from 50 percent in 2010-11 to 45.5 percent in 2018-19 (4).

Overall, the share of primary products and resource-based products in India's total exports declined in 2019 as compared to 2010, with a significant rise in the share of medium-tech exports, from 15 percent to 19 in the period (see Figure 1). However, resource-based exports and low-tech exports continue to dominate India's export basket; in 2019, 32 percent of India's exports were resource-based, followed by 22 percent of low-tech exports. High-tech exports accounted for less than 6 percent of total exports.

**Figure 1:** India's goods export structure, by type of good



**Source:** Author, constructed from the World Integrated Trade Solutions database (5)

**Note:** Lall's classification categories (2000) are followed (6). Primary products include fresh fruit, meat, rice, cocoa and tea. Resource-based products entail simple and labour-intensive processing, such as prepared meats/fruits, beverages and wood products. Low technology products include textile fabrics, clothing, headgear, footwear and leather manufactures. Medium technology products include vehicles/motorcycles and parts, synthetic fibres, chemicals and paints. High technology products have "advanced and fast-changing technologies, with high R&D investments and prime emphasis on product design," such as office/ data processing/telecommunications equipment, TVs and pharmaceuticals.

## COVID-19: Accelerating the Need for Export Diversification

As the pandemic struck in early 2020, the need for export diversification in terms of products and markets emerged as a necessary strategy for building economic resilience against such shocks. India's GDP and exports were significantly hit by supply and demand disruptions. In the first quarter of the financial year, India registered a negative growth rate of 23.9 (7). In November 2020, India's exports declined by 9



percent year-on-year and imports by 13.3 percent (8). In response to the pandemic, manufacturing firms began re-purposing production towards the manufacturing of personal protection equipment (PPE), medicines and other medicinal equipment. For instance, Mahindra and Mahindra and Maruti Suzuki, India's major automobile producers, geared production towards the manufacturing of ventilators (9). Similarly, textile and garments manufacturing firms moved towards the production of masks and PPE (10). Meanwhile, the electronics and pharmaceutical sectors were critical during the pandemic for boosting exports.

Government efforts to curtail the spread of the virus in India also accelerated digitalisation across the country. Data consumption peaked at about 70 percent of pre-lockdown levels (11), with growth in education technology, work-from-home business models, mobile commerce, e-commerce and digital payments. To meet the subsequent increase in demand in the electronics sector, India announced the production linked incentive (PLI) scheme for large-scale electronics manufacturing, schemes for electronics manufacturing clusters (EMC) 2.0 and the promotion of manufacturing of electronics components and semiconductors (12). The pharmaceutical industry has also emerged as a key sector for India's export development. A PLI scheme has been introduced to attract large investments to promote domestic manufacturing of critical active pharmaceutical ingredients (APIs), in addition to a scheme for bulk drug parks, with the aim to reduce the manufacturing costs of bulk drugs in the country (13).

### **Climbing-Up the GVC Export Ladder**

The positive effects of learning by exporting and learning by importing are well-documented. Exporting enables firms to gain access to foreign markets and international consumers and induces competition and innovation, which improves the exports performance of supplier firms. Similarly, access to import markets allows supplier firms to access cheaper and better-quality intermediate inputs and to learn from the technology embedded in them. The GVC trade-related literature looks at two-way trading. Some studies find that GVC firms (two-way traders) fare better than one-way traders since they can learn from both importing and exporting, and benefit from the rising cost complementarities of simultaneously engaging with both activities (14). The benefits of GVC participation towards increased efficiency gains and export diversification are well documented (15), and evidence suggests that GVC



firms are more likely to introduce new products (16). However, linking into GVCs is not enough; it is also important to increase the domestic value-added content in exports (17).

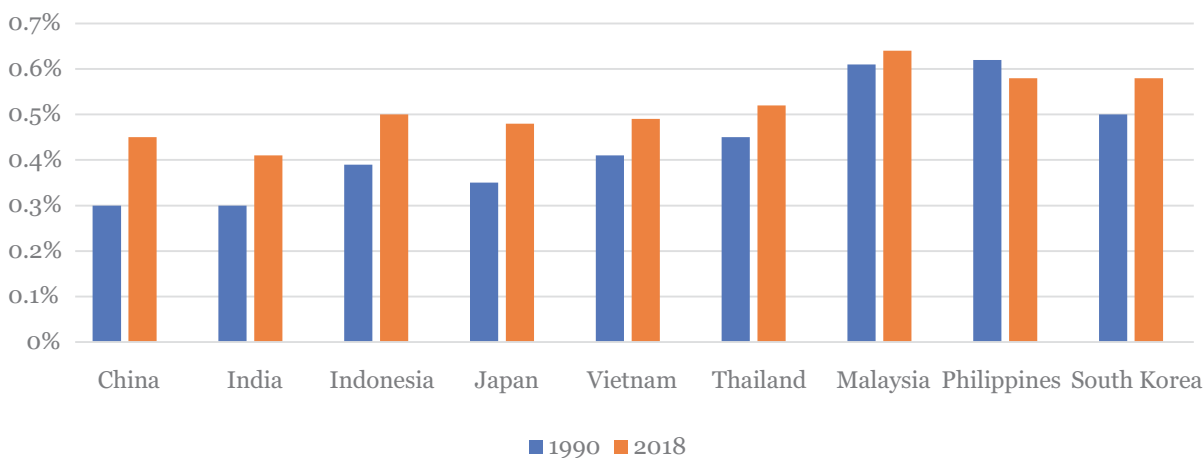
India has been a unique case when it comes to participation in GVCs. Despite being in proximity to 'Factory Asia,' it is less linked in GVCs than its comparators (see Figure 2) due to a range of factors, including stagnant growth in the manufacturing sector, lower ability to attract foreign direct investment (FDI) to the sector, an unfavourable business environment and financial constraints faced by manufacturing firms (18). A key strategy for export diversification is to link into GVCs. Although caution is warranted, linking into GVCs is not the end-goal, nor are the benefits from linking automatic or homogenous. The aim should be to diversify into more sophisticated products that capture higher economic rents and value-added. Rising product sophistication shifts out the technological frontier of a country and improves its growth performance, enabling the country to climb up the export value chain (19).

For Indian manufacturing firms, the average product sophistication in GVC firms is roughly 2 percent higher than that in non-GVC firms (20). Ultimately, opportunities for Indian firms to undertake export diversification and sophistication are crucially linked to the governance structures of the GVC they are operating in (21). For instance, vertically integrated (FDI-driven) chains offer higher opportunities for supplier firms to upgrade products (22). Knowledge spill-overs from downstream multinational enterprises (MNEs) have been found to positively impact Indian firms' product sophistication (23).

India has great potential for attracting investment from MNEs, particularly as several MNEs look to diversify and shift their production facilities away from China in the post-pandemic era. But if the aim is export diversification, a more nuanced understanding of FDI is needed. FDI has a positive impact on the total factor productivity of Indian manufacturing firms, but the impact is higher for FDI from developed economies, such as the US and European countries, while for productivity spill-overs from FDI in upstream sectors, the impact is higher in the case of Asian countries compared to US and Europe (24). Efficiency gains from productivity spill-overs can be reinvested into export diversification.



**Figure 2:** GVC participation rate of India and comparators



**Source:** Author, constructed from the Trade in Value Added database, Organisation for Economic Co-operation and Development- World Trade Organisation (25)

**Note:** GVC participation rate is measured as the sum of imported intermediates used in the production of a country's exports and local inputs used in the production of other countries' exports, expressed as a percent of gross exports. A higher value signals deeper integration into GVCs.

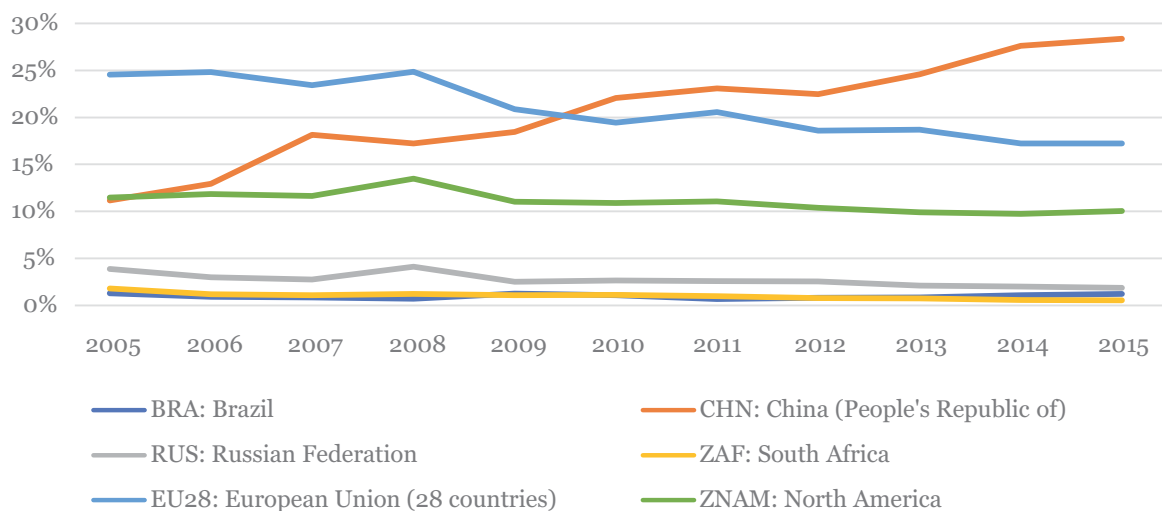
## Initiating India's Global Value Chains

The maximum gains in GVCs are derived by the lead firms, which initiate and control the value chains and are predominantly based in the Global North. But there appears to be a growth in South-South trade—with emergence of lead firms in the Global South that supply to end markets within the Global South (26). For example, South African supermarkets have expanded their retail operations across different parts of Sub-Saharan Africa (27), while Southern Africa's apparel sector has witnessed an expansion of regional value chains (28).

India falls behind other developing countries in terms of its participation rate in GVCs and has very few GVCs of its own with Indian firms as the lead potentially due to skills shortages, lack of access to finance and customs procedures (an exception is as Tata Motors in automobiles) (29). Nonetheless, data suggests a growing importance of Global South partners for India in GVC trade. The share of manufacturing foreign value-added in India's domestic final demand originating from the European Union (EU) and North America declined in the 2005-2015 period, while that of China has significantly increased from 11.17 percent in 2005 to 28.35 percent in 2015 (see Figure 3). At the same time, domestic value-added by India's manufacturing sector in foreign final demand (by partner shares) declined in the EU and North America, and increased in Brazil, China, South Africa and the Russian Federation, with the largest increase for China—from 4.2 percent in 2005 to 7.49 percent in 2015 (see Figure 4).

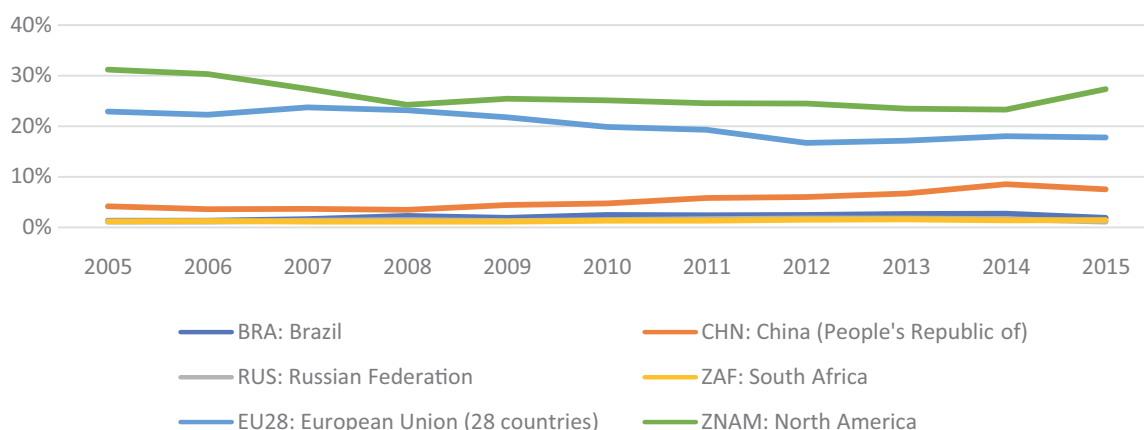


**Figure 3:** Manufacturing foreign value-added in India's domestic final demand, by partner shares



**Source:** Author, constructed from the Trade in Value Added database, Organization for Economic Co-operation and Development

**Figure 4:** India's manufacturing domestic value-added in foreign final demand, by partner shares



**Source:** Author, constructed from the Trade in Value Added database, Organization for Economic Co-operation and Development

A 2016 study scoped out India's potential to form its own GVCs through the identification of probable lead products (30). Using the Harmonized System—an international nomenclature for the classification of products—the study identifies potential lead products for India, which include products like processed fish, cashew nuts, appliances, dyes, leather articles, footwear, carpets, women's dresses, textiles furnishing articles, jewellery, machinery, turbines, transformers and tractors. It is estimated that the total potential market share in the identified lead products is around US\$22.8 billion in addition to India's existing exports, implying that there is a potential to increase total exports of lead products by 112 percent. It is estimated that in the US market, potential exports can rise by almost 120 percent in the lead



products. In the UK, potential exports can increase by 125 percent. In EU, the exports of lead products have the potential to rise by 80 percent. However, this would require increasing the competitiveness of the lead products through potential GVCs led by India.

The 2016 study further identifies 20 least developed countries (LDCs) that are more cost-competitive as sources of inputs for India than the existing ones. These LDCs can together export around US\$12 billion worth inputs into exports of India's lead products. Additionally, 129 unique inputs at HS-6 digit have been identified that can increase India's competitiveness in its GVCs of the identified lead products.

### **Digitalisation: New Pathways for Export Diversification**

The technological capabilities, including digital, of Indian firms are key for export diversification, linking into GVCs and forming GVCs in the country. Digital technologies have opened up new pathways for export diversification along the value chains:

- Digitalisation of pre-manufacturing activities has led to reductions in costs and timelines for product development. For example, automotive firms in India, such as Hyundai Motors India Limited and Mahindra and Mahindra, initially specialised in manufacturing commercial and utility vehicles, but later developed capabilities to serve the passenger car segment through the use of digital technologies, which enabled higher output major changeover costs, with faster delivery time and higher quality (31).
- Digitalisation of post-manufacturing activities, such as sales through e-commerce, has opened avenues for new products and sectors. Analysing market-related data, for instance, can enable designers to uncover the functionalities and features that customers particularly value, thereby identifying demand for specific products (32). Similarly, big data analytics of online sales can enable firms to take a more targeted approach in product development, allowing for more profitable diversification. In Bangladesh, for instance, online trade is more diversified than offline trade (33).
- Digitalisation and automation in manufacturing tasks can boost efficiency in the production process, leading to higher output and exports and more profits,





which can be reinvested into the development of new and more sophisticated product lines.

Evidence from Indian firms suggests that investment in information technology (IT) and digital infrastructure positively impacts exports diversification, either directly or indirectly (through efficiency gains). A positive relationship between IT investment and export performance is seen in the Indian pharmaceutical industry (34). Similarly, an analysis of several Indian manufacturing firms across sectors over the 2001-2015 period shows that increasing the share of digital assets in a firm's infrastructure significantly and positively impacted firm-level export intensity (35). The average product sophistication is also found to be 4 percent to 5 percent higher in digitally competent Indian GVC firms as compared to digital laggards (36).

The Indian pharmaceutical sector has leveraged digitalisation to build resilience against the pandemic and future economic shocks. In the pharmaceutical GVC, India and China are major producers of APIs (37), together accounting for 31 percent of API manufacturing facilities in the world (38). Despite this, India imports around 70 percent of its APIs from China (39). As a result, the Indian pharma sector was hit hard when the pandemic struck; Indian manufacturing firms reported a decline of between 20 percent to 30 percent in their capacity and a rise in the prices of APIs imported from China (40). The adoption of digital technologies can transform the sector. The average export intensity and research and development intensity in Indian pharma firms that invest in digital capabilities is 45 percent and 2.7 percent, respectively, compared to 28 percent and 1.7 percent in firms that do not invest in digital capabilities, with average product sophistication also higher in digitalised pharma firms (41). Given that pharmaceutical products dominate India's exports to Africa, along with petroleum products, accounting for about 40 percent of total Indian exports to the African market, this could be Indian pharma's big opportunity in Africa (42).

Currently, India lags behind many developing countries in the digitalisation of manufacturing exports; the value added by digital services in India's exports is largely concentrated in the computer, programming and telecommunication services sectors (accounting for 88 percent of total value added by digital services in exports (43). The value added by digital services in manufacturing exports is 9 percent, much lower than in comparators—78 percent in Turkey, 60 percent in China, 57 percent in Indonesia and 54 percent in Brazil (44).



## Conclusions and Policy Recommendations

The unfolding of the Fourth Industrial Revolution and the onslaught of the COVID-19 pandemic have increased the challenges facing developing countries like India. Rising digitalisation is leading to loss of export competitiveness even as the pandemic is disrupting existing exports and imports. To face these twin challenges, India must reorient its trade policy to achieve V-shaped recovery and build resilience.

Targeted sector-level policies are needed to ensure firms are 'gainfully' linking into GVCs. For instance, backward GVC linkages (FVA in exports) can be boosted in those sectors where Indian firms are not competitive, and FVA can thus complement production, increase productivity and diversify firms rather than substituting or displacing existing domestic value chains. At the macro-level, there is a need for policies to facilitate the ease of doing business, improve trade logistics, address infrastructural challenges and last-mile connectivity to expand GVC linkages. India's logistics costs continue to be triple that of China and double that of Bangladesh (45). Attracting FDI in Indian manufacturing is also key to upgrading existing GVCs but more careful analysis is needed on the differential impacts of FDI by country-origin.

It is crucial to provide a conducive environment and right conditions for developing digital innovation and knowledge systems that can help linked Indian firms to climb up the value-chain ladder. Comprehensive innovation policies at the national level, along with adequate incentives in targeted sectors that are more linked into GVCs, can help achieve this. At the micro-level, the right incentives need to be created for firms to invest in their technological and digital capabilities, and for the development of Indian lead firms. This can help Indian micro, small and medium enterprises link with larger and more productive firms, further facilitated through digital platforms.

Successful and gainful integration and upgrading in GVCs can facilitate technology transfer and skills development in India. However, advancing digitalisation and bridging digital divide within the country is important. This can be achieved through domestic policies targeting infrastructure and communication technologies (ICT) development, investment in ICT goods and services, and investment in skills development of supplier firms, which can enable them to develop complementary competencies to the lead firms and move into more power symmetrical GVC linkages.



Further, digital servicification of manufacturing exports can increase the competitiveness of Indian firms and enable diversification. Policy interventions need to target the development of ‘soft’ digital infrastructure, such as cloud computing capabilities, data infrastructure and intellectual property networks capacity. Similarly, in services, there is potential to leverage sectors of electronic hardware, storage devices and computer services exports and diversify into high-quality information solutions (46). To seize the rising opportunities, India must urgently invest in its digital competencies.

India must strategise to increase its export competitiveness. With the EU and other developed economies emphasising on their ‘industrial sovereignty,’ there is likely to be a shift in their existing GVCs, making them shorter and closer to the home countries of the foreign firms. This is an opportune moment for India to fill the gap. In sectors like appliances, leather articles, jewellery, machinery and others identified, India must take the lead and form its own GVCs through investment and joint ventures with partners in the Global South that can supply intermediate inputs at competitive rates. This will not only increase India’s export competitiveness but will also increase its export diversification.



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# 3.5

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**An Indian Perspective on  
Reviving the World Trade  
Organization**

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Mohan Kumar





India has had a chequered relationship with the World Trade Organization (WTO). To understand its full nature, one needs to go to the very beginning—the launch of the Uruguay Round of trade negotiations at Punta del Este, Uruguay, in 1986. Vast in scope and far-reaching in its implications, the talks took nearly eight years to conclude. On its conclusion, the WTO entered into force in 1995 with a binding dispute settlement mechanism and with agreements going well beyond goods, to include services and intellectual property rights (IPRs). While there were some gains for developing countries such as India in the field of textiles and clothing, the outcome was unfair to these countries and far more favourable to the US, EU and other developed countries. This much was abundantly clear from the negotiating implications of the Uruguay Round (1). In India's case, this led to “negotiation resentment,” (2) which persisted far beyond the Uruguay Round.

Yet, India enthusiastically joined the WTO in 1995. India had taken on onerous obligations, evident from the fact that it had to change its domestic law completely to bring itself in line with the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement. The developed countries, however, wanted to push home their advantage, and at the Ministerial Conference in Seattle in 1999, there was talk of launching a new Millennium Round. By this time though, the WTO fell afoul of all shades of non-governmental organisations (NGOs), be they development ones (like OXFAM), environmental focused (like Friends of the Earth), labour related (like Teamsters) or ‘third world’ NGOs (like Third World Network). All of them congregated at Seattle and played a role in sinking the Ministerial Conference. Of course, there were other substantive reasons why the Seattle dialogue failed (3).

## **Development Round**

The spectacular failure at Seattle caused a lot of hand-wringing and introspection among all WTO members. The developed countries, led by the US and EU, nevertheless persisted with attempts to launch a fresh round of negotiations. Given the degree of opposition from the developing and least-developed countries to a new round, there was recognition that the only way it would be accepted by all is if it were sold as a ‘development round’. And so the idea of the Doha Development Agenda was



born. The Doha Ministerial Declaration (4) makes clear that the majority of WTO members are developing countries and that their needs and interests will be placed at the heart of the work programme adopted in the declaration. Developing and least-developed countries genuinely believed this was an unconditional commitment. The geopolitical driving force for the successful launch of the Doha Round was the 9/11 terror attacks in the US, which cast a pall of gloom over the Ministerial Conference at Doha in November 2001. The argument offered by many was this—if the ministerial conference failed to launch a new round of trade negotiations, then the terrorists will have won.

There were also other substantive reasons. First, there was the declaration on the TRIPS agreement and public health (5), in which the ministers affirmed that the TRIPS Agreement can and should be interpreted and implemented in a manner supportive of WTO members' right to protect health. Second, there was a ministerial decision on implementation-related issues and concerns, which some developing countries led by India had been pushing for a few years. Third, in the crucial area of agriculture, the ministers committed themselves to comprehensive negotiations aimed at substantial improvements in market access, reduction of all forms of export subsidies and substantial reductions in trade-distorting domestic support. In addition, the ministers agreed that special and differential treatment (S&DT) for developing countries will be an integral part of all elements of negotiations and will be embodied in the schedules of concessions and commitments and in the rules and disciplines, to be negotiated to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development (6). Fourth, the ministers reaffirmed that provisions for S&DT are an integral part of the WTO agreements and determined that these provisions be reviewed with a view to strengthening them and making them more precise, effective and operational (7). Lastly, thanks primarily to India's efforts, negotiations were not launched in areas such as investment, competition policy, government procurement and trade facilitation (also known as Singapore Issues), being put off for a future date. The developed countries indeed made efforts to consider developing countries' sensitivities, which played a major role in consensus being reached at Doha for the launch of a new development round.



## Why Doha Round Has Failed So Far

The Doha Round of trade negotiations was launched in 2001. But nearly two decades on, there is now little hope that it will succeed. If the WTO is to be revived and rejuvenated, it is important to understand why the Doha Round has failed so far.

The first warning signs appeared at the WTO ministerial conference held in Cancun in 2003, with an important realignment taking place in the WTO just prior to the meet—the formation of the G20, a coalition of developing countries pressing for ambitious agriculture reforms in developed countries and sufficient flexibility for developing countries (8). This G20 group was a far cry from the group of 24 countries that had opposed the inclusion of IPRs and services in the run-up to the Punta del Este meeting of the General Agreement on Tariffs and Trade (GATT) in 1986. The G20 had Brazil, India, South Africa, Thailand, Nigeria and China—accounting for 60 percent of the global population, 70 percent of all farmers and 26 percent of the world's agricultural exports (9)—giving the grouping enormous heft in negotiations. When the US and EU sought to push for a deal with enormously weak outcomes in agriculture but launched negotiations on the Singapore Issues, the G20 put its foot down and the conference simply failed. While it is facile to blame the G20 for blocking a positive outcome, such an assessment would be wrong because the Doha mandate clearly called for positive outcomes in agriculture, which the developed countries failed to deliver.

Agriculture has always been the bugbear in WTO negotiations, even as WTO members tried to conclude the Doha round in July 2008. In his blow-by-blow account of the marathon efforts undertaken by then WTO Director General Pascal Lamy (10), trade journalist Paul Blustein busts the commonly held theory that it was a lack of agreement on one technical matter, the Special Safeguard Mechanism (SSM), that torpedoed the deal. Blustein argues that the meeting fell far short of consensus. And even on the issue of SSM in agriculture, Blustein says that powerful US farm and industrial groups and leading members of the US Congress were profoundly dissatisfied with the deal on offer. Crucially, he argues, the Americans were the ones to have walked away from the deal (11). Lamy first tried to achieve consensus with a group of seven leading WTO members—the US, EU, Brazil, India, China, Japan and Australia—before bringing in the wider WTO membership. Although not a bad move, it did create problems for countries in Africa who said they were totally unrepresented in this group (12).



The WTO ministerial conference in Bali (2013) was perhaps the last opportunity to save the Doha Round. It was becoming increasingly difficult to justify that not a single multilateral agreement had been agreed on 18 years after the WTO's establishment. In other words, the legislative, rule-making wing of the WTO was completely dysfunctional. In Bali, the fact that members were able to agree to a multilateral agreement on trade facilitation was greeted with enthusiasm and relief. The Trade Facilitation Agreement (13) is remarkable. Not only does it fulfil the fundamental objective of cutting down red tape and diminishing the costs of trading, it also reflects in full the S&DT applicable for developing and least-developed countries. There are landmark provisions in the agreement allowing for flexibility in the scheduling and sequencing of implementation and, more importantly, linking commitments to acquired capacity, resulting from technical assistance. Could this be a model to follow for the multilateral agreement on fisheries being currently negotiated?

But agriculture continued to be a sticking point in Bali as well. India had drawn attention to its unique problem with regard to public stockholding, which in the Uruguay Round was fixed at subsidies (difference between administered price and market price) being no more than 10 percent of the value of production of the commodity. Worse, the fixed external reference price was based on 1986-88 rates and there was no provision for inflation. India, supported by the G33 coalition of countries (14), wanted public stockholding to be moved to the 'green box' (subsidies that are permissible). The developed countries led by the US opposed this. In the end, the compromise was that there would be a peace clause—India and others who avail of public stockholding will not be dragged to dispute settlement until a permanent solution is found.

In all negotiations from 2008 to 2013, the developed countries were in violation of the spirit of the Doha mandate on agriculture. The S&DT was given the short shrift by the US and EU, even though they could be legitimately accused of massive agriculture subsidies in the past. The Doha Development Round became just another mercantilist round of concessions being exchanged between the developed and developing countries. In addition, the power shift from the global north to the south, and the difficulty of reaching a consensus among 164 countries, were the primary reasons for the failure of the Doha Round. By the 2015 ministerial conference in Nairobi, it was clear that there was simply no consensus in the WTO for pursuing the Doha Round.



If the impasse over the Doha Round was not debilitating enough for the WTO, the appellate body started facing flak from the most powerful player in the WTO—the US. The US felt that the appellate body had indulged in judicial overreach and had ruled adversely on issues dear to the US, for instance, the question of ‘zeroing’ in the calculation of anti-dumping duties. The US should have engaged in negotiations with other WTO members. Instead, in a remarkable display of unilateralism, the US systematically blocked consensus on the appointment of fresh appellate body judges, rendering it dysfunctional.

### **Revival Plan for WTO**

The Trump administration took a wrecking ball to most multilateral institutions, including the WTO. The advent of the Biden administration is an opportunity for the WTO to negotiate itself out of trouble. For countries like India, the multilateral trading system embodied by the WTO provides security and predictability. The WTO can be revived in the following ways.

#### ***Appellate body reform***

The appellate body is the lynchpin of the dispute settlement mechanism, which is the ‘jewel’ in the WTO’s crown. There is no alternative but to return to the status quo ante on this issue. Several proposals for reform and improved functioning of the appellate body are already on the table. While the Trump administration did not engage with other members over these proposals, the Biden administration should initiate swift negotiations with a view to reinstating the appellate body in full. That said, there was some merit in the US’s criticism of the appellate body and these must be addressed expeditiously. The draft decision document on the appellate body’s functioning, put together by the General Council Chair Ambassador David Walker after detailed consultations with members across the board, is a good starting point (15). The document lists the US’s main grievances against the body and makes sensible suggestions for redressing these. To the complaint that appellate body members who have finished their term should not sit in judgment of cases, the proposal states that the selection process to replace appellate body members begin six months before the expiry of the term. On the criticism that the body takes too long to issue reports, the draft decision states that 90 days should be the norm (in exceptional cases, and



with the consent of the parties, the time frame can be extended). On other important aspects of the functioning of the appellate body, the draft decision takes a sensible approach—matters of appeal must be confined to issues of law, and not a de novo review of facts, addressing only issues raised by parties and no precedent established by dispute settlement proceedings. The most substantive criticism levelled against the appellate body by the US was one of ‘judicial overreach.’ On this, the body will be reminded that it cannot add or diminish the rights and obligations of WTO members under the covered agreements. Lastly, the draft decision makes it clear that there will be a mechanism for regular dialogue between the appellate body and the WTO members where the latter can express views on the functioning of the body. This catalogue of issues and suggested way forward should be an excellent basis for the new United States Trade Representative to engage with the WTO and fully reinstate the appellate body.

### ***Special and differential treatment***

Special and differential treatment is part of WTO’s ‘legal acquis’. Its origin can be traced back to Part IV of GATT and then the ‘Enabling Clause’ introduced in 1979. This entitlement to the S&DT is a hard fought one for developing countries and therefore they view with anger and angst the attempts by developed countries to dismantle it. The main contention by the US is that developing country status cannot be based on ‘self-election’. There is a grain of truth to this, but to say that if a country belongs to the G20 grouping it loses its developing country status is absurd. Similarly, to say, as the US does, that a mere 0.5 percent share of global merchandise trade prevents you from being a developing country is also untenable (16).

A two-tier approach can be taken to resolve the issue of the S&DT definition. The first tier comprises regions that house millions of people who live in extreme poverty. Since 2010, there has been a collaborative effort between the United Nations Development Programme and the Oxford Poverty & Human Development Initiative to record people in multidimensional poverty (17). Two regions stand out—South Asia and sub-Saharan Africa. By this logic, all countries belonging to these two regions should be entitled to S&DT without any question. This will be the first tier of countries to qualify for S&DT. The least-developed countries will also belong to this first tier. The idea that India is somehow a member of G20 and therefore not entitled to S&DT is ludicrous: the Oxford Multidimensional Poverty Index demonstrates that close to



30 percent of India's population (if not more) live in extreme poverty (18). This fact alone entitles it to S&DT.

The second tier will comprise a bunch of countries for which various criteria (including those suggested by the US) can be applied. Among these, China and many other countries need to be evaluated on a case-by-case basis. It is also possible that for some sectors China may be entitled to S&DT and for many others it may not.

### **Towards a Sustainable Development Goal-Oriented Trade Negotiation?**

If indeed the developed countries stubbornly refuse to pursue the Doha Round of trade negotiations, what are the alternatives for the WTO? There are already some conversations of plurilateral initiatives (19). There are two types of plurilateral agreements: 'exclusive' and an 'open variant.' The 'exclusive' plurilateral agreements risk sidelining the developing countries and may legally fragment the WTO. On the other hand, an 'open variant' plurilateral agreement can be launched by members to be housed in the WTO, provided it strictly conforms to the following conditions:

- Open to all WTO members
- No penalty for those WTO members who join later
- Negotiating outcome implemented on a most favoured nation basis to all WTO members, including those who did not participate in the negotiations
- Dispute settlement mechanism of the WTO to be available

The Joint Statement Initiative (20)—launched at the WTO ministerial conference in Buenos Aires in December 2017 in areas such as electronic commerce, investment facilitation and micro, small and medium enterprises—are essentially plurilateral in nature. The problem is, it is far from clear whether it is an 'open variant' or 'exclusive'. From the proposals for WTO reform made by various proponents, it seems that the EU favours 'open' plurilateral agreements while the US and Australia favour the 'closed or exclusive' type of plurilateral agreements. The latter have no place in the WTO.





The key issue for reform that has been highlighted by various members is the continued use of ‘consensus’ in the WTO. The Marrakesh Agreement establishing the WTO is clear that the “WTO shall continue the practice of decision-making by consensus followed under GATT 1947” (21). Consensus may be painstakingly difficult to achieve, but as the Peter Sutherland Commission on the Future of the WTO put it: “voting structure in the WTO can be manifestly unfair” (22). Given this, a serious attempt needs to be made to achieve consensus for the launch of another round of trade negotiations. Since the Doha Round has effectively been torpedoed by some developed countries, the launch of a new ‘SDG round of trade negotiations’ (23). Such a round would achieve multiple objectives for the WTO. First, it is hard to disagree with the Sustainable Development Goals (SDGs), agreed to by all countries. Second, it will provide the much-needed endorsement for free trade and will be successful in co-opting the developing countries and least-developed countries, who appear disillusioned with the abandonment of the Doha Development Agenda. Third, with anti-globalisation forces on the rise, it is important to demonstrate a direct link between trade and development that will help WTO members in achieving the SDGs that are so vital for global peace and prosperity.

Consider agriculture, arguably the most difficult negotiating subject at the WTO. If it is included as part of the proposed ‘SDG Round’, then SDG 2 provides sufficient guidance for these negotiations—end hunger, achieve food security and promote sustainable agriculture. Any negotiated outcome in agriculture must contribute to these objectives. The US and EU have long subsidised their agriculture. What developing countries and least-developed countries are asking for is the right to feed themselves and secure some market access for their exports. The credibility of the WTO depends on these demands being met.

India has stayed out of the plurilateral initiatives on investment facilitation, e-commerce and services (Trade in Services Agreement). TISA is a negotiation between a handful of countries and India is perhaps justified in staying out. However, the other two negotiations relating to investment facilitation and e-commerce deserve reconsideration by India. As many as 98 WTO members have joined the investment plurilateral initiative and there is no plausible reason for India to stay out. On the other hand, e-commerce is a difficult area for India, particularly because of the free flow of data and data localisation. But India must join the negotiations to influence it from within. This is even more important given India’s recent decision to walk out of the Regional Comprehensive Economic Perspective.



It is crucial for future trade talks to be anchored in the SDGs. This alone will help the WTO achieve the objectives laid down in the Marrakesh Agreement establishing the organisations—raising standards of living, ensuring full employment, the optimal use of resources in accordance with the objective of sustainable development and finally, to ensure that this happens for all countries at different levels of economic development. A new ‘SDG Round’ of trade negotiations that promises to do this has the potential to not only attract the full consensus of all WTO members but could also help resuscitate a moribund WTO.



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## **Sovereignty in a ‘Datafied’ World: A Framework for Indian Diplomacy**

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Arindrajit Basu



**A**t the Davos World Economic Forum in January 2019, then Japanese Prime Minister Shinzo Abe delivered a fiery speech re-emphasising the need to chart out rules for global data governance. “It will be great if every one of us, from the US, Europe, Japan, China and India to leap-frogging countries in Africa, share our efforts and our successes in breathing fresh life into the WTO [World Trade Organisation] (1).” He wanted the then upcoming G20 Summit in Osaka “to be long remembered as the summit that started worldwide data governance (2).” Six months later, at the conclusion of the summit, it was clear that the convening would indeed be one for the history books, although not quite for the reasons Abe had hoped for.

The heated discussions at the Osaka Summit in June 2019 only reignited the simmering tensions over data governance, with nations divided on critical issues (3). In keeping with its assertive diplomacy in several debates at the WTO, Indian engagement on the data governance divide at the summit was clear and unflinching—any rulemaking on data governance outside the consensus-driven model of the WTO will dilute the voices of emerging economies in the debate and suppress their sovereign right to frame rules that further their citizens’ best interests (4).

Through its multilateral diplomacy at the WTO and other forums, India has placed itself at the very heart of the global battle on data governance. Its foreign policy vision in this domain has been fueled by the conception of ‘data sovereignty’—a broad notion that supports the assertion of sovereign writ over data generated by citizens within a country’s physical boundaries. Closely allied with this conception is the cry of ‘data colonialism’—the extractive economic practices of western technology companies seeking to consolidate their market power at the expense of individual users in the developing world, who are the creators of this data (5). Given its sheer population size, economic prowess and rapidly rising number of internet users, India has a unique opportunity to navigate the existing fissures in global data governance and impact the shaping of rules.

India’s digital sovereignty vision can be classified into three pillars: first, a push to leverage data as a key tool of economic growth and development by asserting regulatory oversight over the practices of multinational private actors; second, a domestic push backed by a global diplomatic gambit to prevent the entrenchment of rules enabling unbridled cross-border data flows; and third, the leveraging of data



security in bilateral security disputes. While the policy thinking and implementation of India's vision is still a work in progress, the desire to shape the global data governance architecture—"the governance of data between states, non-state actors, and individuals while managing data flows across territorial borders (6)"—and the intent to sustain these rule-making efforts is apparent.

## **Unpacking Global Data Governance Debates**

The WTO's legal architecture was inked in the pre-internet era and not designed to sufficiently regulate the nature of present-day data flows (7). There was some initial discussion on e-commerce in the WTO's early days, with the first ministerial conference in Singapore (1996) seeing members agree to increase world trade under the organisation's framework (8). At the Geneva ministerial in 1998, members adopted a global declaration on e-commerce that set up a comprehensive work programme and imposed a moratorium on customs duties on electronic transmissions (9). But according to some members, the work programme did not make sufficient progress (10). Therefore, in the build-up to the 11th ministerial conference (MC11) in Buenos Aires in 2017, several proposals seeking to alter that programme were put forward (11).

At the end of MC11 in December 2017, over 70 countries, including the US, joined the Joint Statement Initiative (JSI) to "initiate exploratory work together toward future WTO negotiations on trade-related aspects of electronic commerce (12)." The 86 states involved in the JSI, as of November 2020, are discussing issues such as market access and data flows, consumer and personal data, and e-commerce measures and regulations. While the JSI negotiations are opaque, it endeavours to negotiate clear outcomes that will limit the trade restrictive measures that members can impose through domestic policy (13). The joint statement lists the US and the European Union (EU) as members, while many emerging economies, including China, Brazil and India, refused to sign-up for a process that could reduce sovereign autonomy to frame domestic policy in a manner that served their strategic and developmental interests (14). There are now two parallel tracks for e-commerce negotiations—multilateral negotiations at the General Council through the work programme, which requires all WTO members to reach a consensus vis-à-vis any decision; and separate plurilateral discussions outside the work programme framework, thus avoiding the consensus requirement (15). At the time of writing, these two parallel tracks are expected to



clash soon. On 14 December 2020, the members of the JSI circulated a Consolidated Negotiating Text towards the creation of a legal framework for governing electronic commerce at the WTO (16). On 18 February 2021, India and South Africa circulated a joint communication criticising this approach, and arguing that the JSI was legally inconsistent with WTO rules and was attempting to bypass the consensus model for driving a legally binding framework through the WTO (17). The resolution of this tussle between the two parallel tracks should be a high diplomatic priority for any country looking to shape the WTO data governance agenda, including India.

The debate outside the confines of the WTO got a shot in the arm with the Osaka Declaration on Digital Economy that launched the Osaka Track. Fuelled by Abe's battle cry of "data free flow with trust," the Osaka Track complements the JSI process, aiming to double down on international rulemaking vis-à-vis the global digital economy in a manner that promotes data flows and reduces restrictions on e-commerce while augmenting protections for intellectual property, personal information and cybersecurity (18). Notably, China, the EU and the US signed on for the Osaka Track, while India, Indonesia and South Africa opted out, signalling a clear divide in the future of e-commerce negotiations at the WTO (19).

Digital trade commitments are increasingly being negotiated outside the auspices of the WTO as well, through regional and plurilateral trade agreements. Three recently negotiated plurilateral trade agreements comprise chapters on obligations on e-commerce and clear prohibitions on measures restricting cross-border data flows—the Regional Comprehensive Economic Partnership (RCEP) (20), the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) (21), and the US-Mexico-Canada Trade Agreement (USMCA). Each of these contains obligations on the location of computing facilities and cross-border transfer of information by electronic means, along with exceptions to these obligations. The CPTPP rules on data do not prevent a member from taking measures in pursuance of a "legitimate public policy objective" even if these measures contravene the obligations set out in the provision, so long as the restrictions are not greater than that which is required to attain the objective. The USMCA has the same exception for the obligation on cross-border information flows but not for the obligation to not mandate location of computing facilities within a member state. In their respective chapters on exceptions, both the CPTPP and the USMCA allows members to derogate from an obligation in the agreement if they are doing so to protect their "essential security interests." The of the RCEP provision on cross-border data flows has the broadest exceptions, possibly because it counts as





its members several states that have imposed varying degrees of data localisation mandates. In addition to the general exception on ‘essential security interests,’ the text includes a specific reference to essential security interests within the chapter on cross-border flows itself. Unlike the two other agreements, this RCEP provision clarifies that if a member claims that a specific measure has been taken to pursue its ‘essential security interests,’ this cannot be disputed by other parties.

Amidst the global multilateral and plurilateral tussle to set out rules for cross-border data flows, several states have issued domestic legislative mandates compelling data localisation—legal or policy restrictions on transfer of data beyond a nation’s physical boundary. At least 18 jurisdictions have imposed various kinds of localisation mandates (22). The models of localisation may differ in the strength and type of the mandate, the type of data the mandate extends to, and the sectors involved. India has imposed a variety of mandates that have served as the domestic thrust of its data diplomacy push abroad, one that can advance its interests while burnishing its reputation as a responsible emerging power (23).

### **The Three Pillars of India’s Data Diplomacy**

Existing literature often castigates India as an obstructionist power, whose naysaying and serial defensiveness at multilateral fora have damaged its global image (24). However, recent empirical research on India’s past engagement with international forums shows this to be a simplistic assertion (25). While rhetoric on defending the interests of developing nations continues to resonate, the nature and scope of India’s engagement comes down to three factors—national interests, institutional capacity to negotiate the issue, and how domestic interest groups influence institutional views before and during negotiations (26).

#### ***Pillar 1: India’s data for India’s development***

The flagship ‘Digital India’ programme clearly views data as the cornerstone of India’s socioeconomic future—one where the government leverages the Indian citizen’s data for the benefit of the people themselves, unlike the rabid profit-making of western corporations (27). Thus, unsurprisingly, the edifice of India’s data diplomacy and its



first pillar has been the assertive push towards realising the economic value of data at home. The significance of India's data sovereignty has repeatedly been emphasised when framing its regulatory strategy and foreign policy posturing (28).

An assortment of policies underscores this idea in principle, although requiring greater scrutiny when applied. Policymakers seek fair value for Indian citizens from the data they create—colouring data as a 'societal commons,' 'natural resource,' or 'public good' without entirely addressing the implications of using these metaphors (29). For example, an important regulatory innovation championed across several policy instruments is that of 'community data,' furthering the notion that communities of individuals have rights to the data they generate. While principally noble, this conception is of little value unless communities can be defined appropriately. Existing instruments, such as the report of the Non-Personal Data Committee set up by the Ministry of Electronics and Information Technology, either fail to define communities altogether or classify them with a broad sweeping brush—suggesting, for example, that users of ride-hailing apps may form a 'community,' notwithstanding the lack of a common identity and purpose (30). While domestic policy enthusiasm certainly propels rule-shaping abroad, it is not sufficient to facilitate meaningful rule-shaping till the design and import of domestic regulation is thought through better.

## ***Pillar 2: Cross-border data flows and digital trade***

In keeping with its foreign policy tradition of actively shaping debates on global trade rules (31), India has been an active participant in the ongoing contestation on regulating cross-border data flows. For starters, India and South Africa have been the leading voices against the continued extension of the 1998 WTO moratorium on the imposition of customs duties on e-commerce transmissions (32). India has also continuously stressed the importance of continuing the WTO work programme at the General Council and eloquently opposed the parallel talks set up in 2017 (33). While opposing the creation of the parallel rule-making setup, an Indian official specifically referred to cross-border data flows and the need for India to retain policymaking discretion on the issue (34).

India's localisation gambit has been driven by several clear strategic interests, the most significant of which are: ensuring that citizens' data remains accessible to Indian actors—companies, individuals, and the government—so that they can derive



value from it; and the slow and cumbersome process when Indian law enforcement agencies need access to citizens' data stored abroad (largely in data centres in the US) for criminal investigations. The present Mutual Legal Assistance Treaty process that governs this access is now glacial (35), and results in a brazenly inequitable situation where Indian law enforcement agencies investigating a crime committed in India—and with the prime suspect and victims being Indian—need to comply with US law (Electronic Communication Privacy Act) to successfully conduct the investigation. Data localisation does not entirely solve the legal quagmire around these jurisdictional issues, but it does enable India to assert itself diplomatically and trigger a shift towards a more equitable data-sharing regime (36).

Domestically, India has taken an 'all of government' approach to data localisation through a number of cross-sectoral policies that impose restrictions on the cross-border transfer of data (37). Like India's negotiations at the Framework Convention on Tobacco Control, strong institutional views and institutional cohesion among government entities have played no small part in India's robust stance globally (38). There have also been significant and competing forces of influence from domestic and international pressure groups, which has shaped the evolution of the localisation mandate across policy instruments (39).

India continued its assertive foreign policy approach at the Osaka Summit in 2019. Along with the other BRICS countries, India emphasised the crucial role data plays for the development of emerging economies and refrained from signing onto Osaka Track (40). Then foreign secretary Vijay Gokhale clarified that rulemaking on data transfers should not take place outside the aegis of the WTO General Council as it would dilute the voice of emerging economies in framing the debate (41).

It is worth noting, however, that India softened its stance on data localisation wherever it served its strategic interests to do so. While negotiating the RCEP (which India opted out of for reasons other than data localisation), divergences on cross-border data flows were a key focus (42). At the Bangkok negotiation rounds in October 2019, India initially blocked the financial services and e-commerce chapter, as complying with these rules would not have been in line with India's 'essential security interest and national interests (43).' However, a few days later, India diluted its stance and allowed the chapter's passage on the condition that the exceptions on 'essential security interests' and 'legitimate public policy objectives' were included.



This flexibility in approach will be tested as India negotiates future trade agreements, including free trade pacts with the EU and the US.

### ***Pillar 3: Securitising the economic***

The final pillar of India's data diplomacy has been predicated ostensibly on safeguarding its citizens' data from external threats. In the aftermath of tensions at the India-China border, India banned over 200 Chinese apps that were being used by "elements hostile to national security and defense of India, which ultimately impinges upon the sovereignty and integrity of India (44)." The wording of this press release has been adopted from the provision that enabled the ban—Section 69A of the Information Technology Act, which in turn derives its wording from reasonable restrictions to freedom of speech and expression under Article 19(2) of the Constitution. While the press releases accompanying these orders stress on the emergency measures being integral to the protection of citizen interests, it is clear that these restrictions are also being used as an economic tool against the Chinese threat in the security realm.

This blurring of lines between the economic and security realms has been observed by several international relations scholars commenting on the last decade, and India's harsh data diplomacy approach to China appears to be going the same way. These actions are also a defensive tool, preventing the extent of Chinese encroachment into India's digital ecosystem (45). Several concerns have been raised about the Chinese Communist Party's influence over the Chinese private sector under President Xi Jinping (46). The 2017 National Intelligence Law also imposes an obligation on Chinese companies to "support, assist, and co-operate" (47) with China's intelligence-gathering authorities, although some scholars have argued that the law is not "black or white," and sometimes companies do push back against government request for access to data (48). Along with the restrictions on Chinese investments and possible restrictions on Huawei's participation in 5G trials, it is clear that the limits on Chinese apps is part of a larger decoupling strategy, one that is likely to shape the more aggressive spectrum of India's data diplomacy strategy in the years to come (49). Strategising this approach effectively to minimise economic costs for and harm to Indian consumers while cementing concrete reputational and security gains will be integral to India's 'data sovereignty' vision.



## **Shaping the Way Forward on Data Diplomacy**

Crafting norms for the digital world has been a challenge for the global community, with the world split into two ideological camps—the first led by the US, which believes in unrestricted flow of data, taking a laissez-faire approach to government intervention and protection of international human rights online with multistakeholder feedback; the second championed by the Russian and Chinese philosophy of ‘information sovereignty,’ which allows states to define their network frontiers and regulate them as they see fit, bearing their sovereign interests in mind. The EU is perhaps shifting away from the US camp towards a third way—one that appropriately regulates multinational companies to further public interest while still championing civil liberties online and cross-border data flows with minimal restrictions. India has often been regarded as a crucial ‘digital decider’ in this space, and its diplomacy is likely to define this regime for years to come. India can achieve this in the following ways:

### ***Protect constitutional ethos and democratic fibre at home***

The fulcrum of India’s data diplomacy should be predicated on the rule of law and a genuine protection of fundamental rights enshrined in the Constitution. A commitment to the rule of law and accountability for all actors sets India apart from present adversaries like China and offers an opportunity to burnish its reputation globally.

India’s surveillance regime is in urgent need of reform. The present legal framework allows various government entities to access personal information in the absence of judicial or parliamentary oversight. Section 35 of the Personal Data Protection Bill, presently under consideration by the Joint Parliamentary Committee, does not ameliorate the legal framework (50). It exempts government agencies from obligations under the Bill whenever the Centre feels it is “necessary or expedient” in the “interests of sovereignty and integrity of India, national security, friendly relations with foreign states, and public order.” The phrase ‘necessary or expedient’ provides capacious room for discretion and does not comply with the ‘necessary and proportionate’ standard laid out by international human rights law (51). This is a missed opportunity. Consider the recent decision of the Court of Justice of the European Union in the much-celebrated *Schrems II* case—restriction on data transfers to the US, as the judges held that the lax US surveillance regime failed to guarantee



the privacy of EU citizens (52). Through this judgment, it sent a strong message to the world—the privacy of EU citizens will be protected from external threats as robustly as it is within the domestic jurisdiction of the EU.

India's constitutional fibre is certainly as rich as that of the EU's, and it needs to be utilised more concretely in the digital realm to protect citizen rights and set itself apart from the more autocratic processes in countries like China. India's constitutional ethos not only guarantees civil liberties but also underscores socioeconomic empowerment and the reduction of power asymmetries. Large technology companies have been the beneficiaries of burgeoning power asymmetries brought about by a lack of effective regulation, particularly in emerging economies. India's digital sovereignty vision has already captured this and should continue to ensure that these companies do not compromise on public interest to retain their positions in the financial pecking orders.

The same standard should apply to the slew of policies on data governance. There are several contrasting views on these policies, each view bona fide and important. Devising effective regulation on emerging technologies requires rigorous consultation. While all government policies are open for consultation, it is imperative that consultations are meaningful and genuine. The views of all interested stakeholders should be debated, evaluated and reflected upon, which is the essence of India's vibrant democracy, and should form the centrepiece of ideological moorings abroad.

### ***Ideology matters abroad must adopt a principles-based approach to data governance***

Foreign Minister S. Jaishankar has emphasised the need for policymakers to consider the merits of realism in India's approach to world affairs (53). This is undeniably true—any aspect of India's foreign policy must be tied to its core strategic interests. One might argue that ideological grandstanding may come at the cost of political flexibility. However, in a nascent global governance regime, like that on data, ideological commitments and strategic interests go hand in hand. Consider the evolution of the doctrine of Permanent Sovereignty over Natural Resources (PSNR), which was articulated by the recently decolonised developing countries in the 1950s to claim ownership of natural resources in their territories (54). The articulation was fuelled by concerns that orthodox international law disciplines, such as foreign



investment law and the law governing the high seas at the time, undermined the exercising of the state's sovereign rights, favouring capital exporting states and corporations (55). Through the PSNR, developing countries asserted an 'inalienable,' an 'absolute' and a 'permanent right' over their natural resources (56). Adopted in 1962, the PSNR, as it currently stands, has evolved over several decades (57), and sought to balance the rights of capital exporting and importing countries by limiting expropriation only to instances where it was based on public interest and appropriate compensation was paid (58).

India's contributions to the PSNR's evolution are fascinating. While firmly entrenched in the coalition of developing countries that battled for it, India was not entirely opposed to the use of foreign technology and foreign investment (59). However, it remained firm and submitted several proposals to further the case that citizens of the developing world should be the prime beneficiaries of resources around their land borders (60). As the PSNR became a core doctrine of international law, India was able to use it to negotiate outcomes favorable to its interests across legal regimes, including investment, climate change and law of the seas.

The world is at a similar impasse, where the political economy of data requires an overarching ideology for data dividends to be distributed equitably. India is not the only emerging economy serving as fodder for Big Tech's exploits. The African continent has fallen prey to both US and Chinese tech giants, at the cost of their indigenous tech development and economic empowerment (61). Articulating a principles-based doctrine to tech governance that accounts for these power asymmetries wills India to bring other interested actors on board. It will also not box India into making commitments, as principles-driven ideological commitments should be broad enough to retain strategic autonomy, while re-iterating India's commitment to regulating Big Tech to foster citizen empowerment and protect human rights.

### ***Join coalitions and find compromise***

In June 2020, India became a founding member of Global Partnership on Artificial Intelligence, a coalition set up to chart out rules of the road for the governance of artificial intelligence (AI) (62). It comprises all G7 member countries, South Korea, Singapore, Slovenia and the EU. Barring Slovenia, all other countries have signed onto the Osaka Track, thereby implicitly endorsing the development of rules on the





global free flow of data. Notably, the global AI partnership excludes both China and Russia. It is unclear from publicly available information how exactly India plans to shape this coalition, but importantly, it is in the room.

Joining coalitions and signing up to broad declarations usually allows India to intervene aggressively and shape decision-making when strategically beneficial. There may be other cases where signing up for a coalition could entail committing to pre-defined outcomes like with the Osaka Track on data free flow. In such cases, it may be wise to opt out, as India has done. India should also look to build new coalitions on data. The Quadrilateral Security Dialogue with Japan, Australia and the US, for instance, is an interesting prospect. While it originated as a security mechanism, recent commentary suggests that it should do much more (63). Australia has already invested AU\$500,000 to support the development of a Quad Tech Network that focuses on cybersecurity and sensitive technology issues, including AI (64). Values-driven coalitions of this nature also act as a bulwark that can preserve India's security interests in the digital sphere against adversaries such as China. India should also look to leverage this network to shape discussions and use this as a steppingstone to negotiate norms at the international level.

Now, negotiating always entails compromise to some extent. In the past, India has engaged in reciprocal compromise based on strategic interests (65). At the WTO, however, India has remained steadfast in its opposition to any e-commerce talks outside the General Council Framework. While this resistance should be applauded, states are willing to eschew the WTO and create rules on trade in e-commerce at other forums given the ongoing stalemate. Continuing its present approach will deny India a crucial opportunity to shape and propose alternatives to rules that will inevitably end up impacting how it engages with an interconnected world. The flexibility it demonstrated with RCEP, where it allowed the retention of the prohibition on localisation with a broad exemption to accommodate its interests, is the example to follow.

### ***Retain the 'all of government' approach***

India's most pointed global negotiations have come on the back of clearly defined strategic interests, a robust institutional setup that channels the expertise and involvement of all government institutions, and equally respects the voices of several



domestic and external pressure groups (66). The Ministry of External Affairs' New and Emerging Strategic Technologies Division could play a nodal role and co-ordinate inputs from the various government entities regulating different aspects of data governance (67). When navigating the tricky fissures in a rapidly emerging regime, internal cohesion and engagement are crucial. India should remain steadfast in its digital sovereignty vision while being open to feedback on its precise contours.

## **Conclusion**

Data governance debates hinge on the nature and extent of sovereignty in the digital sphere, both in terms of regulatory impositions and assertions of strategic autonomy (68). India will undoubtedly be a key actor, and New Delhi needs to recognise the value that the shaping of these debates holds for India's strategic interests. Configuring data for development, asserting sovereign writ on cross-border data flows and using data as a strategic tool have all served as pillars of Indian diplomacy. Driven by a clear strategic interest in shaping rules on all three pillars, India has made its views on several issues clear. Shaping a universal doctrine that reflects these interests is the next step.

Shaping debates abroad can only be as good as the examples set at home. New Delhi's actions need to demonstrate a firm commitment to the rule of law and democratic principles—a strategy that will set it apart globally from strategic adversaries like China. It will also enable the formulation of alliances, which may require some compromise but, in the long run, will serve India's core interests better.

India was christened a global digital decider over two years ago (69), with experts reticent about placing India clearly in either of the existing camps. New Delhi must avoid getting caught up in tired existing machinations and instead forge a new path for itself that prioritises Indian strategic interests in this regime. Armed with a network of allies along with a clearly defined and in line with constitutional principles., India could shape a fair and equitable global vision of sovereignty in a datafied world.



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## **India Must Use SDG Framework to Strengthen Developmental Diplomacy**

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**T**he twenty-first century economic growth agenda needs to be reframed to ensure that cleaner production and consumption processes—goal 12 of the United Nations’ Sustainable Development Goals (SDGs)—go hand in hand with pursuing dignified sustainable living for all (1). The impacts of COVID-19 have made the basic needs for human wellbeing even more clear. Energy and water have emerged as the top needs, and are connected to several SDGs, including human health. Approximately 50 percent of the global population does not have access to the basics needed for dignified living, with most of the deprived living in South Asia, East Asia and Africa.

The 2021-2030 decade will be a landmark one for multiple reasons. During this period, an otherwise politically-fragmented global order has to deliver the 17 interconnected SDGs, without any region or people being excluded—a collective political promise made by all world leaders in 2015. Two more monumental agreements for global cooperation in developmental action were reached in 2015, to be accomplished during this decade—the Paris climate agreement to keep global warming well below the 2°C above pre-industrial levels (2), and the Sendai Framework for Disaster Risk Reduction (3). These international frameworks aim at shifting collective global policy priorities for developmental action to the sustainable development path by 2030 (4). Although 2020 will be remembered as the year of the COVID-19 pandemic, it also marked the 75th anniversary of the UN’s inception and the 30th anniversary of the launch of international climate negotiations, and was also set as the year from which carbon dioxide emissions’ growth should start reducing through global climate action (SDG 13) (5).

The pandemic is expected to directly adversely impact the fulfilment of SDG 1 (no poverty), SDG 2 (zero hunger), SDG 3 (good health and wellbeing), SDG 4 (quality education), SDG 8 (decent work and economic growth) and SDG 11 (sustainable cities and communities) (6). The global economic lockdown necessitated by the pandemic led to an increase in poverty and hunger, job losses, loss of human life, reduced access to educational services due to the digital divide, and the loss of income (7). If indirect impacts are considered, COVID-19 will likely cause a setback to all the other SDGs as well, since it has, for instance, led to increased domestic violence (8) and greater difficulty in accessing clean water (9). There is growing literature on how to recover better from COVID-19 so that the developmental promises of 2015 can still be kept



(10). The global stimulus of US\$12 trillion (11) following the pandemic is providing some hope for building back better, but doubts have been expressed about how much of this will be spent on priority sectors such as the key SDGs, including climate action (12).

What economic recovery growth path each country adopts through the rest of this decade will be extremely important. Every choice made to meet developmental aspirations will matter, impacting the climate system and human wellbeing. Identifying synergies and mutually reinforcing developmental and climate actions will help countries set the best path to sustainability. Emission reduction by shutting down all economic activities should not be an option, nor is it desirable. The COVID-19-induced global shutdown of economic activity has already shown that any such disruption will mean a huge trade-off between SDG 13 (climate action) and all the other SDGs. The SDG framework provides for recovery through mutual cooperation across nations and the sharing of good practices (13).

International diplomacy has also shifted from using hard power to soft power (14), applied along multiple dimensions such as trade relations, economic cooperation or sanctions, and developmental cooperation. The SDGs provide a broader scope for developmental diplomacy. They allow for actions that are not limited to governmental initiatives, but can also be taken by educational and cultural institutions, and individuals. Cultural diplomacy can help to strengthen and achieve multiple SDGs through the exchange of ideas and information, capacity building, scientific and business cooperation, and private and multinational investment. Art, literature, music, sports and the promotion of tourism can enhance global solidarity, partnership and cooperation during the recovery period. Soft power can play a big role in the post-pandemic recovery process, helping to avoid conflicts and stem the rise of militancy, which typically thrive amid crises.

Whether the SDGs will be achieved by 2030 will depend on what happens in developing countries like India and those in South and East Asia and Africa. To implement equity and justice, approximately 50 percent of the global population deprived of the basics must be given access to decent living standards (15). For India, which still has around 84 million people living below the poverty line, this is a key challenge (16). There has been much debate on what population growth in the developing countries will mean for global consumption and carbon emissions in the decades ahead (17), with some even suggesting that the developed world must manage its consumption responsibly



to counter this (18). But this issue will need deeper analysis and further conversations (19).

## **Indian Soft Power Diplomacy and the SDG Framework**

Adroit diplomacy, conducted through dialogue, negotiation and other non-violent means, including the use of soft power, can influence international decisions peacefully through cooperation. Climate diplomacy and sustainable development diplomacy are emerging as major instruments in the multilevel governance architecture. International cooperation can be seen as a vertical integration in a multilevel governance framework (20), which leads to the building of trust. At international climate discussions—from the Stockholm Conference in 1972 (the first global meet to build environmental diplomacy) to the annual Conference of Parties—India has aligned with global aspirations for multilateral actions and pushed cooperation, thus building trust with the rest of the world (21). India's consistent position has been that developmental deficits have to be reduced through global cooperation in technology, innovation sharing, capacity building, and the sharing of best practices (economic, environmental or social). In the past decade, India has streamlined its development partnership administration under the Ministry of External Affairs' economic relations division (22), with neighbouring states and African countries within its ambit.

A key line of thinking in the post-pandemic world has been that development processes need to be more inward looking, with each country prioritising its own interests (23). But there is an equally strong argument for global solidarity in this crisis, from vaccine sharing to providing equitable access to new knowledge, and including soft power diplomacy. Efforts are being made to identify and strengthen joint actions for economic growth and social justice without environmental damage (24), in keeping with the SDG framework. India's investment in infrastructure developing in Nepal, Bangladesh and several African countries in the pre-COVID-19 period, and its gestures of cooperation during the pandemic (such as through resource and vaccine sharing) are apt examples of soft power diplomacy, and meet the targets of SDG 3 (good health and wellbeing) and SDG 9 (industry, innovation and infrastructure).

The SDGs and climate diplomacy within the UN framework are providing India with new opportunities to flex its soft power through economic, developmental and cultural initiatives, strengthening the country's position in international cooperation

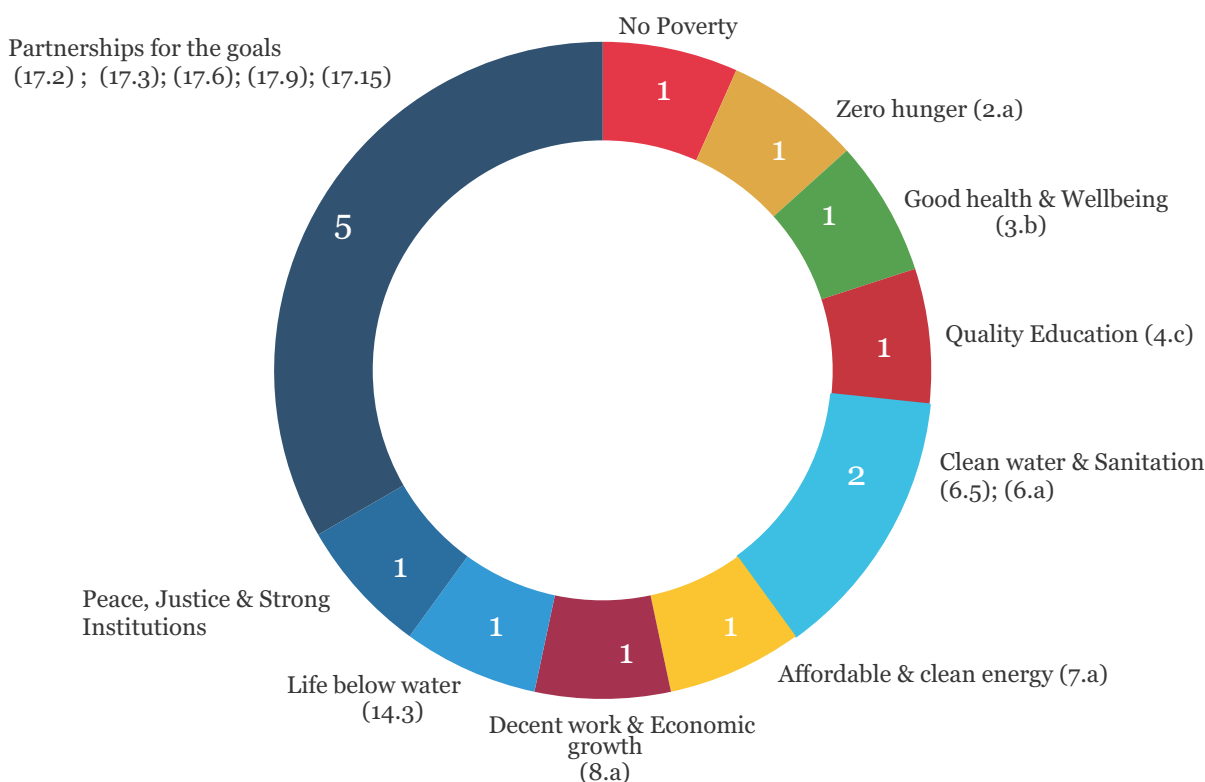


and peace building efforts. India’s role in managing global common resources has given its diplomats—who understand climate change imperatives and are aware of the new developmental mechanisms around adaptive and mitigative actions (25)—a new platform for international negotiations.

Sustainable development is now conditional on climate action and having robust international relations. The increasing role of information technology in diplomacy is also giving it newer dimensions. International and regional negotiations now include natural resource sharing and resource management, with close links to national, regional and developmental achievements.

International cooperation within the SDG framework is possible under SDG 17 (partnerships for the goals) as well as nine other SDGs: SDG 1 (no poverty), SDG 2 (zero hunger), SDG 3 (good health and wellbeing), SDG 4 (quality education), SDG 6 (clean water and sanitation), SDG 7 (affordable and clean energy), SDG 8 (decent work and economic growth), SDG 14 (life below water) and SDG 16 (peace justice and strong institutions) (see Figure 1).

**Figure 1:** SDG Targets Related to International Cooperation



**Source:** Authors’ own

**Note:** Colour codes are the same as SDG colour code (26). Numbers represent SDG 1 to SDG 17 and alphabets associated with the numbers represent targets under each SDG (see table below). The larger the slice, the larger are the relative number of targets having a ‘cooperation’ dimension within a given SDG.



SDG	Description	No. of targets
1	<b>No Poverty:</b> (1.a) Mobilisation of resources to end poverty through developmental cooperation	1
2	<b>Zero hunger:</b> (2.a) Invest in rural infrastructure, agricultural research, technology and gene banks by international cooperation	1
3	<b>Good health and Wellbeing:</b> (3.b) Support research, development and universal access to affordable vaccines and medicines	1
4	<b>Quality Education:</b> (4.c) Increase the supply of qualified teachers in developing countries through international cooperation	2
6	<b>Clean Water and Sanitation:</b> (6.5) Implement integrated water resource management by transboundary cooperation; (6.a) Expand international cooperation to developing countries in water and sanitation related activities	2
7	<b>Affordable and Clean Energy:</b> (7.a) Promote access to research, technology and investments in clean energy by enhancing international cooperation	1
8	<b>Decent Work and Economic Growth:</b> (8.a) Increase aid for trade support	1
14	<b>Life Below Water:</b> (14.3) Reduce ocean acidification through enhanced scientific cooperation	1
16	<b>Peace, Justice and Strong Institutions:</b> (16.a) Strengthen national institutions to prevent violence and combat crime and terrorism through international cooperation	1
17	<b>Partnerships for the Goals:</b> (17.2) Implement all development assistance commitments; (17.3) Mobilise financial resources for developing countries (including South-South cooperation); (17.6) Knowledge sharing and cooperation for access to science, technology and innovation; (17.9) Enhanced SDG capacity in developing countries by South-South and triangular cooperation; (17.15) Respect national leadership to implement policies for the sustainable development goals through development cooperation	5

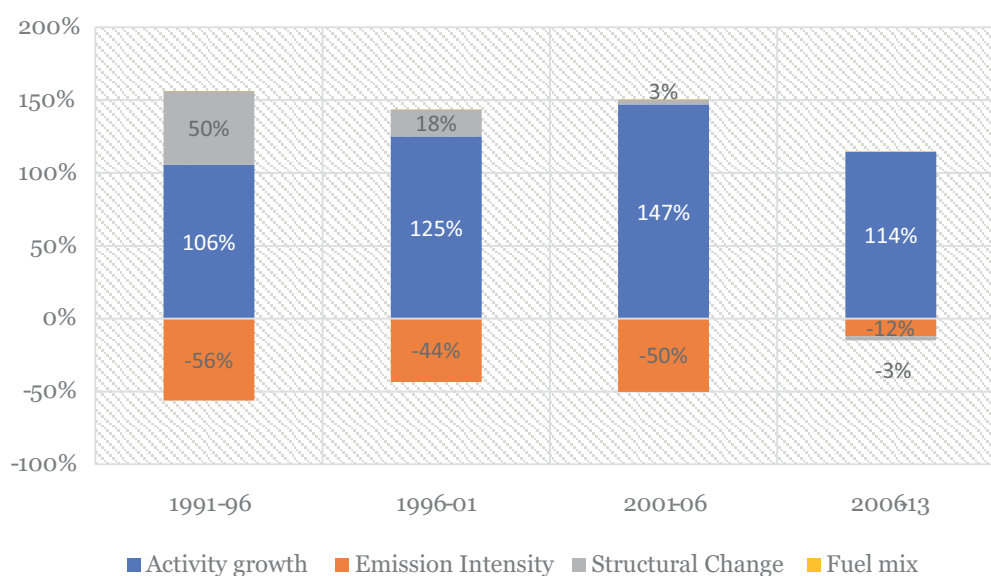
India can strengthen its diplomatic relations by using more sectoral scientific research outcomes in its cooperation efforts. India has two major success stories at the intersection of climate change, sustainable development and economic growth that can be scaled up in many developing countries—energy efficiency in industries and sustainable agriculture practices.



## Best Practice in Energy Efficiency

To remain globally competitive, Indian industries have been becoming increasingly energy efficient, taking advantage of technological advancements and innovations (27). Higher industrial energy efficiency is responsible for India's success in relative decoupling of growth from emissions (28)—achieving growth without a corresponding expansion of its carbon footprint across all sectors (residential, agriculture, transport, industry and power). Emissions are certainly rising due to growing economic activity, but structural changes and alterations in industries' energy intensity have neutralised a major part of emission growth (see Figure 2).

**Figure 2:** India's Energy Intensity (1990-2013)



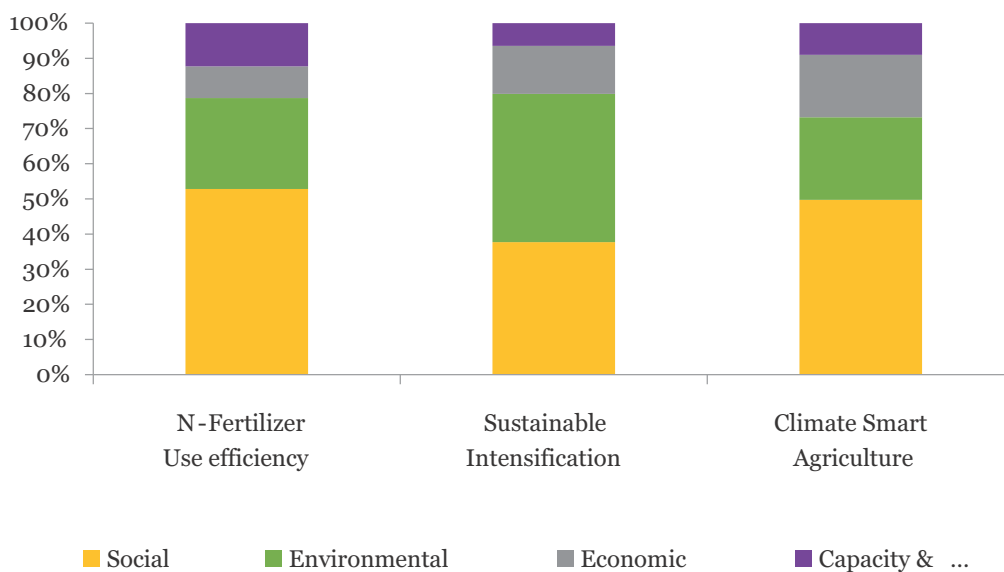
**Source:** Adapted from Nandini Das and Joyashree Roy (29)

## Sustainable Agriculture Practices

India has incorporated several sustainable agricultural practices, such as nutrient use efficiency (NUE), system of rice intensification (SRI) or sustainable intensification, and climate smart agriculture (CSA), that have wide economic, social, environmental and climate impacts. SDG benefits due to these practices have been tracked in four broad categories—social, representing SDGs 1, 2, 3, 4, 5 and 10; environmental, representing SDGs 6, 12, 13, 14 and 15; economic, representing SDGs 7, 8, 9 and 11; and capacity and institution development, representing SDGs 16 and 17 (see Figure 3) (30).



**Figure 3:** Relative Share of Different Impact Dimensions in Various Actions



**Source:** Adapted from Shreya Some (31)

With NUE, more than half the SDG net benefit (positive impacts minus negative impacts) is in the social category (52.8 percent) followed by environmental (25.8 percent); capacity and institution development and economic impact share 12.3 percent and 9.1 percent respectively. For SRI, the environmental impact is foremost at 42 percent, closely followed by the social at 38 percent. For CSA, the share of social net benefit is the highest at around 50 percent, distantly followed by environmental at 24 percent. Once these new practices are accounted for within the new sustainable development framework, development and climate goals can be achieved jointly. All these success stories stem from several factors, such as state intervention, public-private partnerships and capacity building. The negative impacts of growth can be avoided through science-based policy design, expert consultation, policy implementation, higher awareness and further capacity building programmes.

India has taken several actions that are replicable in the developing world (see Table 1) and fit well in its soft power and development diplomacy thrust and the SDG framework.



**Table 1:** Indian Policy Actions that Can be Replicated

<b>Best practices with proven scale up potential</b>	<b>SDGs within whose scope the action falls (see Figure 1) (32)</b>
Indian industries' energy efficiency (33)	Ensure access to affordable, reliable, sustainable and modern energy for all (SDG 7, target 7.a);
	Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development (SDG 17 targets 17.6 and 17.9)
Policy sequencing and policy packaging to accelerate access to modern energy (34)	Ensure access to affordable, reliable, sustainable and modern energy for all (SDG 7, target 7.a);
	Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development (SDG 17 targets 17.6 and 17.9)
Institution building to scale up energy efficiency (for example, Bureau of Energy Efficiency) (35)	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels (SDG 16, target 16.a)
	Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development (SDG 17, targets 17.6 and 17.9)
Implementation of Climate Smart Agricultural practices (36)	End hunger, achieve food security and improved nutrition and promote sustainable agriculture (SDG 2, target 2.a)
	Ensure availability and sustainable management of water and sanitation for all (SDG 6, targets 6.5 and 6.a)
	Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development (SDG 17 targets, 17.6 and 17.9)
Sustainable Intensification practices (37)	End hunger, achieve food security and improved nutrition and promote sustainable agriculture (SDG 2, target 2.a)
	Ensure availability and sustainable management of water and sanitation for all (SDG 6 targets, 6.5 and 6.a)
	Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development (SDG 17 targets, 17.6 and 17.9)
Reduced nitrous oxide emission using neem-coated urea and other nutrient management practices (38)	End hunger, achieve food security and improved nutrition and promote sustainable agriculture (SDG 2, target 2.a)
	Ensure availability and sustainable management of water and sanitation for all (SDG 6, targets 6.5 and 6.a)
	Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development (SDG 17, targets 17.6 and 17.9)



<b>Best practices with proven scale up potential</b>	<b>SDGs within whose scope the action falls (see Figure 1) (32)</b>
Trained agricultural extension services to appropriately deliver technology and improved agronomic practices (39)	End hunger, achieve food security and improved nutrition and promote sustainable agriculture (SDG 2, target 2.a)
	Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development (SDG 17, targets 17.6 and 17.9)
Built capacity for efficient irrigation practices (40)	End hunger, achieve food security and improved nutrition and promote sustainable agriculture (SDG 2, target 2.a)
	Ensure availability and sustainable management of water and sanitation for all (SDG 6, targets 6.5 and 6.a)
Shared management strategies and training webinars conducted by Indian health experts to train African healthcare professionals (41)	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all (SDG 4, target 4.c)
	Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development (SDG 17, targets 17.6 and 17.9)
Capacity building training executives in partner countries customised to meet the partner country demand covers multiple sectors and SDGs: Rural development and poverty alleviation, Agriculture, food and fertiliser, health and yoga, human resource development and planning, education, english language, cyber technologies, AI and emergent technologies, irrigation and water resources, environment and climate change, alternate energy, petroleum and hydrocarbons, urban planning, oceanography, management and leadership, banking, insurance, finance, accounts and audit, SMEs and entrepreneurship, IT and telecommunications, media and journalism, trade and international market, textile, quality management, government function, women empowerment (42).	End poverty in all its forms everywhere (SDG 1 target 1.a)
	End hunger, achieve food security and improved nutrition and promote sustainable agriculture (SDG 2, target 2.a)
	Ensure healthy lives and promote well-being for all at all ages (SDG 3 target 3.a)
	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all (SDG 4, target 4.c)
	Ensure availability and sustainable management of water and sanitation for all (SDG 6, targets 6.5 and 6.a)
	Ensure access to affordable, reliable, sustainable and modern energy for all (SDG 7, target 7.a);
	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (SDG 8 target 8.a)
	Conserve and sustainably use the oceans, seas and marine resources for sustainable development (SDG 14 target 14.3)
	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels (SDG 16, target 16.a)
Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development (SDG 17, targets 17.2, 17.3, 17.6, 17.9 and 17.15)	



## **The Way Forward**

The developing countries have large informal sectors and a huge burden of poverty, and need accelerated, yet sustainable, development in the current carbon-constrained environment. India's success in growing at a quick pace while keeping per capita emissions low despite its large population is a potential model for replication for the developing world.

India can share many best practices through its economic and developmental diplomacy within the SDG framework. Its developmental model—a combination of economic actors and institutions, market links, government funding, private investment, foreign direct investment and multilateral funding—is much like the ones followed in many fast-growing South Asian and African countries (and differ vastly from the ones followed by the OECD, China, South Korea and Singapore (43)), making its experiences more valuable. India must share technical know-how and societal practices (vegetarianism, using public transport) that has enabled it to remain a low-carbon country (on a per capita carbon accounting basis) (44).

India's learnings from its experiences with innovation, technology, policy and institutional arrangements should be disseminated widely, enabling the country to provide leadership in development practices across South Asia and Africa. Post-pandemic, India must leverage its experiences with achieving growth while keeping emissions low in diplomatic efforts to show the developing world, and indeed all other countries, the way forward while keeping SDGs at the heart of recovery.



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# 3.8

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## **In Pursuit of Global Labour Mobility**

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Sangeet Jain





**I**nternational mobility is an essential aspect of the development process, especially for India, which possesses a large demographic dividend as a distinguishing asset (1). Therefore, global labour mobility is a key priority for the country's economic diplomacy, and India has been an old and vocal proponent for the cause. The nature of work and labour force requirements worldwide have transformed over the past decade, catalysed further by the COVID-19 pandemic-induced digital acceleration. India's old playbook of economic diplomacy may no longer suit this new and rapidly evolving landscape. India must therefore be cognisant of emerging debates around the future of work and geo-economic trends, to successfully advocate for international labour mobility and prepare its workforce per changing labour force requirements.

Economist Jagdish Bhagwati predicted that global labour mobility would be the engine of twenty-first-century growth, just as the movement of goods drove economic growth in the nineteenth century and that of capital dominated twentieth-century development (2). The movement of people across borders is such a potentially powerful engine for development, that were it to be liberalised further, developing country incomes would quadruple and global GDP would double (3). However, the political contestation around international migration has hampered its potential, earning it the epithet of “the last bastion of protectionism” (4).

This is especially so for unskilled labour migration—relatively speaking, developed countries tend to welcome skilled migrants (albeit, to an extent) but consider unskilled workers an economic, security and cultural threat (5). This has unfortunately tempered the “irresistible forces” propelling migration, primarily that ageing prosperous economies require labour and poor demographically-endowed countries need to export surplus labour (6). India is at the centre of this debate—it is among the world's top origin-countries for migrants, with its international migrants more than doubling over the past 25 years (7). It is also one of the top destinations for international migrants—in 2015, India hosted the 12th largest immigrant population globally (8).

Migration is now recognised as a key function of sovereign diplomacy, going beyond traditional statecraft to ensuring well-governed labour migration, and the training and welfare of migrant workers (9). But global labour mobility today is no longer restricted to the physical migration of labour. The forces of globalisation, coupled



with technological shifts, are transforming work and production structures. The dematerialisation of the world economy has contributed to the rise of “virtual migration,” a flexible, disembodied labour supply across borders—a form of “migration without migrating”—that is coming to define the new labour economy (10). In his book *Virtual Migration: The Programming of Globalisation*, A. Aneesh draws a distinction between “body-shopping” (hiring skilled workers who work for corporations overseas through sub-contracting practices) and “online programming” (skilled workers living in their home countries and working through the internet for corporations). The latter has received a fillip due to accelerating digital transformation and the shift to remote-first modes of working, engendered by the COVID-19 pandemic. With a large chunk of its workforce part of this ecosystem, India is the world’s largest digital labour supplier (11). This phenomenon therefore deserves a place in India’s imagination of its economic diplomacy for the future.

## **Shifting Landscapes**

The international mobility landscape is in a state of flux at present, precipitated by accelerating digital transformation and the changing contours of work, and made urgent by the COVID-19 pandemic’s tumultuous impact. This section is an exploration of evolving labour market trends that are expected to have an impact on Indian economic diplomacy’s agenda for promoting global labour mobility.

### ***The COVID-19 pandemic***

It would be remiss to discuss global trends affecting international labour mobility without mentioning the COVID-19 pandemic—historically, one of the biggest shocks to global migration (12). The pandemic has prompted protectionist restrictions against the movement of people globally. Remittance flows globally declined by 6 percent year-on-year in Q2 of FY2020 (13), and are likely to fall even more sharply—the World Bank has predicted a 13 percent decline in global flows in 2020 (14), and a 23 percent decline in remittance flows to India (15).

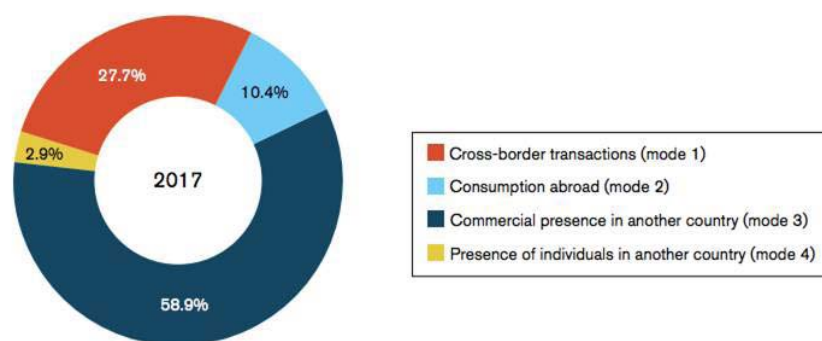
The pandemic’s impact on the labour market has been heterogeneous. Research suggests that migrant workers form a critical chunk of ‘essential services,’ such as healthcare and care work, that have been instrumental in fighting the pandemic



across the world (16). In some countries like the UK and Germany, migrants have earned considerable public favour by holding up their economies as ‘essential workers’ (Germany chartered flights to bring in agricultural labour). However, others, such as the US and the Gulf (two key destinations for Indian emigrants in particular), have put up protectionist barriers that are unlikely to be relaxed in the near term (17).

The pandemic will also likely magnify existing issues that had begun plaguing the migration economy, such as growing xenophobia and protectionism. A surge of xenophobia is already being seen in the Gulf countries, where the spread of the virus is being attributed to unskilled migrant workers and employers are being warned not to hire expatriate workers (18). Protectionism is also likely to rise in this context; services under mode 4—the presence or movement of natural persons—have always been the least liberalised of all modes of labour supply (see Figure 1). The pandemic is likely to reverse some of the meagre progress made in this regard (19). As a service-led economy, India has long had labour mobility at the top of its trade negotiations agenda. However, there has been little appetite for mode 4 liberalisation in global trade deliberations, much to its discontent. The multilateral Trade in Services Agreement, launched in 2013 for this purpose and to which India was not a party, has also stalled (20). India’s service exports continue mainly via mode 1 (cross-border supply) (21).

**Figure 1:** World Trade in Commercial Services by Mode of Supply, 2017



**Source:** World Trade Report 2019: The future of services trade (22)

### ***Restructuring labour markets and changing labour force requirements***

The forces set into motion by the pandemic will likely cause a restructuring of labour markets. For one, the bulk outflow of migrants driven by the pandemic is unlikely to be reversed in equal proportions. Second, the threat of the transmission of infection may keep country borders closed for immigration for a considerable period, especially



in developed states where vaccination will arrive first. Third, the recessions and employment crises witnessed across the world will also pressurise countries to put their citizens first, thereby hurting the cause of migration and development. Lastly, technological shifts will increase the demand for high-skilled workers more generally across the board.

The pandemic's impact on the labour market will be heterogeneous, and it is critical to gauge where opportunities and challenges lie. The Gulf and the US have traditionally been the major destinations for Indian emigrant workers. In its May 2020 report, the International Labour Organization (ILO) estimated that six million jobs will be lost in the Arab region due to COVID-19 and the oil shock (23). The crisis is also likely to intensify the Gulf Cooperation Council's 'nationalisation policies,' instated to create jobs for locals and reduce dependence on international migration (24). Bahrain has already announced that jobs left vacant by migrants during the pandemic are to be filled by locals (25). However, nationalisation policies are unlikely to have an extreme impact on the need for migrant workers in the short term (26); for now, demand for migrants is expected to persist in the construction, care and hospitality sectors (27). The region is looking to expand its tertiary-educated talent pool by 50 percent by 2030 (28), and in the longer term, labour requirements in the Gulf are expected to gradually move towards a smaller number of migrants with superior skills. Digital transformation coupled with the climate crisis is also likely to create demand in new sectors—for instance, the energy efficiency sector is expected to be the single largest generator of new employment in the UAE and is estimated to create more than 65,000 jobs by 2030 (29).

US-India relations mostly flourished under former US President Donald Trump, except on the issue of immigration. His temporary ban on several work visa categories hurt Indian H1B-visa workers disproportionately, and stringent conditions for the H1B visas, such as prohibitively high application fees, led India to file a case against the US at the World Trade Organization (WTO) (30). The restrictions are expected to be relaxed under US President Joe Biden. Biden's campaign promises indicate that he will work to eliminate country-based quotas for high-skilled visas and exempt overseas PhD holders in science, technology, engineering and mathematics from visa caps, which is good news for India. Worryingly, however, Biden has remained conspicuously silent on the subject of the WTO and US tariffs (31).



In addition to keeping an eye on trends in the above regions, the Indian government must also turn its attention to other key geographies that have considerable potential in this regard. The Organisation for Economic Co-operation and Development (OECD) countries are estimated to need 400 million additional workers by 2050 to hold up their social security systems (32). The UK has recently indicated that it will be open to an “unlimited number of highly-skilled Indian workers” from 2021 onwards (33). Promisingly, the European Union (EU) is also assessing the prospect of liberalisation of both skilled and unskilled migration. An ILO report suggested that there are higher shortages in the skilled sector in Europe—medicine and engineering being two key areas—even as requirements differ by country and must be assessed accordingly. The mobility of science and technology professionals could, therefore, be a key area for India-EU negotiations (34). The EU has acknowledged the pressing need for labour—and the failure of migration regimes thus far—to put in a framework for the recruitment of low-skilled workers in a way that reduces irregular and illegal migration (35). The Indian government must note this development, and reinvigorate efforts to work with the EU to a constructive dialogue in this area. The India-EU Declaration of Common Agenda on Migration and Mobility (2016) is a commendable step towards this goal. Future initiatives must focus on key areas of interest like student mobility and the governance and prevention of irregular migration (especially from North India to the EU, which will require the cooperation of the relevant Indian states) (36). Additionally, Japan has recently begun liberalising its stance on immigration in recognition of the needs of its ageing population, and foreign workers in the country have doubled since 2013. Japan has fast-tracked permanent residency for skilled workers and, importantly, also passed a law to expand the quantum of blue-collar visas and provide blue-collar workers a path to permanent residency (37).

There has also been some speculation recently that the shift to remote, virtual work during the pandemic may provide a fillip to “virtual migration” and the possibility for skilled workers to work across borders more fluently. However, at present, the ILO estimates that only about 18 percent of workers globally are in sectors that can work effectively from home, and have access to a conducive environment and infrastructure to do so. Therefore, this phenomenon may have a more muted impact on international labour mobility than expected (38).



## ***The future of work***

What will the restructuring of labour markets due to emerging technologies likely look like? The deployment of emerging technologies is now causing a ‘hollowing out’ of the global workforce, with middle-skill jobs beginning to vanish. It has also created a ‘skill bias’—high-skilled labour is in greater demand and has been more resilient and fared better during the pandemic (39). White-collar non-routine occupations are also relatively more immune from automation, even though susceptibility to automation remains frustratingly difficult to predict and plan for (40). In the long-term, this skill bias is expected to cause a large-scale shift in the structure of demand for labour at the expense of developing countries’ large pools of unskilled labour.

In their book *Ghost Work*, Mary Gary and Siddharth Suri have pointed to a more recent phenomenon that is emblematic of the effect of digital transformation on labour markets—the rise of a near-invisible global workforce that has emerged to power the platform economy (41). The book refers to a virtual, high-skilled globally-distributed workforce that performs flexible, task-based work and reports to an application programming interface (API). India is at the core of this phenomenon, and is rapidly becoming the artificial intelligence (AI) backend office of the world (42).

Gray and Suri estimate that by 2055, 60 percent of today’s global employment will have converted into ghost work (43). This may well happen sooner; with regular jobs disappearing during the global pandemic-induced recession, their ranks have likely been vastly inflated. The size of this workforce is currently difficult to estimate, as the nature of their work is practically invisible. While this type of work has provided opportunities in the form of flexible ‘virtual migration’ and the ability to work for employers across the world, it has also extracted a high cost. Digital blue-collar workers face the problem of plenty—supply of workers vastly exceeds demand for their services—which has squeezed their wages and bargaining power, and led to a feeling of alienation and the loss of job security and mobility. Collective action is harder for them; as the nature of their work is disintermediated, they are dispersed all over the globe and view each other as competition (44). The cross-border, invisible and informal nature of this work has created tremendous regulatory challenges. The role of the state must first extend to efforts towards making these labour supply chains visible, by defining platform work clearly and creating comprehensive databases for these workers. India’s Union Budget 2021 has taken a laudable step towards that



end by provisioning for a minimum wage across all categories of workers, which will also be tremendously beneficial for these workers if implemented well. The role of economic diplomacy in this regard is crucial—regulation of ‘ghost work’ requires international collaboration and alignment of regulatory practices as workforces are dispersed all over the world.

## **Recalibrate India’s Economic Diplomacy**

In light of the changing global outlook, it is imperative for India to recalibrate its economic diplomacy framework, to enable its advocacy for global labour mobility in the future. This section shall proceed issue-wise and attempt to come up with a broad roadmap for this purpose.

### ***A creative and pragmatic approach***

India needs to rethink its approach towards engaging in debates on the future of global labour mobility. India has been disappointed time and again at the WTO—most recently in 2017, when it tabled its draft negotiating text called the Trade Facilitation Agreement for Services (45)—and regional fora such as at the recently concluded negotiations of the Regional Comprehensive Economic Partnership (RCEP) (46). India’s decreasing manufacturing competitiveness has led it to become increasingly defensive in trade negotiations with regard to market access in areas like agriculture, retail and dairy, making it difficult for the country to bargain for greater services liberalisation, as the RCEP negotiations demonstrated. In such a situation, it is patient and creative diplomacy, rather than an offensive stance, that may enable India’s cause.

One solution is to identify bilateral opportunities for partnership rather than multilateral engagement—an idea that has already yielded dividends for India. Among the key barriers for partnerships on global mobility are a lack of trust, concerns around the economic and security-related domestic impact of migration, and (now) health risks. Therefore, while negotiating, India will need to delve into several issues, such as those related to liability for overstay, illegal migration and the enforcement of temporary guest worker rules, and offer to assume some legal responsibility for monitoring and compliance as well (47).





India also needs to think creatively to carve out greater policy space for itself in negotiations. One solution advanced by the Indian Council for Research on International Economic Relations is the introduction of start-up visas. This will serve to attract innovative talent to the country and also demonstrate India's willingness to reciprocate on high-skilled labour mobility liberalisation, shifting the country's policy stance to one more inclined to engage and compromise rather than just demand (48). This would also enable India's diaspora policy, and provide a route for inviting greater diaspora participation in domestic development. While focusing on bilateral engagement, India must continue to push on the multilateral front as well, and remain engaged with the WTO and forums like RCEP, with a view to build consensus on the growing need for well-designed labour mobility channels.

### ***Invest in a capable workforce***

A domestic as well as an emigration prerogative, India needs to invest in enhancing the capabilities of its workforce. Skills requirements are not a monolith, and neither is the future of work. Skilling programmes need to address the starting points of learning, for what is a highly segmented workforce.

A workforce of the future needs to be agile and move fluently between occupations. Basic digital fluency will be critical, even as a section of the population needs to be trained in higher-order technological skills. Skill-biased technological change will create greater demand in the areas of AI, machine learning, robotics, big data and natural language processing across the board. Soft skills, meanwhile, are often underemphasised but will be critical to every profession (49).

India's National Education Policy has encouragingly aligned vocational education and apprenticeships with formal educational attainments (50). The government has done well to engage multiple agencies in migration governance for the purpose of capability-building—with the Ministry of Labour and Employment and Ministry of Skills Development and Entrepreneurship taking on key roles. However, the problem of skill mismatch remains high, as is the challenge of skill recognition across borders. Addressing this will require an integrated policy and certification framework, put into place collaboratively by sending and receiving countries (51). It also requires efforts towards strengthening India's Recognition of Prior Learning (RPL) programme as a priority—much of India's workforce, contrary to popular perception, is already skilled



but unrecognised and uncertified (52,53). Technology-based solutions can also make intermediation more transparent—online job platforms, skills verification and tests and the verification of contracts will make job matching more efficient (54).

Capability-building will require a tailored policy. For example, to promote semi-skilled and unskilled worker migration to the EU, India—with the support of EU policymakers—must create training and certification programmes oriented towards EU standards, targeted towards sectors like hospitality, healthcare, construction and care work, which are likely to see high demand (55).

### ***An updated diaspora policy***

Academic and policy discussions have largely tended to focus on the impact of diaspora in their host countries, relatively few studies focus on the political and economic impact on the countries of origin, due to paucity of data. India must look at this phenomenon closely as well (56). Unskilled migration usually has a net positive impact on the country of origin, however, skilled migration has both negative and positive effects.

The negative effect that India needs to pay particular attention to is brain-drain, which has arguably had a tangible impact on the quality of Indian universities. India has been a “net exporter of talent,” (57) which matters for economic diplomacy as well as development, as the country’s domestic fortunes are inextricably tied to its international exercise of influence. This problem requires serious consideration. Labour mobility agreements can be designed to promote this—we can move training to the country of origin and provision for a net ‘brain gain’. The Australia Pacific Training Coalition (ATPC), a skilling drive to meet the region’s labour requirements, provides a case study for this (58). The ATPC has a ‘home’ track and an ‘away’ track, and the ‘away’ track provides language, digital literacy, cultural training, RPL and other necessary work abroad training as well. Crucially, it also has a programme for investing in the return and reintegration of workers through ‘Full Circle Programmes,’ including a promising means to access platforms while away, to support their RPL applications, to know what kind of work is possible and available for returnees.

The attitude of the government towards domestic development and addressing push factors for emigrants often matters immensely for its success with diaspora



engagement and reverse migration strategies (59). Additionally, India also needs to find more creative and deeper-rooted ways of engaging its diaspora in development initiatives. A successful policy will recognise that the diaspora is not a homogeneous category and must be seen as distinct categories—such as differentiating between non-resident Indians, and ‘older’ migrants who migrated early as distinct from recent migrants. Diaspora policies must then be tailored according to their relevance for these different groups (60).

A large chunk of the Indian diaspora is highly skilled and diaspora organisations can therefore act as effective mentoring networks and help complement skilling initiatives (61). But to be effective, diaspora policy must be more welfare-oriented and empathetic in tone and content (62). India needs a migration policy that extends to the treatment of overseas Indian workers. The pandemic has put a spotlight on the shabby, vulnerable living conditions of migrant populations in many parts of the world. This is a failure of the international migration governance framework and further evidence of the urgent need for national economic diplomacy to address this glaring vacuum in policy (63).

### ***An adaptive and empathetic policy framework***

The rising complexity of economic diplomacy requires bureaucracies to design their frameworks to be more adaptive, reasonably decentralised and with strong inbuilt feedback mechanisms (64). The necessity of feedback mechanisms is evidenced by India’s experience with migration governance in the Gulf. India-mandated minimum referral wages are facing implementation challenges, due to contract substitution in the destination country (contract substitution refers to an informal practice where foreign workers sign a contract before they migrate, but are compelled to accept a different, weaker contract on arrival in the destination country) (65). Indian embassies could act as feedback nodes for policy in this regard. A plurilateral approach including all stakeholders, such as employer and employee organisations, and greater inter-ministerial coordination will promote more effective governance. (66) The need for domain expertise in India’s bureaucracy (67), and better systems for retaining and creating institutional knowledge within ministries (68), have often been brought up as areas of critical reform.



Adaptive policy could identify and plug the existence of policy vacuums that impede governance. One such vacuum is wage-theft, especially in the Gulf, where workers are denied their dues by companies in violation of their terms of contract. The e-Migrate platform instituted by the Indian government to coordinate across stakeholders has helped mitigate this problem and could be improved through integration with labour platforms in Gulf countries. Setting up mechanisms for Indian workers to air grievances could also help—the Indian repatriation form to be filled by migrants during COVID-19 did not provide any space for workers to discuss their grievances and seek redressal (69).

Evidence-based adaptive policy also requires quality data. There is a need for more cross-country, comparative data sets and more data on migration flows and the enforcement of labour laws to realise the vision for a 2030-ready economic diplomacy framework for India.

There is an urgent need for Indian diplomacy to take a more welfare-oriented and rights-based approach towards emigration. India could begin by deliberating upon transitional justice mechanisms to address the immediate grievances and claims of repatriated workers due to the pandemic. India also needs to take this opportunity to push for broader reforms. The pandemic has prompted Qatar to dismantle the ‘Kafala’ system (a legal framework defining employer-employee relations, which has become increasingly exploitative) (70) and some other Gulf countries have expanded access to free healthcare and mandated private companies to provide accommodation to migrants. Governing return migration flows will now require coordination from both sending and receiving countries, and India must take this opportunity to co-build a welfare framework for migrant workers in cooperation with Gulf governments, for mutual benefit (71).

The rights-based framework must also extend to immigrants received by India. Indian immigrants migrate irregularly and are often unrecorded, which is why there is a paucity of literature and lack of reliable figures on immigrant migration flows (72). The conduct of India as a destination country is a critical component for economic diplomacy, even as it is beyond this paper’s scope.



## ***Upcoming emigrant bill***

India's draft emigrant bill, yet to be passed by parliament, will replace the Emigration Act of 1983 as the overarching and only legal instrument responsible for dealing with emigration and migrant welfare. However, the current draft bill excludes many, such as the families of emigrant workers and irregular and undocumented migrants. This will hurt India's bilateral and multilateral efforts towards promoting labour mobility. The bill also neglects to focus on migrant rights in their destination country and the governance of return migration (73).

In a bulletin released in 2007, the World Health Organization stated that "international human mobility is factorial to the globalisation of infectious and chronic diseases" and that it poses a national security threat (74). This is now evident. India's draft emigrant bill makes no mention of mobility during crises and does not consider the importance of social security and health insurance for its migrants. The pandemic has demonstrated the urgency to work towards greater awareness and access to health and welfare services, and a transnational health framework that is inclusive of migrants. While including these provisions in its own legal framework, India must also work to include this request in its bilateral labour agreements (75).

## **Conclusion**

Global labour mobility is a critical instrument for promoting India's development aims, and therefore features increasingly prominently in its economic diplomacy agenda as well. This paper has put forth two broad sets of arguments. One, it has elucidated the changing global outlook for labour mobility considering the pandemic and the evolving future of work. Two, it has provided a roadmap for India to recalibrate its economic diplomacy given this shifting outlook and has provided policy recommendations towards this end.

The subject of international labour mobility has often been averse to international cooperation, with origin and destination countries taking on adversarial stances, resulting in a fragmented and reactive approach to migration. However, a collaborative framework born out of pragmatism and an understanding of changing global trends and common challenges is both possible and desirable to leverage the gains from global labour mobility mutually (76).



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# 4

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## FRAMEWORK AND ARCHITECTURE

# 4.1

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## **Beyond Government: Role of New Actors in India's Development Cooperation**

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Navdeep Suri and Anurag  
Reddy



**E**conomic diplomacy is broadly defined as the aspect of diplomacy that focuses on international economic relations. In the post-Second World War context, this has usually meant promoting national trade, investment and technology interests through aggressive bilateral negotiations and pushing the same interests in multilateral institutions, such as the World Trade Organization and the United Nations Conference on Trade and Development. Foreign assistance programmes were added as a bit of an afterthought to the principal objective of pursuing commercial goals.

India's approach was different, and stemmed largely out of its own colonial experience and its desire to support other developing countries in their transition to independence. Within months of attaining its own independence, India drew upon its sterling reserves to give a major loan to Burma (Myanmar) in 1948. It also provided substantial development assistance to Nepal following the fall of the Rana dynasty in 1951 (1). India also joined the Colombo Plan in 1950 to offer scholarships for training in Indian institutions even while Indians were being sent overseas on other training programmes (2). In 1960, India became one of the founding members of the Special Commonwealth African Assistance Programme. By 1966, it became the fifth largest contributor of scholarships to developing countries after the UK, Canada, Australia and New Zealand (3).

A focus on skills development and capacity building remained the central tenet of India's development cooperation efforts during those early years. It acquired a formal structure in September 1964 through the establishment of the Indian Technical and Economic Cooperation Programme (ITEC) as "it was necessary to establish relations of mutual concern and inter-dependence based not only on commonly held ideals and aspirations, but also on solid economic foundations. Technical and economic cooperation was one of the essential functions of an integrated and imaginative foreign policy (4)."

It was this ambitious statement of intent, carrying an unusual blend of altruism and pragmatism, that set the foundations of modern India's development cooperation architecture. Over the next five decades, India contributed to capacity building in countries across Africa and South and Southeast Asia. The emphasis was largely on the establishment of industrial estates and agriculture schools, in the deployment of



technical experts for a range of projects, and in the training of a vast number of civil servants, technical personnel, doctors, nurses, engineers and scientists under ITEC (5). In doing so, India made a clear departure from the monetarist principles followed by most Western donors, where the emphasis was on macroeconomic stability and budgetary support came with strict conditionalities. India took the structuralist approach, which argued that economic growth in developing countries is held back by persistent supply bottlenecks rather than macroeconomic instability (6).

A new dimension was added to India's development cooperation framework around 2005 with the start of its first substantive lines of credit (LoCs) into Africa with a modest sum of US\$500 million (7). With soft interest rates that included a grant element ranging from 24.31 percent to 37.48 percent (8) backed by a sovereign guarantee, these LoCs contributed to the development of urban transport, irrigation and power transmission infrastructure in several African countries. India's economic diplomacy also extended to its neighbourhood, with large LoCs being announced for Bangladesh and Sri Lanka in particular. By the end of 2019, India had committed as much as US\$25.46 billion in LoCs to a range of countries (9) and also started to offer Buyer's Credit to the tune of US\$2.67 billion to encourage these countries to purchase Indian products (10).

Over the years, India's development cooperation model started to show some distinct features, namely:

- Respect for the recipient country's sovereignty by staying clear of prescriptive reform agendas and conditionalities (11)
- Going with the recipient government's priorities in terms of project selection
- Underscoring a mutuality of benefits, particularly in LoCs that require 75 percent of the funds to be spent on equipment and services sourced from India (12)
- Supporting capacity building through training programmes (13). For instance, the various Information and Communication Technology (ICT) projects in the form of Centres for Excellence—across the African continent, Southeast Asia and Central Asia (14)—are built on a model that includes hand-holding for up to five years and then transferring control to a local entity.



At the same time, ambitious but often delayed connectivity projects in the neighbourhood—spanning road, rail and river transport networks along with oil pipelines and power transmission grids—finally started to take shape under the direct supervision of the prime minister. India leveraged its satellite capabilities to offer education and health services through the e-VidyaBharti and e-ArogyaBharti programmes across the African continent and expanded the ITEC programme to provide 12,000 fully-funded training slots in courses ranging from cybersecurity and climate change to entrepreneurship and education (15).

A more dynamic and responsive approach to development cooperation enabled India to engage in exceptional medical diplomacy in the wake of the COVID-19 pandemic. Medical teams were despatched to the Maldives, Nepal and Kuwait, and emergency consignments of medicines like paracetamol and hydroxychloroquine were sent to over 90 countries. This medical dimension of India's economic diplomacy toolkit got a further boost as the manufacturing infrastructure of the Serum Institute of India allowed the country to launch its 'Vaccine Maitri' initiative to supply COVID-19 vaccines bilaterally on grant and commercial basis, and multilaterally through the Covax programme.

The dramatic expansion of India's aid programmes under the Development Partnership Administration within the Ministry of External Affairs (MEA) accompanied an equally vigorous push to the more conventional aspects of commercial and multilateral economic diplomacy. India's diplomatic missions became actively engaged in organising trade shows and 'Make in India' events; pursuing market access and contesting non-tariff barriers; wooing multinational companies, private equity firms and sovereign funds to invest in India; and pursuing oil concessions and energy security arrangements. India's participation in multilateral institutions sent a clear signal of its intent to participate in defining the new rules of the game and not remain a passive spectator to rules framed by others.

Nevertheless, India must now confront fresh challenges to its economic diplomacy. Globally, there are growing protectionist trends and a preference for bilateral over multilateral trade arrangements. A rising anti-immigration sentiment in major Western countries poses fresh hurdles to labour mobility. With artificial intelligence (AI), Fourth Industrial Revolution and 5G as the emerging factors of economic growth, India will have to retool its economic diplomacy. Setting up NEST [New, Emerging & Strategic Technologies] as a new department in the MEA is a welcome





initiative. If data is the new oil, India must develop clear and transparent domestic laws and institutions that create confidence in it being a safe destination for data processing. If climate change becomes an existential matter and pandemics like COVID-19 threaten to send the global economy into a tailspin, India must lead the conversations on matters like resilient infrastructure to global health. The impetus given by India to a global transition towards solar energy is a case in point—it not only took the lead in establishing the International Solar Alliance, but has also now provided LoCs worth US\$2 billion (16) to fund solar energy projects in developing countries. India's positions on these and other new areas of economic diplomacy will be followed closely not just by competing countries but also by partners in the developing world who count on India's advocacy to protect their own vital interests.

In this new economic diplomacy, it is important to cast a wide net. Until now, much of India's development cooperation has happened through state-to-state relations (17), often carried out through state-owned enterprises. But there is exceptional work being done by leading civil society organisations (CSOs) in areas such as education, healthcare and financial inclusion. Several CSOs have developed models that can be scaled up and adapted in other developing countries. The growing demand from several countries for the Pratham (18) model of primary school education, for the Jaipur foot (19) to provide artificial limbs, for the Barefoot College (20) of women solar energy technicians, for SEWA's success in promoting financial empowerment of women (21), and for IndiaStack to configure Aadhaar-like solutions are cases in point (22).

Analysing select startups, social enterprises and CSOs can help identify specific areas where the vigorous involvement of such organisations can play a vital role in advancing India's economic diplomacy goals.

## **Tech Startups**

India has witnessed the emergence of a vibrant startup ecosystem that has piggybacked on the success and expertise of the IT industry. The ecosystem is the third biggest in the world (23) with the fourth highest number of unicorns (24), which are foraying aggressively into global markets to solve challenges across multiple sectors.



## Healthtech

Indian healthtech startups catering to diagnostic technologies, using compact devices and AI-powered software as a service (SaaS) products, can find great relevance in Africa, South Asia and Southeast Asia. By improving efficiency and driving down costs of diagnoses, these startups can cater to the low-spending capacities of developing countries.

For instance, UE LifeSciences' low-cost device for the early detection of breast cancer (iBreastExam) helps healthcare workers identify abnormalities in women at the point of care (25) and provides results within five minutes on a mobile application. The survival rate among women with breast cancer in Africa is far lower than in the US and Europe because detection happens at the advanced stages. Given the device's portable and compact nature, hundreds of women can be scanned per day at remote locations (26).

**Table 1:** List of Indian Healthtech Startups With Potential Relevance in Africa and Asia

Organisation	Location	Core Function	More information
Nirmai (27)	Bengaluru	AI-based SaaS to detect breast cancer	Developed a cancer screening solution that uses Thermaltyx. It detects breast cancer at early stages .
Forus Health (28)	Bengaluru	Pre-screening ophthalmological medical devices	Develops and manufactures portable and affordable medical devices for effective management of visual health through pre-screening ophthalmology.
Qure.Ai (29)	Mumbai	AI-based SaaS products to detect Tuberculosis and brain injuries	Qure.ai uses AI algorithms for medical imaging. Through deep learning technologies, trained using million images, their products denitrify and localise abnormalities on X-Ray, CT and MRI scans.



Organisation	Location	Core Function	More information
BioScan Research (30)	Ahmedabad	A non-invasive, portable and fully automatic point of care screening device for quick detection of intracranial haemorrhage.	Selected as a part of the International Finance Corporation's TechEmerge Health East Africa to pilot their tech solutions in the East African market.
Bempu Health (31)	Bengaluru	Wearable devices for maternal and child health	
Coeco Labs (32)	Bengaluru	Coeco Labs has pioneered an AI-based secretions and oral hygiene management device and a neonatal Continuous Positive Airway Pressure device	
Tricog (33)	Bengaluru	Uses cloud and AI technology to provide virtual cardiology services to remote clinics.	

## **Edtech**

India's vibrant edtech ecosystem comprises of 4,450 startups and is home to the world's highest-valued EdTech unicorn, Byju's (34). Using English as the primary mode of instruction, Indian edtech products can scale globally. While Indian edtech can cater to various levels of education, research has shown that edtech interventions for primary and secondary education in Africa are far more complex and will require significant complementary actions from civil society to be successful. Traditional Indian players like Byju's cannot find immediate relevance at scale, but edtech products that cater to upskilling and tertiary education can. Along with its ITEC programme, India should also promote edtech startups (such as Simplilearn (35) and UpGrad (36)) that allow African students to remotely upskill at their own pace. Simplilearn provides online training in disciplines such as Cyber Security, Cloud Computing, Project Management, Digital Marketing, and Data Science. It has reached one million professionals and 1000 companies across 150 countries with certifications (37). In Africa, it has partnered with South Africa-based Deviare to offer digital skilling programmes for students, professionals and enterprises and has received accreditation by South Africa's Media, Information, and Communication Technologies Sector Education and Training Authority (38).



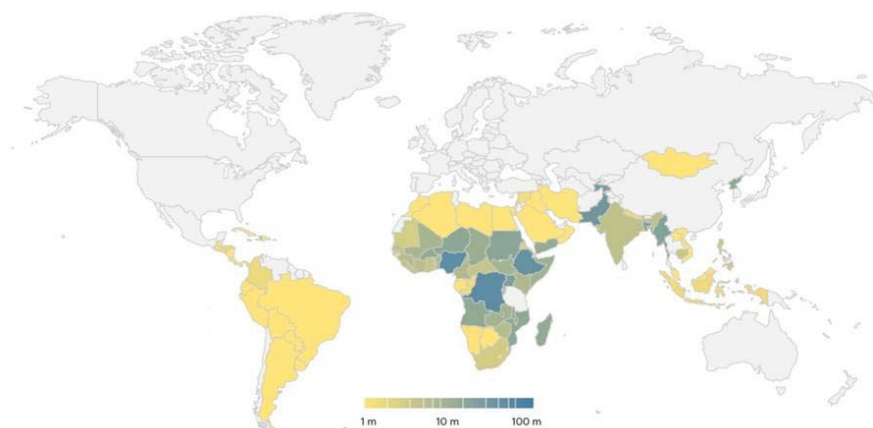
## Social Entrepreneurs

Several Indian innovators have designed low-cost enterprise solutions across several sectors for societal wellbeing. While some of these solutions are exclusively for-profit ventures, others monetise the end-user for operational purposes.

### *Husk Power Systems*

Husk Power Systems (HPS) provides off-grid power to rural Indian villages by converting biomass waste into clean energy. It costs less than US\$1,200 per kW to install these systems, half the cost of solar panels of a similar scale (39). The company also creates livelihoods by fostering first-generation power plant entrepreneurs and a technology workforce. Given Africa's acute energy deficit (see Figures 1 and 2), HPS's model can provide off-grid access to electricity while also creating livelihoods. HPS has already implemented projects in Tanzania and Uganda.

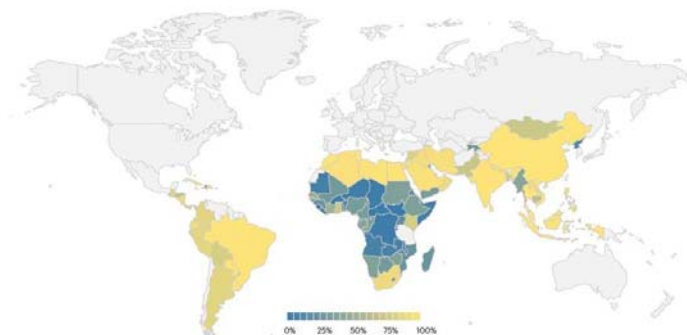
**Figure 1:** Population Without Access to Electricity, 2019



**Source:** International Energy Agency (40)



**Figure 2:** Proportion of Rural Population with Access to Electricity, 2019



**Source:** International Energy Agency (41)

### ***Waterlife India***

Waterlife has pioneered a range of environmentally-friendly and cost-effective technologies that go beyond the standard reverse osmosis procedure and are fitted differently to cater to the size of the community, their drinking needs and the level of water contamination (42). The company has installed 4,000 community water filtration systems across 12 Indian states, directly impacting 13 million people.

### ***Aravind Eye Care***

Aravind Eye Care is the largest and most-efficient eye care provider globally (43). Its simple business and operation models allow for surgeries to be performed six times faster than the national average (44), with over half of all patients (who come from poor and rural households) accessing high-quality care at no cost (45).

Aravind's assembly line surgery model—where labour is broken up for various tasks, and each ophthalmologist is supported by five or six paramedic staff to perform routine tasks while the former focuses on important procedures (46)—has improved productivity levels.

Aravind's model has been replicated through collaborations in Ethiopia, Kenya, Zambia and Nigeria (47).

**Table 2:** Social Entrepreneurs with Potential Relevance in Africa and Asia

Organisations	City	Sector and Area of expertise	Notes
Education Initiatives (48)	Ahmedabad, Bangalore	K-12 Education. Undertake large scale student and teacher assessments to improve teacher capacities and learning outcomes.	Pioneered Mindspark – a personalised adaptive learning (PAL) EdTech product – which is globally considered as the most promising EdTech product and has shown an improvement in students learning outcomes by 200-250%
TIDE Learning (49)	Bangalore	K-12 Education	Encourages self-paced learning by bringing unique teaching learning methodologies.
Krishna Arya Tech Corp		Clean Energy	Pioneered the 'Annapoorna cookstove', a zero-emission, low-cost, and energy efficient cooking solution that reduces biomass emissions

## Civil Society Organisations

CSOs have been an integral part of India's developmental journey, serving areas where the state and markets have failed to reach. While they solve problems contextualised to local settings, their learnings and lessons can be scaled in the developing world, or at least inspire and provide ideas for counterparts in these regions.

### *Swayam Shikshan Prayog*

Swayam Shikshan Prayog (SSP) promotes inclusive sustainable development by empowering women in low-income and climate-threatened communities and regions. SSP's model transforms women into entrepreneurs to tackle complex challenges across sectors such as health, water and sanitation, energy, food security



and agriculture (50). SSPs work has empowered 200,000 women and impacted six million households in 2,200 drought-hit villages across seven states in India (51).

Given that several African countries are prone to drought, SSP's work and learnings can find relevance in the continent.

### ***Pratham Education Foundation***

Pratham is known for pioneering two high-quality, low-cost and replicable interventions to plug gaps in education systems—the Annual Status of Education Report (ASER; a citizen-led survey that collects data on learning outcomes of 600,000 children across rural India) and Teaching at the Right Level (TaRL) programme (52). ASER is the only source of data on children's learning outcomes in the country (53), and has had a major impact on national policy and discourse. Organisations from 13 countries in Latin America, Africa and Asia are designing and implementing ASER surveys (54) through the People's Action for Learning (PAL) Network -- a south-south network of organisations from three continents that are replicating and adapting Pratham's ASER work in assessing learning outcomes.

TaRL builds foundational skills in numeracy and literacy in children with inadequate learning levels, a problem that is common in all developing countries. TaRL has been institutionalised in Africa as a joint initiative by Pratham and Abdul Latif Jameel Poverty Action Lab, and is operating in 10 countries in the continent through local partners (55). The intervention is being funded by the US Agency for International Development (56). It works directly with governments in Nigeria, Cote D'Ivoire and Zambia.

### ***Operation ASHA***

Operation ASHA (OA) aims to eradicate tuberculosis (TB) by solving the 'last mile' problem through community-based and technology-aided high-quality doorstep diagnosis and treatment services.

OA establishes community centres in urban slums in partnership with local community entrepreneurs, unemployed talent, merchants or religious institutions





to serve 5,000-25,000 people within a 1.5-km radius. In rural areas, smart young adults from within the community are onboarded to ensure diagnosis and care of TB patients by transporting vital medicines to patients' homes, monitoring compliance and assisting patients if travel to health facilities is necessary.

The cost of treatment per TB patient by OA is US\$80 in India (57) as compared to US\$1,900 per patient in Cambodia, US\$3,575 in South Africa, US\$14,059 in the European Union and US\$17,000 in the US (58). OA's model has been replicated in many other countries such as Cambodia. Given the high prevalence of TB in Africa, OA's work and global experience could be vital for the continent.

## **Conclusion**

There is immense potential for tech startups, social entrepreneurs and CSOs to become partners in India's development cooperation programmes. Proactively partnering with such organisations carries several distinct advantages:

- Leverages the passion, creativity, dynamism and domain knowledge of experts who have demonstrated the success of their models in India and may be keen on taking these to other countries
- Outcome-driven approach and grassroots understanding of key development challenges is likely to deliver better results
- Since such organisations have access to other sources of capital and do not rely on government funds alone, their engagement in development projects will be more cost-effective than the traditional reliance on state-owned enterprises who rely on full government funding for such projects.
- By promoting such organisations as the front end of its development cooperation efforts, India will be putting its best foot forward. There is a world of difference between the motivation levels, flexibility and working methods of these organisations when compared with the bureaucratic rigidities of state-owned enterprises. This, in turn, will promote Brand India and add to India's soft power



- By introducing these organisations as agents of change in other developing countries, India has the opportunity to nurture global champions who have the bandwidth and scale to address emerging challenges

Several tech startups have the potential to change the development paradigm through their impact on the access and affordable delivery of education and healthcare. However, it is important to recognise the constraints inherent in relying excessively on technology-oriented initiatives in emerging economies in Africa and Asia that often suffer from lack of electricity or reliable internet. But Africa and Asia are also seeing rapid urbanisation and the growth of an aspirational middle class. Their cities have started to get reliable electricity and internet services, even as many rural areas remain laggards in this regard. Until the rural areas catch up, tech startups are likely to work best in urban situations while the grassroots approach of social entrepreneurs like Aravind Eye Centre or CSOs like Pratham will be more effective in plugging the gaps in less developed areas. A development cooperation agenda that recognises the strengths and limitations of each actor can tailor programmes that address the needs across a broad spectrum of the population.



## Endnotes

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## **Institutional Architecture for India's Development Cooperation: A 2030 Vision Vikrom Mathur**

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Vikrom Mathur



**T**he COVID-19 pandemic and the resultant global lockdown measures have had an unprecedented social and economic impact, disproportionately affecting poorer nations. Global GDP is estimated to contract by 4.3 percent in 2020, sending an additional 130 million people into extreme poverty (1). This effect will be particularly devastating in the 46 least developed countries (LDC), with the already low standards of living falling further and high poverty rates steadily rising. Prior achievements on education, nutrition and health are being undone by the crisis, and there is an added stress on fragile healthcare systems.

With effects of this global crisis expected to continue until the next decade, human security and development will need to take centre stage in global affairs in the next few years. The massive economic fallout of the pandemic has made it imperative to expand foreign policy focus beyond traditional concerns of states around geopolitics into more complex global development challenges like public health and climate change. Currently, India's immediate economic and security interests—such as maintaining regional stability, ensuring balance of power and meeting energy requirements—play a key role in the development cooperation with African countries and those in the neighbourhood. These interests need to be realigned to emphasise the linkages between traditional diplomacy and new economic diplomacy, with its focus on development and human security.

COVID-19 should be seen as a turning point, where India's foreign policy agenda should prioritise its development partnerships. India will need to craft new strategies with a broader vision to engage in international development and global security as it bids for greater power status with agenda-setting abilities.

India's economic diplomacy is shaped by solidarity with past associations and is largely anchored in its neighbourhood and Africa. But future economic diplomacy agencies will have to be located in a new geopolitical dimension that goes far beyond the impulse of the Bandung Conference of 1955, which set up cooperation channels between Asia and Africa in the colonial and post-colonial era (2). The Indian Development and Economic Assistance (IDEA) programme, which began in 2003-04 as an initiative to provide grants and project assistance to developing countries in





Africa, South Asia and other parts of the world, remains crucial in the post-pandemic world.

### **Shifting Priorities**

India's commitment to international development cooperation in the financial year 2019-20 stood at US\$1.32 billion, a significant increase over the three preceding years (3). Although the allocation is less than 1 percent of India's overall budget, it is still a significant contribution as compared to other high-income countries, such as Australia (US\$2.8 billion, 0.22 percent of GDP), South Korea (US\$2.5 billion, 0.15 percent of GDP) and Austria (US\$1.2 billion, 0.27 percent of GDP), considering India's US\$2 billion in credit lines (4). India pledged its highest foreign assistance budget so far in the financial year 2015-16, with commitments of US\$1.52 billion that included US\$290 million to large-scale projects like the Afghan–India Friendship Dam (5).

The country's overseas development assistance increased substantially in the 1990s and significant changes came in 2004 when India launched the second phase of line of credit (LOC) programme to extend concessional loans to partner countries in Asia and Africa through the Export Import Bank of India (EXIM). The LOCs are provided to developing countries on the recommendations of the Ministry of External Affairs (MEA), with over 300 LOCs worth US\$30.66 billion extended to 64 countries until 2020. About half this amount, US\$15.90 billion, has been extended to Asian countries, with the largest value going to India's neighbours—Bangladesh, Sri Lanka, Nepal, Mauritius, Maldives, Myanmar and Seychelles (6). The funds cover critical infrastructure sectors—transport connectivity through railways, roads and ports; power generation and distribution; agriculture and irrigation; manufacturing industries, healthcare, education and capacity building.

India's capacity-building initiative, one of the key aspects of development cooperation, is channelled through the Indian Technical and Economic Cooperation (ITEC) programme, which was constituted in 1964 and emerged as a prominent aspect of the development cooperation by 2015 (7). In one of the first signs of shifting priorities for development cooperation during the coronavirus crisis, ITEC conducted a multi-country training programme on COVID-19 in June 2020 titled 'Good Governance Practices in a Pandemic' through a webinar, with participation from Sri Lanka,



Bangladesh, Myanmar, Bhutan, Kenya, Morocco, Nepal, Oman, Somalia, Thailand, Tunisia, Tonga, Sudan and Uzbekistan (8).

Currently, India employs multiple instruments, such as grant-in-aid, line of credit, and capacity-building and technical assistance, to achieve its development cooperation objectives. The Development Partnership Administration (DPA), housed within the MEA, is responsible for the overall management, coordination and administration of India's development partnerships (9).

### **Vision 2030**

Official development assistance (ODA), an indicator of international aid flow, by traditional donors was severely impacted during the COVID-19 crisis (10). The Organisation for Economic Cooperation and Development (OECD) has urged the international community to safeguard ODA to face challenges to basic health infrastructure and social protection programmes from COVID-19 (11). It is becoming increasingly clear that emerging powers like the BRICS nations will play a significant role in the future, with China and Russia already showing a readiness to lead on global issues and provide international development aid. The New Development Bank (NDB), a multilateral development bank established by BRICS, has promised to provide up to US\$10 billion in assistance to combat COVID-19 crisis and has already provided loans to Brazil, China, India and South Africa for their economic recovery (12).

Despite the slowdown induced by the pandemic, India's GDP could reach US\$5 trillion by 2026-27 with optimistic prospects for domestic growth and an increase in spending ability (13). It remains to be seen whether the country will be able to continue to ramp up its ODA.

India needs a clear vision to lead a sustainable development agenda while positioning itself as a global power with interests beyond its immediate neighbourhood. To achieve this, there is an urgent need to push for reforms in existing institutional structures on development cooperation. The new institutional architecture should be able to address better delivery, monitoring and evaluation mechanisms, and should engage with new actors, especially from civil society and the private sector (14).



India must move beyond government-to-government negotiations and agreements to include more plural and diverse stakeholders—such as representatives from the private sector, academia, philanthropic institutions and civil society—most of whom will be operating in distant locations. Economic diplomacy necessitates a collective beyond the government that will place ‘brand India’ at the centre of all diplomatic relations.

In January 2020, the MEA began a restructuring process to renew its focus on development cooperation along with other verticals such as cultural diplomacy, economic and trade coordination, multilateral organisations and global summits (15). A ‘New, Emerging and Strategic Technologies’ (NEST) division is also being set to facilitate collaboration with foreign countries on advanced technologies, as well as geographical divisions for better coordination (16).

This paper makes a case for revisions to India’s existing institutional architecture for development cooperation through five key approaches: the Development Cooperation Act (2022), the establishment of an independent development partnership agency, private sector and civil society engagement, multilateralism, and plurilateralism.

### **India’s Development Cooperation Act, 2022**

India must redefine its ‘development cooperation’ as a set of activities with clearly defined objectives (such as environmental protection, strengthening of public health systems and eradication of poverty) and that can be financed through the Union Budget. India can seek to take up larger goals such as the strengthening of democracies across the world by promoting human rights and good governance in other countries under the umbrella of development cooperation. A vision such as this may be a slight departure from the current focus of providing only need-driven and demand-driven aid for friendly neighbouring countries, but it reflects the growing ambitions of the country to project itself on a global scale. This calls for a revision in India’s approach to be more in line with the changing world, while respecting the sovereignty of the recipient nation (17).

There are indications that the future of development cooperation will be heavily impacted by the COVID-19 crisis and focused international cooperation is necessary to deal with the emerging global crisis (18). This can be achieved through the exchange



of material, services and knowledge. India's upcoming Development Cooperation Act should reflect that a focused approach towards addressing global crisis is in its national interest.

Currently, India's development cooperation objectives are broadly based on the South-South cooperation (SSC) framework—a technical cooperation tool among the developing countries in the Global South to collaborate on areas such as agricultural development, human rights, urbanisation, health and climate change. At the global stage, SSC is seen as an expression of solidarity among peoples and countries of the South, and as a complement to North-South Cooperation (NSC) not as a substitute to ODA (19). While India views SSC as an alternative to the traditional NSC that can help a country become a major international player in the business of aid, many analysts suggest that SSC does not represent the country's ambitions to the fullest. There is a need for India to make a strong independent commitment to global causes and initiate change through its development aid (20).

A criticism of India's aid programme is the absence of detailed information in the public domain and confusion on available details (21). This lack of clarity is hindering India from becoming a major player in the international aid dynamics and from influencing the global aid architecture in a significant way. India's Development Cooperation Act must address these issues and articulate a clear vision that guides the development partnerships and diplomacy.

Furthermore, India must prepare these policies keeping in mind accountability to the public, as growing foreign aid contributions will increasingly come under scrutiny. For example, the enormous goodwill that India had generated by providing aid to other countries during the COVID-19 pandemic was challenged by domestic situations such as the plight of migrant workers. It will be increasingly difficult to justify overseas aid when there are domestic lapses in public health, minority protection and social development (22).

India could draw lessons from the UK's International Development Act of 2002 which detailed the country's objective to contribute towards global poverty reduction (23). The UK was one of the first countries to provide aid without being tied to any domestic policy considerations, making the 2002 Act an effective and successful framework (24). The UK had also established the Department for International Development (DfID), to administer its development assistance budget. DfID is mandated to have



close interdepartmental relations with key stakeholders and sharing of resources to achieve best results. Unfortunately, a June 2020 decision to merge the DfID with the Foreign Office has attracted wide criticism, but is seen as an inevitable consequence due to the slowdown of the UK's economy (25). For India, it is an opportunity and a clear indication that emerging powers with fast growing economies can provide an alternative structure to global development objectives. A vision that is independent of short-term geopolitical gains can ensure continuity in development aid regardless of policy fluctuations of different administrations, thereby building greater trust and credibility for the programme.

The mandate for cooperation must also incorporate changing requirements at the domestic and international levels, which can help in uncertain crisis situations. For instance, the German development agency GIZ, under the federal development ministry, was able to expand current projects to include measures to fight the COVID-19 pandemic without any additional financial resources (26).

### **Development Partnership Agency**

To realise an institutional architecture for development cooperation, India needs an independent development partnership agency that develops long-term and short-term strategies, identifies priorities, builds knowledge and facilitates learning.

### ***Autonomous Body***

In its current form, the DPA is unlikely to be an authoritative agency that can realise the wider mandate of India's development partnership. As a department under the MEA, there are several limitations to its functioning, including the lack of authority to undertake inter-ministerial coordination when required. To address this issue, changes must be made to transform the DPA into a more autonomous entity within the MEA, led by a Secretary-rank officer and empowered to address long-term and short-term strategies, including concerns around accountability. The need for an independent agency is recognised by several countries in the Global South. For instance, the Brazilian Cooperation Agency, affiliated to the country's foreign ministry, has a mandate to negotiate, coordinate, implement and monitor technical cooperation projects and programmes between Brazil and other countries



(27). Similarly, the Thailand International Cooperation Agency and Egyptian Agency of Partnership for Development are independent entities empowered to implement development cooperation objectives of their countries (28).

If empowered as an autonomous agency, the DPA can facilitate information sharing and create platforms for policy coordination across government departments, ensure coordinated efforts needed for development gains and mobilise resources quickly. The agency must have the mandate to articulate roles and responsibilities from various government ministries. The agency can also ensure continuity in India's overseas development cooperation during changes in administration after elections.

As India's development cooperation grows, the spending will come under public scrutiny; this requires an effective accountability and evaluation framework (29). The lack of information disseminated in the public domain about India's current development cooperation framework has been widely criticised by policy experts. The few strands of information that is available is widely dispersed and highly disaggregated, and has been further criticised in global platforms (30). This opacity makes monitoring and evaluation difficult and creates a credibility crisis. The proposed independent agency must provide transparent access to information on budgets and programmes, and clearly articulate policy outcomes so it is not subject to the changing ideologies and priorities of different governments. Commitments to ensure the periodic review and revision of India's international development cooperation policy based on broader strategic goals are also needed.

### ***Resource Centre***

The proposed agency could be a resource centre that can help other developing countries in developing their cooperation framework. The resource centre can maintain careful documentation of the projects that are implemented through development cooperation. Over time, it can become a repository of knowledge that can inform future interventions. Knowledge sharing can also become a tool to engage with other Global South countries that seek India's expertise in development cooperation. For instance, during the 2010 Haiti earthquake, knowledge sharing among donor countries helped in strategising an effective response (31).



A successful knowledge hub will require proactive participation from civil society, national governments, private sector, academia and others. There will also need to be clear coordination with existing knowledge hubs, especially those by multilateral forums.

### ***Progressive Ethos***

The development objectives of the proposed agency must reflect the progressive values of the emerging world with specific emphasis on diversity, gender empowerment and addressing social inequalities while preserving cultural identities. The agency must work towards Sustainable Development Goals (SDGs) coordinating the government, private sector, academia and civil society.

### **Private Sector and Civil Society Engagement**

The demand-driven approach of India's development cooperation emphasises that the partner country does not have any obligations associated with the funding and is free to follow its laws and national interests while implementing cooperation projects (32). With increasing geopolitical influence, India's development cooperation is moving towards a need-driven approach where meeting the partner country's development objectives goes hand-in-hand with India's objective for strengthening the bilateral relationships through private sector investments.

The DPA is exploring innovative public-private partnership (PPP) models with Indian businesses to leverage their expertise in helping realise India's development cooperation goals. In a recent review, the MEA has included about 27 new partner institutions of technical excellence, with seven new private sector institutes/universities selected to provide training (33). The ITEC constitutes capacity-building partnerships with a footprint in 160 partner countries in Asia, Africa, East Europe, Latin America, the Caribbean and the Pacific Islands, as well as small island countries.

Development cooperation projects across the world are adapting a PPP model in their implementation. In its 2030 Agenda, the OECD is prioritising engagement with civil society organisations to implement and monitor the SDGs. The OECD plans to build on the capacity of civil society members to bring forth the voices of those who





are engaged in programmes related to poverty alleviation and other development objectives (34).

India's efforts towards collaborations with the private sector and civil society can be achieved by engaging with existing platforms such as the Forum for Indian Development Cooperation (FIDC)—an initiative by the DPA, academia and civil society organisations, and launched in 2013— that has been working to raise awareness on various dimensions of development cooperation policies through public engagement at the domestic level (35).

## **Multilateralism**

Cooperation among countries can accelerate the response within individual nations and across regions during a global health crisis. It involves creating, adapting, transferring, and sharing knowledge and experiences to improve health, while making the most of existing resources and capacities. The World Health Organization (WHO) made important strides in addressing shared health goals through cooperation. Within this landscape of cooperation, there has been a shift away from ODA towards effective development cooperation. The benefits include cooperation among countries to support and reinforce national efforts for health development and knowledge sharing. These exchanges have the potential to impact sub-regional and regional integration processes as well as global health debates. India must support these global health initiatives by the WHO and encourage knowledge sharing through SSC and triangular cooperation, BRICS and health cooperation in Small Island Development States (36).

Traditional development cooperation providers are moving to align their efforts with ambitious climate action. OECD member states are building strategies to reorient aid to address the climate emergency in a way that can further help in their national and regional efforts. Efforts are also underway to include a pro-climate sustainable development cooperation in the OECD's 2030 agenda that aligns with the Paris Agreement. The OECD has called for efforts to integrate the climate imperative into providers' mandates and performance systems while establishing the right capacities and tools to deliver (37).



The LDCs are among the most vulnerable to climate change. It might become extremely challenging for some of these countries to recover from climate stress as their economic growth is highly dependent on climate-sensitive sectors. For India, aligning with the Paris Agreement brings opportunities for development in the region. Fundamentally, alignment means ensuring that development pathways are low emissions, climate resilient and sustainable in the face of the multi-layered challenges that developing countries now face. India must recognise and take up the vast evidence that sound climate change policy is also sound development policy. India is currently in a unique position to mediate some of these crucial dialogues related to climate change at the various multilateral forums (38).

India could utilise this opportunity and further assert itself by providing sustained long-term cooperation as a response to the crisis and reiterating its commitment to development cooperation. While India strives to assert itself globally using every opportunity for development cooperation, it could further its agenda by articulating its contributions towards the SDGs and efforts to mitigate climate change. By doing so, India needs to reassert and reaffirm its commitment to bilateral and multilateral cooperation such as the SSC. The ODA response to the COVID-19 pandemic remains insufficient, given the additional financing needed, and risk-informed development cooperation at multilateral forums will be vital in building back better systems after the pandemic (39).

## **Plurilateralism**

The COVID-19 crisis has highlighted the serious drawbacks of multilateralism as well as the need for plurilateralism. The paralysis of the World Trade Organization and the WHO's credibility crisis amid the pandemic have exposed the deep-rooted issues plaguing multilateralism, and severely impacting the response to the pandemic. It was evident that multilateralism, in its current form, is incapable of dealing with its misuse by strategic rivals. To counter this, countries have always come together in smaller groups to formulate, influence or negotiate in or outside multilateral frameworks. India needs to realise its development cooperation objectives through engagements at plurilateral forums like the G20, BRICS and South Asian Association of Regional Cooperation (SAARC).



India should actively participate in the G20's efforts in mobilising development finance and cooperation amid the COVID-19 crisis. G20 leaders have expressed a need to consider aid for displaced people, vulnerable groups and LDCs that are seriously affected by the pandemic (40). Some African countries and small island nations will need greater support from ODA along with other emergency finance support systems. India should promote healthy development cooperation among G20 member countries and complement global development finance in meeting the disastrous consequences of COVID-19.

At the 15th G20 Leaders' Summit in November 2020, Indian Prime Minister Narendra Modi highlighted the importance of building an inclusive, sustainable and resilient future, and called for effective global governance in the post-pandemic world and reformed multilateralism (41).

Engagement with regional bodies need to be more strategic through the clear articulation of India's policies on development issues. India can utilise the NDB established by BRICS to raise direct new resources for development partnerships. As of November 2020, the NDB has approved 65 sustainable development and infrastructure projects worth US\$21 billion across all BRICS economies (42). These projects touch key development areas for the partnering countries, spanning clean energy, transport infrastructure, water resource management, urban development, environmental efficiency and social infrastructure.

Through the SAARC, India engages with Afghanistan, Bangladesh, Bhutan, Maldives, Nepal and Sri Lanka as an active development partner, with several ongoing projects in these countries. The engagement is based on a consultative, non-reciprocal and outcome-oriented approach, while focusing on delivering benefits such as greater connectivity, improved infrastructure and strong development cooperation in various sectors.

## **Conclusion**

There is no doubt that India needs a new institutional architecture for development cooperation that is more aligned with its global ambitions. It must take into account emerging global development challenges in the post-COVID-19 world, such as public health and climate change. To assert itself at a global scale, India must employ



development cooperation objectives and utilise multilateral and plurilateral forums through a strategic plan.

In its current form, the DPA does not reflect the growing mandate of India's development partnership. The DPA must be strengthened into a standalone body that can have long-term and short-term strategies, including addressing concerns around accountability, autonomy and responsiveness. A comprehensive policy on India's development cooperation can be addressed only by a strong and autonomous agency that can coordinate with various departments of the government.

India needs to move from providing need-driven and demand-driven aid to friendly neighbouring countries to a much more focused approach with clearly defined objectives, such as environmental protection, strengthening of public health systems and eradicating poverty. India's Development Cooperation Act must articulate a policy roadmap for this vision that reflects the aspirations of the country in the post-COVID-19 world. Furthermore, there is a need to create strategic clarity and public accountability as the contributions to development cooperation overseas grow and projects come under increased scrutiny.



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# 5

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## THE WAY FORWARD



**T**he year 2020 was marred by disease, despair and death. UN Secretary General Antonio Guterres described the COVID-19 pandemic as the worst crisis since the Second World War, often described as the most destructive event in history (1). The Second World War led to a high toll on human lives and infrastructure, much of Europe and Asia were left in ruins, and most countries struggled with high inflation and shortages of essential goods. The pandemic has been a difficult test for the world, but hope lies in the fact that the period immediately following the Second World War was characterised by peace, economic prosperity and rising living standards. The road to recovery from the pandemic lies in international cooperation. But so far, the response to the health and economic emergency has been national.

Unlike many of the richer countries, India has sent a message of collaborative unity through various initiatives, such as its ‘Vaccine *Maitri*’ effort. Its relief measures, such as providing food and medical aid, have cemented ties with Africa and the neighbourhood, and its vaccine diplomacy is being hailed globally. In the words of IMF Chief Economist Gita Gopinath, India “stands out” in its vaccine policy. Notwithstanding its current success, the next decade presents several challenges for India’s economic diplomacy. This volume of essays was an attempt at understanding and predicting upcoming trends in the areas of politics, economy, health, technology, climate and sustainable development, and making appropriate recommendations to strengthen India’s foreign economic diplomacy.

Some of the main conclusions emerging from the essays are:

- **US:** India’s economic diplomacy with the US should focus on five areas—trade, migration, capital flows, technology, and standards and regulations—because the country’s development will require sourcing critical goods, investment and technologies; ensuring market access; absorbing best practices and knowledge and leveraging international agreements for domestic competitiveness.
- **China:** China undoubtedly presents the greatest challenge to India’s foreign policy. Despite the military standoff in Ladakh and the unilateral action taken by India against some Chinese apps and contractors, completely decoupling from China may not be possible. Instead, India should work towards establishing



clear objectives in its economic engagement with China and to make necessary changes in the structures of its own policy framework.

- **European Union:** India and the EU are important stakeholders of the multilateral global system. Despite the stalling of the India-EU Free Trade Agreement, economic cooperation between the two regions has grown in recent years. Over the years, India's ties with the EU have evolved from a donor-recipient relationship to one that is based on partnership. A pragmatic approach can overcome long-standing differences in trade relations.
- **Indo-Pacific:** The Indo-Pacific will define the dynamics of international affairs in the next decade not just as a strategic construct but also as a vast region that creates unique opportunities in terms of the blue economy, regional economic integration, and connectivity infrastructure to promote trade.
- **Gulf:** The Gulf Cooperation Council had an important place in India's hydrocarbons equation but post-pandemic economic recovery in the Gulf will accelerate the transition towards clean energy, digitisation of services, and a consequent need for skilled manpower. This will eventually lead to a reconfiguration in India's economic ties with the region.
- **Africa:** To improve the effectiveness of its development partnership with Africa, India must develop a clear and well-articulated vision that includes continued emphasis on capacity building programmes. Civil society organisations and NGOs must be partnered with to implement development projects, public support must be generated for development-friendly Indian investments in Africa, and the educational experience of African students in India must improve.
- **Food Security:** Even as India plays a key role in food security in developing countries through technology partnerships and by providing food aid in emergency situations, a deep agrarian and nutrition crisis prevails in the country. A universal public distribution, and a review of India's policy on agricultural subsidies and its stance at WTO could help resolve the situation.
- **Climate Change:** Climate and clean energy collaborations are especially important for developing countries, which are buffeted by the twin challenges of low energy access and a high growth imperative. With its impressive track record



in meeting its nationally determined contributions, India has the potential to play a leadership role by advocating international action on low carbon transitions, developing climate resilience and adaptation measures and mobilizing climate finance to implement these measures.

- **Health:** The COVID-19 pandemic has demonstrated the critical importance of global health in discussions on economy, politics, society, foreign policy, security and diplomacy. India's approach to global health diplomacy and its advocacy of regional and international cooperation to fight the pandemic is in stark contrast to the inward-looking attitude of several major countries.
- **Global Value Chains:** Global value chains play a critical role in international trade, but the pandemic has exposed their fragility and lopsided nature. Exports from developing countries have taken a major hit; India and the other developing countries must reassess their trade policies in the light of current challenges. The declining competitiveness of Indian exports in sectors like textiles and clothing, gems and jewellery, and leather and leather products can be reversed by adapting certain specific strategies, strengthening the 'right kind' of linkages to global value chains and leveraging digital technologies.
- **World Trade Organisation:** A new round of trade negotiations should be anchored firmly in the Sustainable Development Goals so that trade liberalisation regains legitimacy among all stakeholders.
- **Labour mobility:** Global labour mobility is crucial for India's development aims, and has been a key part of the country's economic diplomacy agenda at the WTO and during various multilateral and plurilateral negotiations. The COVID-19 pandemic has accelerated many of the shifts in labour mobility that were already underway, including the phenomenon of 'virtual migration'. India's economic diplomacy must recalibrate to take into account some of the dramatic shifts that are unfolding.
- **Sustainable Development Goals:** The pandemic has dealt a severe blow to the Sustainable Development Goals (SDGs). Poverty and unemployment have risen and the impact on health and wellbeing have been cataclysmic. The SDGs should become central to development partnership programmes. India must share its learnings through its work on renewable energy, energy efficiency,



climate smart agricultural practices and relevant scientific research in these areas.

- **Data Governance:** Data has often been described as ‘the new oil’ and global data governance has become a hotly contested topic. India supports ‘data sovereignty’ and the country also intends to play the role of a rule shaper. Three pillars lie at the core of India’s data diplomacy—leveraging data as a key tool of economic growth, resisting moves that provide for unbridled cross-border data flows, and promoting data security in geopolitical disputes.
- **Development Cooperation:** There is great potential for the involvement of civil society organisation, NGOs and tech start-ups in India’s development cooperation initiatives. These organisations will bring their efficiency and expertise and improve the effectiveness of India’s development cooperation. The strengths of several existing organisations in the education and healthcare sectors can be leveraged to scale up the delivery of development assistance.
- **Institutional Architecture:** India now a clear vision to lead the sustainable development agenda, along with a new institutional architecture to address issues of delivery, monitoring and evaluation mechanisms. The country can adopt five major approaches to achieve this goal—a Development Cooperation Act passed by parliament, establishing an independent development partnership agency, greater private sector and civil society engagement, multilateralism, and plurilateralism.



## Endnotes

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