

# For the Global Good

## India's Developing International Role

A Chatham House Report

Gareth Price



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May 2011



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## About the Author

**Dr Gareth Price** is a Senior Research Fellow at Chatham House and a member of the Asia Task Force of the UKTI. His research focuses on South Asia, examining issues such as India's foreign policy and its domestic political economy. He has written a number of articles and papers, recently contributing a chapter on South Asia to a Chatham House book examining America's global role. Before working at Chatham House he worked on South Asia at the Economist Intelligence Unit and Control Risks Group. His PhD explored the politics of Northeast India.

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# Acknowledgments

This report stems from a number of years' work exploring India's foreign aid programme and various aspects of its contribution to global public goods. During several periods of fieldwork, notably in January and February 2010, many interviewees were generous with their time, outlining current thinking within India on issues of global development. Any inaccuracies in fact or interpretation are, however, my responsibility alone.

G.P.

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# List of Acronyms

ASEAN	Association of South-East Asian Nations
BASIC	Brazil, South Africa, India and China
BRICs	Brazil, Russia, India and China
DEA	Department of Economic Affairs
FAO	Food and Agriculture Organization
FTA	Free Trade Agreement
GHG	Greenhouse gases
IBSA	India, Brazil and South Africa
ITEC	Indian Technical and Economic Cooperation scheme
LoCs	Lines of credit
MEA	Ministry of External Affairs
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental organization
RES	Renewable Energy Standard
SAARC	South Asian Association for Regional Cooperation
SMEs	Small and medium-sized enterprises
WFP	World Food Programme

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# Executive Summary

In recent years Western countries have encouraged India to play a more active global role, as have other emerging powers. India has attempted to do so in many areas, and it has sought to be recognized as a global actor, not least by campaigning for a permanent seat on the UN Security Council. This report examines India's evolving approach to its global role in four broad areas: development, trade and investment, security and democracy, and the environment. It assesses current thinking within India towards these global challenges and examines how policy is evolving. India and the West frequently approach these challenges in divergent ways, but in some areas there is clear scope, and a shared desire, for better mutual coordination. Nevertheless most Indian policy-makers still focus primarily on the urgent domestic challenges their country faces rather than on its aspirations to a greater global role.

## Development

India's 'traditional' foreign aid activities include the ITEC (Indian Technical and Economic Cooperation) scheme, which provides a range of training and capacity-building. The Ministry of External Affairs is responsible for bilateral assistance, the bulk of which targets countries in South Asia, notably Afghanistan. India has also provided debt relief to some heavily indebted poor countries, and runs a small aid programme through the IBSA (India, Brazil and South Africa) grouping. Within South Asia much of India's assistance is intended to fund projects of mutual benefit to the recipient and to India. Outside the region it is keen to stress that assistance

stems from the requirements of the recipient and is not imposed by India.

## Trade and investment

Indian direct investment was negligible before the last decade. Since then Indian firms have invested in the order of US\$75 billion in overseas companies. While much of this investment has been in developed countries, a significant proportion has gone to other developing countries. Levels of trade have also risen substantially. For both trade and investment, India's private sector sees itself as producing appropriate, adaptable and affordable products for other developing countries. The Indian government has facilitated trade since 2003 through the expansion of its concessional lines of credit (LoCs), directed via the Exim Bank.

## Security and democracy

From India's standpoint, its long-standing contribution to UN peacekeeping reflects an ideal convergence of factors: peacekeeping is conducted through a multilateral framework; it demonstrates India's global commitment; Indian soldiers receive training and benefit financially. However, India's ability to undertake military operations in its neighbourhood is limited and memories of the ill-fated Indian Peace Keeping Force in Sri Lanka remain strong. The notion of democracy promotion runs counter to India's strong adherence to the concept of non-interference. Nonetheless, India takes pride in portraying itself as the world's largest democracy and a debate is beginning to emerge over whether its foreign policy should shift to reflect this status.

## The environment

Given its size and population, India has the potential to make a significant contribution in tackling climate change through its domestic policies on renewable energy,

adopting low-carbon technology and forest conservation. India's forest cover is an important source of carbon sequestration. However, despite its recognition of the threat of climate change, India's priority remains economic growth. It is likely to continue to work primarily with the BASIC bloc (Brazil, South Africa, India and China) in climate change negotiations, and is likely to do the minimum required in order to avoid international criticism. At the same time, steps are under way within India to utilize renewable energy to provide power to communities that were previously off-grid.

## Conclusions

Seven broad conclusions can be drawn from this report.

1. There is an overall preference within India for practical projects rather than theoretical positioning. This affects India's attitude towards development assistance, and to issues such as democracy promotion: few objections would be raised, for instance, to assisting in an electoral process in a third country, but there is much less support for making 'democracy promotion' a key part of Indian foreign policy.
2. India's attitude is, unsurprisingly, conditioned by its own experience. Thus, in the development sphere there is a widespread dislike of 'three-year projects' – schools or clinics which slowly slide into disrepair when the funding has ceased. Consequently, there is a preference for training programmes, the benefits of which remain after the 'project' is completed.
3. India clearly finds it easier to forge deeper partnerships with other emerging powers than with established developed countries. It acts in line with its perceived national interest, which frequently has a closer correlation with the interests of countries such as Brazil and South Africa than with those of the West. Furthermore, India utilizes certain relationships for specific purposes. Thus IBSA is the primary relationship that advances its quest for a permanent UN Security Council seat, while the BASIC bloc is the primary means of advancing India's case on climate change.
4. There is little indication that India's policy is shifting towards that of the West. While Western development agencies argue that their approach demonstrates best practice, India argues that it is not yet at a comparable stage of development, and therefore adopts a differing approach to assistance.
5. The Nehruvian notion of non-interference retains a considerable influence on India's policy-making, affecting its approach to development as much as it does to broader foreign policy issues. Thus assistance is given in response to requests from other countries, not imposed by India. That said, some projects clearly reflect India's own strengths – in areas such as information technology, for instance. For other countries, engaging with these groups and sectors is as important as engaging with the government.
6. India's government is but one element of 'India'. The private sector plays a key role in development assistance; Indian NGOs and civil society are increasingly active at an international level. Rather than government setting an agenda, frequently the agenda is set by other sectors or groups within India.
7. While other countries hope that India will play a broader international role, for now India's international positioning is a niche issue among Indian policy-makers. And while India's middle class is often keen to see India punching its weight in the world, policy-makers in India tend to be more concerned about domestic development than about the country's international standing. This situation is unlikely to change until India resolves its domestic development challenges.

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# 1. Introduction

Through its growing influence on international affairs, especially within its region, India can assist in the delivery of key global and regional ‘public goods’ such as poverty reduction, combating the impact of climate change and contributing to global growth. It already plays a significant role in the provision of global public goods. This lies at the heart of the country’s interaction with multilateral institutions, coupled with its concern about the under-representation of developing countries in those bodies that define global public goods<sup>1</sup> and, most importantly, finance their provision. At the same time there is an increasing desire on the part of other countries to engage more closely with it on a range of global challenges, not least development.

This report outlines India’s policy towards and provision of a range of global public goods and assesses likely future trends. It draws on several years’ work at Chatham House examining India’s global role, regional relationships, aid policy and approach towards natural disasters.<sup>2</sup>

India provides a range of global public goods and has the potential to offer more, notably in South Asia. The chapters of this report explore India’s current and potential impact on development, trade and investment, security and democracy, and the environment, including climate change. The report also assesses its role in Afghanistan, by far the most important example of Indian overseas assistance today.

Indian policy-makers do not, however, view India as a provider of development assistance; consequently they do not strategize about the country’s potential contribution to ‘development’. In many cases the government plays an enabling role for the private sector, which, while motivated by profit, often ends up playing important roles in development objectives. Consequently, assistance is not conceived in sectoral terms. Instead, the government facilitates a range of separate projects on a country-by-country basis, with the private sector taking the lead.

Similarly, India’s contribution to global public goods does not stem simply from government actions. While the government plays a role, Indian NGOs are increasingly active internationally, and the private sector is also making significant contributions through, for instance, the provision of low-cost medicines and irrigation equipment.

India’s foreign aid programme is also expanding. The training of officials from other countries is on the increase. The IBSA Trust Fund provides an innovative means of delivering assistance to other countries and demonstrates that India is amenable to pooling sovereignty in the provision of assistance. There is also a willingness to undertake more substantial assistance programmes, seen most clearly in the Pan-African E-Network project. This triggered a discussion over whether India should create a specific government department to coordinate aid. This idea has been rejected for now but remains on the back burner.

Although the private sector plays a key role in India’s overall role as an aid-giver, India’s programme is likely to be refined in the future. In recent years lines of credit have been used to fund questionable projects such as the construction of presidential palaces and cricket stadiums, as well as those (such as irrigation) with more clear-cut developmental outcomes.

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1 The classic definition of public goods is that they are ‘non-rival’ in consumption – that is, consumption by one does not reduce the availability to another – and ‘non-excludable’ – no one can be excluded from their benefits. The domain of global public goods has extended to a range of fields that do not necessarily meet these tests but are seen as public goods because of public choice; thus the UN Millennium Development Goals are regarded as global public goods.

2 See C. Lata Hogg (2007), *India and its Neighbours: Do Economic Interests Have the Potential to Build Peace?*, Chatham House Report; G. Price (2004), ‘India’s Aid Dynamics: From Recipient to Donor?’, Asia Programme Working Paper, Chatham House; G. Price (2005), ‘Diversity in donorship: the changing landscape of official humanitarian aid India’s official aid programme’, ODI; G. Price (2009), <http://www.odi.org.uk/resources/details.asp?id=3279&title=states-crisis-india-humanitarian-action>; Elizabeth Sidiropoulos (2011), *India and South Africa as Partners for Development in Africa*, Chatham House Briefing Paper.

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## 2. Development

### Aid

India has a small 'traditional' aid programme of grants and assistance, but recognizes that it is not a regular aid donor. Nonetheless, policy-makers understand that both aid and increased economic interaction with other countries can help to reposition India as an emerging power with 'recipient' nations and with other donors. In terms of traditional aid, India provides funding to a range of United Nations and World Bank agencies; for example, it recently became a donor to the World Bank's Trust Fund for South-South learning.<sup>3</sup>

Traditionally, India has offered assistance to other countries through training and capacity-building. The Indian Technical and Economic Cooperation scheme (ITEC) was founded in 1964 and was seen as an important demonstration of India's commitment to South-South cooperation in the 1960s and 1970s. Although interest in the project then waned somewhat it has resurfaced over the last decade. (Appendix 1 sets out recent spending on technical and economic cooperation with other governments.)

The government of India funds the full cost of training for the selected candidates. In 2004/2005, approximately 3,400 foreign trainees benefited from these programmes.<sup>4</sup> In 2008/09 and 2009/10 around 200 training courses

were offered at 43 institutions in India to more than 5,000 candidates, including at least 500 from Afghanistan (see below). The ITEC programme (along with its sister programme, the Special Commonwealth Assistance for Africa Programme, which targets the 19 African countries in the Commonwealth) costs around Rs 500m. In total around 156 countries are eligible, with African countries being the recipients of the majority of these scholarships.

The scheme has several components. As well as training, it provides for project aid and technical assistance, study trips and some humanitarian assistance, in particular for disaster relief. Countries are allocated certain slots in ITEC which can then be used for one of the various schemes; the slots are allocated annually by the Ministry of External Affairs (MEA) according to the perceived importance of the recipient. In Africa, the Team-9 countries<sup>5</sup> have been prioritized in recent years; more generally:

Countries like Mauritius, South Africa and Uganda (with large Indian diasporas and/or economic importance) receive a relatively large number of slots, while countries with hardly any Indian diaspora, no natural resources and no economic influence receive only a tiny amount of slots.<sup>6</sup>

The range of projects undertaken through ITEC is broad and eclectic. Recent ones include solar-energy plants in Cuba and Costa Rica; a computer system for the prime minister of Senegal; fitting artificial limbs in Cambodia and Uzbekistan; and a vocational training centre for small and medium-sized enterprises in Zimbabwe.<sup>7</sup>

The IBSA grouping of India, Brazil and South Africa arose out of demands for UN reform.<sup>8</sup> Established in June 2003, the IBSA Dialogue Forum provides a platform for better cooperation in areas such as agriculture, trade, culture and defence. The aim is to contribute to the creation of a new international architecture and articulate

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3 World Bank (2010), 'South-South Experience Exchange Trust Fund'. <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/ORGANIZATION/CFPEXT/EXTTRUFUN/EXTMAINPRO/EXTSEETF/0,,contentMDK:21936473~pagePK:64168427~piPK:64168435~theSitePK:5279897,00.html>.

4 Government of India, Ministry of External Affairs, 'A Note on Indian Technical and Economic Cooperation', <http://itec.nic.in/about.htm>.

5 Set up in 2004, the Techno-Economic Approach for Africa India Movement includes Burkina Faso, Chad, Côte d'Ivoire, Equatorial Guinea, Ghana, Guinea Bissau, Mali and Senegal along with India.

6 P. Kragelund (2010), 'India's Africa Engagement', Real Instituto Elcano. [http://www.realinstitutoelcano.org/wps/portal/rielcano\\_eng/Content?WCM\\_GLOBAL\\_CONTEXT=/elcano/elcano\\_in/zonas\\_in/ari10-2010](http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/ari10-2010).

7 See <http://itec.nic.in/projects.htm> for a fuller list of projects.

8 See India-Brazil-South Africa Trilateral, <http://www.ibsa-trilateral.org/>.

a common policy on global issues, although differences in approach and national interests frequently emerge. The following year saw the creation of the IBSA Trust Fund.

The dialogue with Brazil and South Africa has shifted towards a discussion of their potential contribution on global public goods and the Trust Fund, while small-scale, suggests a potential willingness for greater pooling of sovereignty in India's aid provision. Each of the three member countries contributes US\$1m annually. Its purpose is to identify replicable and scalable projects that can be disseminated to interested developing countries as examples of best practices for tackling poverty and hunger. Projects under the IBSA Trust Fund are carried out in collaboration and consultation with partner countries.

Projects include a solid waste collection project in Haiti; the introduction of new seeds and capacity-building in improved agricultural techniques in Guinea-Bissau; and the refurbishment of two local, isolated health units in Cape Verde. Other projects are being considered in Laos (on irrigation and watershed management), Burundi (capacity-building in HIV/Aids), Palestine (construction of a sports facility) and Timor-Leste.<sup>9</sup> The choice of countries targeted seems somewhat ad hoc. South Africa's foreign ministry had advocated a focus on countries in Africa.<sup>10</sup> The Palestinian project may reflect India's long-standing support for Palestine, notwithstanding its currently close relationship with Israel; and it may find Laos politically easier than a country in South Asia.

IBSA stresses that education is vital for social equity, and India leads in this sector. The countries are keen to present their assistance as different from that of traditional donors. The project in Haiti, for instance, involves a community-based waste collection system. While it is not dissimilar to thousands of NGO-run projects in developing countries, the three countries are keen to stress that the project is community-owned and not imposed externally.

India is increasing its efforts at coordination with other donors, signing the Paris Declaration on Aid Effectiveness

(as a recipient rather than a donor). It has joined the Nepal development forum, the Afghanistan reconstruction trust fund and the multi-donor fund for Iraq, and was a member of the group of four countries (along with Australia, Japan and the United States) that coordinated the international response to the 2004 Asian tsunami. But in Africa, India has rarely coordinated with other donors. This reflects the fact that the engagement is being led by the private sector rather than the government.

One sector in which India enjoys a significant comparative advantage is information and communications technology (ICT), and it seems to be refocusing its technical assistance towards this sector. India has been keen to share its technical expertise in both South Asia and Africa. The largest single development project it has undertaken is the \$117m Pan-African e-Network Project, funded through the MEA and linking schools and hospitals in Africa with those in India. So far 33 countries in Africa have joined the scheme.

As well as health and education, the project provides other services such as e-governance, e-commerce and resource mapping. It also provides a secure closed satellite network to enable connectivity between African heads of state. The project was undertaken by the state-owned Telecommunications Consultants India Ltd (TCIL). Over a five-year period 10,000 African students will receive education at a variety of levels while the hospitals will provide on-line medical consultation for one hour each day, and TCIL will train local staff to operate the systems. India has also offered to set up a similar system for six small island states in the Pacific.<sup>11</sup> The importance of the Pacific island states in climate change negotiations, and their potential support in the UN, reportedly played a role in the offer.<sup>12</sup>

India is funding a number of other projects throughout Africa.<sup>13</sup> Among major up-coming projects is a scheme to set up 19 new training institutes in Africa, in coordination with the African Union (AU). Four of these will be Africa-wide,

9 Government of Brazil, Ministry of External Relations. [http://www.mre.gov.br/ingles/imprensa/nota\\_detalhe.asp?ID\\_RELEASE=5872](http://www.mre.gov.br/ingles/imprensa/nota_detalhe.asp?ID_RELEASE=5872).

10 Government of South Africa, Department of International Relations and Cooperation. [http://www.dfa.gov.za/department/report\\_2008-2009/part%20iii.pdf](http://www.dfa.gov.za/department/report_2008-2009/part%20iii.pdf).

11 The Solomon Islands, Palau, Nauru, Tuvalu, Micronesia and Vanuatu.

12 'India plans e-network for small Pacific island states', New Kerala.com, 30 January 2010. <http://www.newkerala.com/news/fullnews-41442.html>.

13 Most, if not all, are detailed on an MEA website, India Africa Connect, <http://www.indiaafricaconnect.in/indiaafrica-projects.php>.

offering training in IT, foreign trade, diamond polishing and education planning. Ten vocational training institutes will be set up across Africa, as well as five 'human settlement institutes', offering training in the construction of low-cost housing.<sup>14</sup> The AU will determine the location of the institutes, the host country will provide the land and construct the buildings and India will run the centres for three years, after which they are intended to be self-sustaining.

The MEA is responsible for assistance for lines of credit in South Asia as well as for aid projects. However, the MEA faces increasing capacity constraints. Its small staff of around 700 face an increasing workload as other countries increasingly strive to engage with India.

Afghanistan (see below) and Bhutan are the major recipients of assistance at present. A large proportion of assistance to Bhutan comprises support (through both grants and loans) for a range of hydro-electric schemes. The electricity generated is then sold back to India. Road-building, undertaken by the Border Roads Organization, part of the Ministry of Defence, is also significant. Most other projects are implemented by the Bhutanese government, which puts them out to tender to Indian or Bhutanese companies.

Nepal is the third largest recipient of MEA assistance. India was responsible for the construction of Nepal's basic infrastructure in the 1950s and 1960s, and in recent years has shifted towards supporting grassroots social-sector projects in education, health and sanitation. Many Indian-funded projects are located in southern Nepal, with expected benefits for neighbouring districts of India. Along with the MEA, the Department of Border Management, part of the Ministry of Home Affairs, plays a role in the construction of roads in border areas. Both Bhutan and Nepal benefit from Indian subsidies on items such as fertilizer, kerosene, cooking oil and some foodstuffs.

The 2007/08 budget proposed the creation of an India International Development Cooperation Agency, which would consolidate Indian aid and allow for larger projects. The idea of consolidating the various governmental stakeholders stemmed from the experience of the Pan-African e-Network. However, the creation of the agency stalled and neither the MEA nor the Department of Economic Affairs

(DEA) seemed keen to lose budgets. In May 2010, after objections from the Department of Personnel and Training (backed by the prime minister), the idea was dropped.

This bureaucratic in-fighting contributes to the slow pace of change. Until such an agency is created India's assistance will remain ad hoc and private-sector-led. For now, India intends to strengthen 'project management' in the already over-stretched MEA.

‘ It is still politically difficult, domestically, to be seen to provide assistance to other countries when India itself faces major development challenges ’

While Indian policy-makers remain uncertain about what is and is not successful in terms of domestic development strategies, there is little likelihood of a state-led strategy to export 'development' on a large scale to other countries. India will also remain reluctant to use the same language as the West in describing its assistance. It is still politically difficult, domestically, to be seen to provide assistance to other countries when India itself faces major development challenges. Rather than calling it 'development assistance' or 'aid', India will continue to talk of 'South-South cooperation'. In part it is correct to do so: India itself recognizes that the assistance it gives is not comparable to that given under the OECD's Development Cooperation Directorate (OECD-DCD) Development Assistance Committee (DAC) guidelines. But the fact that India differentiates itself in this way from other donors makes engaging with it more challenging.

## Food security

From being a net recipient of food aid in 2000, India became the 15th largest donor to the World Food Programme

14 See India Africa Connect. <http://indiaafricaconnect.in/africa%20quarterly/Feb-April-2010.pdf>.

(WFP) in 2005, when its contribution peaked at \$33.7m. In 2009 it provided food worth \$17m and in 2010 \$18m.<sup>15</sup> In 2008, despite having imposed export restrictions owing to high global food prices in order to protect domestic supply, India sold rice at below market rate to the WFP, saving it \$43m.<sup>16</sup> India plays an increasingly important role in providing food security in South Asia, notably to Afghanistan as well as Iraq. The provision of biscuits to schools has played a role in encouraging female education in Afghanistan.

The WFP also runs a range of programmes in India and provides most of the food aid that is internally disbursed. This familiarity (as well as a generic preference for working with UN bodies) has encouraged India to increase its food assistance. Decisions over whether to provide assistance to the WFP are made by the Ministry of Agriculture, although the MEA determines which countries should be targeted. India appears to have shifted away from bilateral food assistance (in 2004 it provided 20,000 tonnes of wheat to Sudan but the impact was undermined by weak reporting structures) and is instead concentrating assistance through the WFP. India is also a member of the Inter-Governmental Working Group (a subsidiary of the Food and Agriculture Organization's Committee on World Food Security) which is formulating voluntary guidelines to address issues of food security and enforce the right to adequate food.<sup>17</sup>

While it may seem ironic that India provides food aid to other countries when many Indians are malnourished, the issues are separate. Malnourishment in India stems from a range of issues; poor distribution systems, gender discrimination and a range of health, sanitation and feeding and caring practices. It does not stem from an overall lack of food: the food that India provides through the WFP is surplus to domestic requirements.

India's economic growth is changing food consumption patterns, with increased demand for meat, dairy products and cooking oils. These trends will continue. India is already the world's largest consumer of sugar and tea, and

the second largest consumer of wheat, rice, palm oil and cotton. Depending on the balance between demand and supply, India can make a major impact on the price of agricultural commodities. India is a major exporter of tea, coffee and sugar. It is relatively self-sufficient in most food grains but is frequently a major importer of wheat and constantly an importer of edible oils (imports of which were worth \$2.4bn in the first six months of 2009/10).<sup>18</sup>

Global food security forms part of India's strategic dialogues with several countries. The issue is one of the five pillars of its dialogue with the United States; Secretary of State Hillary Clinton has praised India for its role in providing food security, noting that with only 3% of the world's area it feeds 17% of the world's population. India is a strategic partner of the United States in the Feed the Future Initiative. This aims to strengthen agriculture globally through the replication of India's own Green Revolution. The project focuses on enhancing crop productivity and introducing technology for sustainable production in 20 countries in Africa, Asia and Latin America. The spread of Indian mobile phone and ICT companies into other developing countries could enable the widespread provision of a range of facilities, such as e-Choupal, which gives farmers details of crop prices, as well as weather forecasts and information regarding farming practices and crop insurance.

In March 2010 the BRIC countries (Brazil, Russia, India and China) agreed to cooperate to ensure global food security and to develop a common strategy to ensure access to food. India's agriculture minister, Sharad Pawar, noted that nearly 40% of the world's population live in the BRIC countries. Were India and China unable to feed their citizens, the fall-out in terms of global food security could be disastrous.

Improving food security has also been a feature of the South Asian Association for Regional Cooperation (SAARC); in 2009 the South Asia Food Security Programme was launched, with funding of \$25m (from the

15 WFP, <http://www.wfp.org/about/donors/wfp-donors>.

16 WFP, 'Food Procurement Chief Praises India for "Humanitarian Exception"', 3 March 2009. <http://www.wfp.org/stories/food-procurement-chief%20-india-humanitarian-exception>.

17 Government of India, Ministry of Consumer Affairs, Food and Public Distribution. [http://fcamin.nic.in/dfpd/EventListing.asp?Section=International%20Cooperation&id\\_pk=126&ParentID=0](http://fcamin.nic.in/dfpd/EventListing.asp?Section=International%20Cooperation&id_pk=126&ParentID=0).

18 Government of India, Ministry of Finance, *Economic Survey 2009/10*. <http://indiabudget.nic.in/es2009-10/chapt2010/tab72.pdf>.

Asian Development Bank, the International Fund for Asian Development and the Food and Agriculture Organization) for ten projects, focusing on scientific advances as a vital means of improving production and nutrition. In 2009, India donated 153,200 tonnes of food-grains to the SAARC food bank, established late in 2008. This builds on the SAARC food reserve, which was established in 1988 and intended to provide emergency relief for severe food shortages. The food bank will continue to do this, but will also provide a regional food security reserve during times of more regular food shortages.<sup>19</sup> While progress has been slow, this is likely to be the primary means by which India contributes to regional food security.

There remain major challenges in India's domestic food security. Inflation, often caused by hoarding, reduces access to food; India has become a net importer of pulses (vital for protein in a country with many vegetarians) as well as cooking oil, and productivity is low by international standards. Investment in agricultural research has declined in recent years, following the success of the Green Revolution. Productivity in rice is one-third that achieved in other countries, while that in cotton is one-sixth.

With regard to domestic malnutrition, there is an increasing recognition of the utility of entitlements rather than just transferring food (although the provision of subsidized food grains to families below the poverty line in conjunction with the World Food Programme remains important in tackling malnutrition). The National Rural Employment Guarantee Act was introduced in part as a means of enhancing food security, since it was recognized that the market would provide food to those in need whereas direct food hand-outs were susceptible to corruption and misappropriation.

This recognition, however, has not yet been transferred to India's approach to global food security, which remains premised primarily on food aid. India imposed an export

tax on basmati rice to secure its domestic food supplies in response to the sudden rise in food prices in 2008.<sup>20</sup> The tariffs included a minimum export price of \$1,200 per tonne and an export duty of Rs 8,000 per tonne.<sup>21</sup> In the same year, the government banned the export of all non-basmati rice products. In 2010 it allowed a limited quantity of these products to be exported to Sri Lanka and Nepal.<sup>22</sup> Similarly, in 2007, the government had banned wheat exports, although limited exports to Nepal were permitted in 2010.<sup>23</sup>

## Conclusion

India's development assistance programme reflects a conscious effort to reposition the country as an emerging power. At the same time, India is keen to reinforce the point that much of its assistance programme (for instance the ITEC scheme) long pre-dates recent economic growth. This tradition of helping to build the capacity of other developing countries reflects India's non-aligned movement heritage: it remains keen to stress that it does not impose its own assistance agenda on other countries: rather, it meets their needs. Such an approach, in the view of many policy-makers, negates the need for a specific ministry to deal with its assistance programme.

This focus on training reflects India's own preference for sustainable assistance. There is widespread criticism among Indian policy-makers of short-term projects that rapidly unravel following the ending of the three- or five-year funding cycle.

India is likely to gradually expand the ITEC scheme and its government will continue to lead assistance within the region (and notably in Afghanistan). However, in other parts of the world, and most notably in Africa, India's 'traditional' aid programme is likely to play a secondary role to initiatives by its private sector.

19 SAARC (2010), 'Area of cooperation: agriculture and rural'. [http://www.saarc-sec.org/areaofcooperation/cat-detail.php?cat\\_id=44](http://www.saarc-sec.org/areaofcooperation/cat-detail.php?cat_id=44).

20 Reuters, 'Factbox: Countries curb food exports to secure supplies', 29 April 2008. <http://www.reuters.com/article/idUSL2915039620080429>.

21 'Export curbs on Basmati rice likely to go', *The Hindu*, 6 January 2009. <http://www.hindu.com/holnus/001200901062027.htm>.

22 Reuters, 'India allows some rice exports to Nepal, Sri Lanka', 4 March 2010. <http://in.reuters.com/article/idINIndia-46632720100303>.

23 'India to allow export of 50,000 tonnes of wheat to Nepal', *Nepal News*, 10 February 2010. <http://www.nepalnews.com/main/index.php/business-economy/4088-india-to-allow-export-of-50000-tonnes-wheat-to-nepal.html>.

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## 3. Trade and Investment

Until relatively recently India had limited economic interaction with other countries; imports required government licences and overseas investment was restricted. From the 1950s through to the 1980s, Indian industry focused on the domestic market, and was 'satisfied with protectionist policies'.<sup>24</sup> During the 1980s and 1990s the so-called Bombay Club, which included many private-sector companies, argued against opening up the economy on the grounds that imports were more competitive than domestically produced goods because of India's poor infrastructure.

The subsequent change has been rapid. During the past two decades, India's trade has grown twenty-fold. Foreign investment by Indian firms has also increased. Until 1992 it was difficult for any Indian firms to invest overseas. In 1992 an automatic route for foreign investment was introduced: the value was restricted to \$2m with outflows not exceeding \$500,000 over three years. But in the 1990s India's overseas investments amounted to just \$110m. Large-scale foreign investment only became viable with the 2000 Foreign Exchange Management Act, which raised the limit for overseas investment to \$50m in one year. In 2002 this limit was raised to \$100m.

While many Indian companies have focused on developed economies, their products often have significant

utility in other developing countries. The Confederation of Indian Industry describes a 'Triple A' advantage in which the goods of Indian firms are 'appropriate, adaptable and affordable'. There is a vast range of products from Indian firms, sold first to a domestic market and now exported overseas. Indian companies' experience of selling goods to India's large, but generally poor, domestic market is relevant for many other developing countries. Cheaper and lower-technology Indian goods (such as buses) often prove preferable to more advanced alternatives because local engineers can repair them.<sup>25</sup> Water pumps and irrigation equipment produced by Kirloskar Brothers have enabled 150,000 ha in Senegal to be irrigated.<sup>26</sup> Marketing products to rural communities can have significant implications for employment. Project Shakti, launched by Hindustan Unilever in 2001, employs 31,000 women across 100,000 villages in India. This scheme has since been extended to Sri Lanka, Bangladesh and Vietnam.

The diversification of incomes away from agriculture in many parts of rural India (partly because of the National Rural Employment Guarantee Act) has added to the spending power of rural consumers and encouraged Indian firms to develop new products for them. Tata Chemicals Ltd is test-marketing a low-cost water purifier which it intends to market both domestically and in Africa, Southeast Asia and Latin America; Hindustan Unilever is also developing a home water-purifier system for rural consumers; Godrej Appliances Ltd is test-marketing a battery-powered refrigerator for those who lack regular access to electricity.

Foreign firms are also taking advantage of India's size and diversity to test products targeting the 'bottom of the pyramid'. Samsung has made India its hub for research and development for other developing countries and has begun marketing a phone, made in India, which can be recharged using solar energy. Nokia launched Nokia Life Tools in 2009. This application, which was subsequently

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24 Sanjaya Baru (2009), 'The Growing Influence of Business and Media on Indian Foreign Policy', Institute of South Asian Studies, National University of Singapore, *ISAS Insights* 49, 5 February.

25 When Minister of State for External Affairs Shashi Tharoor said: 'I kept hearing [that] India gave a certain number of buses for example, and China gave four times as many, at a larger cost at least on paper, and often of a newer make; but the Indian buses are still running, the Chinese buses have long since broken down. No one knows how to fix them, the Chinese are not there to help, whereas we are more attuned to their needs, we've brought in the spare parts and trained the maintenance guys, and this has been a huge advantage to us.' <http://tharoor.in/press/the-capacity-to-engage/>.

26 See Kirloskar Brothers Ltd. [http://web.kbl.co.in/kbl\\_internet/images/downloads/exports/Senegal/Senegal%20Brochure.pdf](http://web.kbl.co.in/kbl_internet/images/downloads/exports/Senegal/Senegal%20Brochure.pdf).

introduced in Indonesia, allows rural consumers to access information relating to agriculture and education as well as entertainment. Procter and Gamble has also stressed the importance of India as a testing ground for new products.

Along with ICT (see above), India's **telecoms** and pharmaceutical sectors provide clear-cut developmental benefits. India has witnessed a dramatic growth in domestic mobile telephone services in recent years. Intense competition has driven down costs and profits, leading Indian operators to look abroad. If these companies could replicate their domestic success in penetrating the markets in other developing countries, notably in parts of Africa, there could be significant benefits. Among the major moves is Bharti Airtel's offer of \$10.7bn for the African assets of Zain Telecom which operates in 15 African countries. Essar plans to invest up to \$2bn in seven African mobile phone companies and already has stakes in mobile phone operators in Kenya, Uganda and Congo-Brazzaville.

India's **pharmaceutical** industry developed out of India's patent system which allowed for the reverse-engineering of branded drugs. Since joining the World Trade Organization (WTO), the industry has concentrated on producing generic drugs. This has been of particular benefit in combating HIV/AIDS. The emergence of cheap anti-retroviral drugs (ARVs) has helped to increase access to medicine in poorer countries. In the 1990s, treatment cost between \$10,000 and \$15,000 per person per year. By 2001 the same treatment was available from Indian pharmaceutical companies for under \$300. Now it costs just \$88.<sup>27</sup> The Clinton Foundation has been instrumental in linking demand in Africa with producers in India. India exports around two-thirds of the generic ARVs it produces, dramatically increasing access to medicine. With pharmaceutical firms using India for research and development, the industry seems set to continue to grow.

Until recently, Indian firms were domestically focused, while in the initial years of economic liberalization the

bulk of overseas investment went to developed markets, rather than to developing markets in Africa and Latin America.<sup>28</sup> There are, however, increasing indications that Indian firms are now focusing more on other developing markets. Even though it may lag that with developed countries, economic interaction between India and other developing countries has increased rapidly in recent years, in part enabled by the introduction of concessional<sup>29</sup> lines of credit (LoCs), particularly since 2002.

Between 2003 and 2008 the Export-Import Bank of India (Exim Bank) extended LoCs worth around \$5bn. (Appendix 2 sets out the complete list of LoCs currently offered by the Exim Bank.) When the policy was introduced it had three clear strategic aims:

- revitalizing bilateral relations, not least to increase support for India in the UN;
- improving relations with resource-rich countries; and
- creating economic opportunities for Indian firms.

Subsequently, policy has shifted to spread LoCs more broadly. The projects undertaken have been led by the needs of specific countries. As noted above, while India recognizes that aid is part of foreign policy, it stresses the needs of other countries and does not impose its own solutions. In providing LoCs, the Exim Bank does not have an overriding sectoral preference since such an approach would involve imposing its own priorities rather than those of the recipients. Nonetheless, given the capacity of Indian firms, many of the projects funded through LoCs provide clear developmental benefits, involving sectors such as rural development and agriculture, education and health as well as infrastructure, notably power, renewable energy, irrigation and railways.

In March 2011 India announced the extension of the India Development and Economic Assistance scheme from 2010/11 until 2014/15. India will continue to offer LoCs to both African and non-African countries through the Exim

27 Avert, 'Reducing the Price of HIV/AIDS Treatment', March 2010. <http://www.avert.org/generic.htm>.

28 See J. P. Pradhan (2007), 'Trends and Patterns of Overseas Acquisitions by Indian Multinationals,' Institute for Studies in Industrial Development, New Delhi, p. 20. [http://mpr.ub.uni-muenchen.de/12404/1/MPRA\\_paper\\_12404.pdf](http://mpr.ub.uni-muenchen.de/12404/1/MPRA_paper_12404.pdf).

29 The terms of Exim Bank loans vary depending on the income of the country involved and their level of external debt. While the concessional element is broadly similar for loans under Team-9 Initiative and for most heavily indebted poor countries (HIPC), they vary substantially for some other low-income countries.

Bank. The government has stated that LoCs worth \$8.5bn will be allocated (although previous targets have been missed). The government spending allocated amounts to Rs18.8bn, reflecting the interest subsidy component of the loan. The government has also suggested that concessional LoCs may be used to supplement assistance from other donors, raising the possibility of triangulation utilizing cheaper Indian manufacturers. The press release announcing the move said that the scheme ‘will promote India's political, economic and strategic interests besides building a positive image of India abroad.’<sup>30</sup>

Thus, rather than concentrating on state-led development assistance, the Indian government has acted as an enabler for its private sector, with an important role played

by some state-owned firms, including oil companies and infrastructure companies (such as RITES, which provides engineering and consultancy services in transport and infrastructure).

### Africa

In its relationship with countries in Africa, India stresses the importance of skills and knowledge transfer. Rather than employing Indian workers, and in contrast to Chinese practice, many Indian firms train local staff for particular projects. India lacks the financial resources of China and the West, and stresses shared colonial histories and partnerships. Its long-standing support for decolonization (and opposition to apartheid) gives it stature in many African

#### Box 1: Case study – Ghana

India's engagement with Ghana is one of its deepest in Africa and builds on the close personal relationship between Jawaharlal Nehru and Kwame Nkrumah. Ghana plays the role of the English-speaking hub for India's engagement with Team-9, which predominantly comprises French- and Portuguese-speaking countries that India had previously overlooked. In 2003, the Ghana–India Kofi Annan Centre of Excellence in ICT was established. The centre, a partnership between the two governments, is intended to become a knowledge hub for IT professionals in West Africa. Trade rose from \$280m in 2005/06 to \$564m in 2006/07 and to \$948m the following year.<sup>a</sup> (Appendix 3 demonstrates the total increase in trade between India and sub-Saharan Africa in the past decade.) The Mahindra and Mahindra Group (in collaboration with ZoomLion Ghana) is setting up a tractor assembly plant alongside a technology transfer centre. The tractors will be customized to suit local conditions and demand.<sup>b</sup>

Indian companies have invested in many sectors including construction and tourism as well as steel, cement, plastics, pharmaceuticals and agriculture. TCIL has an office in Ghana, while the Bank of Baroda has also started operating there. Private-sector companies active in Ghana include Tata, Ashok Leyland, Larson & Toubro and NIIT Technologies.<sup>c</sup> India is involved in rural electrification and India is now the largest foreign investor (in terms of number of projects).<sup>d</sup>

Numerous Indian ministerial visits have been made to Ghana; the then minister for external affairs, Anand Sharma, led four delegations between 2006 and 2008. In 2009 Ghana inaugurated a new presidential palace financed by a \$30m soft loan from the Indian government. Built by an Indian contractor using local sub-contractors and opened in the presence of Mr Sharma, it was criticized by opposition parties in Ghana on account of its cost.<sup>e</sup>

a Figures from Government of India, Ministry of Commerce & Industry. <http://commerce.nic.in/eidb/default.asp>.

b S. R. Freiku, ‘Mahindra Tractor Assembly Plant Commissioned in Kumasi,’ *Ghanaian Chronicle*, 21 October 2008. <http://allafrica.com/stories/200810210991.html>.

c India High Commission in Ghana. <http://www.indiahc-ghana.com/>.

d Ibid.

e ‘Ghana unveils presidential palace’, BBC News, 10 November 2008. <http://news.bbc.co.uk/2/hi/africa/7720653.stm>.

30 Government of India, Ministry of Finance, ‘Extension of Indian Development and Economic Assistance (IDEA) Scheme’, 3 March 2011. <http://www.pib.nic.in/newsite/erelease.aspx?relid=70442>.

countries. In turn, the fact that India and African states shared many problems can make Indian investors more acceptable than those from more developed countries.

India's engagement with Africa has benefited from its low profile, particularly in comparison with China. More scrutiny is likely as the economic linkages expand. India admits that its interest in many states in Africa stems from their mineral resources:

India can have some very tangible, hard economic benefits from its relationship with Africa, which at the same time can be legitimately described as assisting Africa to fulfill its own potential. So it really is a kind of win-win that we have in the situation.<sup>31</sup>

India's interaction does not have a 'heavy governmental footprint'.<sup>32</sup> Instead, the Indian government engages with governments in Africa, the LoCs are then established and companies are left to take advantage of opportunities arising. Under the Focus Africa Programme, LoCs worth \$550m were offered between 2002 and 2007. This followed a \$500m credit line for Team-9. India also offered a \$200m credit line through NEPAD (the New Partnership for Africa's Development). Representatives of regional groupings and 14 African heads of state attended the April 2008 India–Africa Summit. The summit, described as 'Africa-led', was seen as a way of refreshing South–South relationships. It led to two declarations but few concrete initiatives. The India–Africa Framework for Cooperation Forum and the Delhi Declaration<sup>33</sup> both stress that the interaction is between equals and not a traditional donor–recipient relationship.

Following the summit, India offered an additional \$5.4bn credit line and grants worth \$500m over five years. This included a 60% increase in grants in 2008/09 to \$20m. India announced that it would double the number of scholarships for African students to around 8,000 per year, although the numbers trained under ITEC have not

yet risen. It also introduced unilateral duty- and quota-free market access for exports from the 34 least developed countries in Africa. Take-up on this has been slow. In the first half of 2009/10 (April–September) India's imports from Africa comprised 7% of total imports. Excluding South Africa, Gabon and Angola, its imports from the rest of sub-Saharan Africa comprised just 1.2% of its total imports.

In February 2011 India hosted a conference for LDCs, which called for a more concerted international approach to help them move up from this status. Following this, India announced a \$500m credit line for LDCs, and an additional five scholarships for each of the 48 countries concerned. India also suggested that a slowdown in North–South cooperation as a result of the global economic crisis would provide an opportunity to enhance South–South cooperation.

### South Asia

While Indian firms are increasingly focused on Africa, they find it harder to export to or invest in other countries in South Asia. India's regional policy is frequently short-termist and reactive to events and policy shifts in its neighbours, and conducted through a prism of national security or, frequently, insecurity. Each neighbour presents both political and security threats as well as economic opportunities.

Indian exports to other countries in SAARC comprised just 4.6% of total exports in the first half of 2009/10 according to the Ministry of Finance, and imports from those countries were worth just 0.6% of total imports.<sup>34</sup> Policy-makers recognize the potential benefits from greater trade with India's neighbours, not least as a means of generating benefits for adjacent districts in India. But even when progress on improving localized economic interaction is slow, policy-makers are frequently sanguine given that economic benefits may already stem from informal trade.

31 Nitin Pai, 'The capacity to engage', *Pragati: The Indian National Interest Review*, 1 December 2009. <http://pragati.nationalinterest.in/2009/12/the-capacity-to-engage/>.

32 Ibid.

33 Africa-India Forum, 'Africa-India Forum Summit Adopts Delhi Declaration and the Framework for Cooperation', 9 April 2008.

34 Government of India, Ministry of Finance, *Economic Survey 2009/10*. <http://indiabudget.nic.in/es2009-10/esmain.htm>.

Many commentators argue that improved economic links within South Asia would enhance overall political relationships. Shyam Saran, India's former foreign secretary, argues that India should shift from 'episodic engagement and crisis management' to a strategy involving:

the economic integration of South Asia, with a willingness to implement significant and, if necessary, unilateral trade and economic liberalization measures favouring our neighbours. This will give them a stake in India's growth and prosperity; improving and upgrading connectivity among all countries of the region, through roads, rail, air and electronic links. Without this infrastructure in place, regional economic integration will remain a chimera.<sup>35</sup>

Closer economic links with Nepal are of particular benefit to the neighbouring states of Uttar Pradesh and Bihar, and India's road-building is focused on linking Uttar Pradesh with Nepal's southern Terai districts. Improving infrastructure has also risen up the domestic political agenda.

Many in India view the increasing economic links with Sri Lanka that stemmed from the 2000 Free Trade Agreement as the model to improve relations with other countries, notably Bangladesh

Nepal and Bhutan gained substantially from the Gujral Doctrine of non-reciprocity in the 1990s, which offered benefits to the smaller countries without expecting immediate returns for India. Better economic links and an acceleration in trade with Nepal since 1993/94 can be traced to the 1992 preferential bilateral trade agreement which worked in favour of Nepal. India allowed it several

transit routes and encouraged its exports to India. Foreign direct investment was promoted as part of the 1997 Nepal-specific investment policy.

There are a number of Indian joint ventures in Nepal, and business organizations, including the Confederation of Indian Industry and the Federation of Nepalese Chambers of Commerce and Industry, have played a significant role in encouraging links.<sup>36</sup> But increased economic interaction did not of itself create a more amenable political relationship.

Many in India view the increasing economic links with Sri Lanka that stemmed from the 2000 Free Trade Agreement as the model to improve relations with other countries, notably Bangladesh. However, a similar increase in economic interaction did not bring the same result with Nepal, and India's warmer relationship with Sri Lanka did not provide it with leverage to intervene to protect Tamils during the end of the civil war (though this may reflect Congress Party leader Sonia Gandhi's personal animosity towards the Liberation Tigers of Tamil Eelam, who were responsible for the murder of her husband, Prime Minister Rajiv Gandhi, in 1991).

Northeast India is almost land-locked and would benefit substantially from improved trade with its neighbours. The high costs of formal trade between this region and Burma have led to a long history of informal trade and barter. Regional trade agreements such as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation and the Association of South-East Asian Nations (ASEAN) Free Trade Agreement are intended to enhance regional trade.

The institutional framework intended to improve economic cooperation with ASEAN includes plans to enhance transport links between India, Burma, Thailand, Cambodia and Vietnam. India views Burma as a gateway to ASEAN, and constructed the Indo-Myanmar Friendship Road, opened in 2001, to increase trade with Southeast Asia. Despite better economic relations over the past ten years, improving infrastructure on both sides of the border

35 S. Saran, 'Premature Power,' *Business Standard*, 17 March 2010. <http://www.business-standard.com/india/news/shyam-saran-premature-power/388829/>.

36 I.N. Mukherji (1998), 'India's Trade and Investment Linkages with Nepal: Some Reflections', *South Asian Survey* 5(2):183-97.

could substantially boost bilateral trade.<sup>37</sup> Other studies have noted the potential benefits for northeast India from enhanced economic interaction with southwest China; these are two geographically isolated regions that would benefit from improved infrastructure links to exploit their complementary resources more fully.<sup>38</sup>

The major opportunity cost in the region relates to Bangladesh and Pakistan. At present, Bangladesh's biggest trading partner is China and India is not even among its top ten foreign investors. The economic benefits of better cooperation would be substantial. Farooq Sobhan, the President of the Bangladesh Enterprise Institute, has suggested that full economic integration between India and Bangladesh could raise the average growth rate in Bangladesh from 6% to 8%.<sup>39</sup> India too would benefit from better transport linkages to northeast India, as well as from the potential to import gas from Bangladesh.

India is reverting to a more non-reciprocal arrangement with Bangladesh, attempting to take advantage of currently conducive political circumstances. While there is no guarantee that their political relationship will not deteriorate in the future, there has been a clear recognition that closer economic ties can provide greater ballast to the wider relationship, as with Sri Lanka. However, there are significant impediments on both sides. Bangladeshi public opinion remains wary of India, not least because of concerns over water-sharing. In turn, India appears reluctant to ease trading links for fear of increased Bangladeshi immigration.

Just 0.1% of India's imports and 1% of its exports are traded with Pakistan. Although there is some bilateral trade, primarily conducted through Dubai, greater economic interaction is limited by political enmity. The composite dialogue attempted to work on a range of issues, including trade, but has been hindered by the lack of progress over the issue of Kashmir and the 2008 Mumbai terrorist attack. Some surveys have suggested that total bilateral trade (including smuggling) was around \$5bn, indicating signifi-

cant lost revenue for both governments, and the potential for greater trade. Pakistan would benefit significantly from access to low-cost raw materials from India.

## Potential pitfalls

A development approach premised on facilitating India's private sector is not without dangers. First, there is a risk of displacement of existing producers (in sectors such as textiles). Second, the private sector may be overly bullish regarding the political benefits to be derived from economic interaction, particularly in South Asia (as noted above, improving economic links in the 1990s did not translate into lasting political goodwill). Third, the interests of companies may diverge from local interests: ArcelorMittal's initial contract to extract iron ore in Liberia, for instance, gave the company a five-year tax holiday and allowed it to opt out of laws relating to human rights and the environment.<sup>40</sup> The deal was subsequently renegotiated. Fourth, while Indian firms may be meeting the demands of African governments, they may not necessarily be meeting the needs of those governments' citizens. Some projects funded through LoCs may be lower-priority issues for the 'recipient', and the costs will still need to be repaid in future. For instance, providing tied loans for cricket stadiums or presidential palaces may not be welcomed by future governments or taxpayers.

From independence until the 1980s Indian firms operated under the so-called 'licence raj'. A company's capacity to import, invest or produce goods stemmed not from its efficiency but from its ability to receive a government licence. For some products this could require the procurement of up to 80 licences. Combined with the low salaries paid to India's bureaucrats, this created an environment conducive to corruption.

The Nehruvian vision of protectionism leading to self-sufficiency morphed into an economic model that

37 T.B. Singh (2007), 'India's Border Trade with its Neighbouring Countries with Special Reference to Myanmar', *Margin: The Journal of Applied Economic Research* 1(4): 359–82.

38 B.N. Bhattacharyay, (2005), 'Promotion of Trade and Investment between People's Republic of China and India: Toward a Regional Perspective', *Asian Development Review* 22(1): 45–70.

39 Indian Council of World Affairs, *Indo-Bangladesh Relations: Opening New Vistas*, Issue Brief (2010). [www.icwa.in/pdfs/ib-indo-bgr.pdf](http://www.icwa.in/pdfs/ib-indo-bgr.pdf).

40 Global Witness, 'Heavy Mittal', October 2006. [http://www.globalwitness.org/media\\_library\\_detail.php/156/en/heavy\\_mittal](http://www.globalwitness.org/media_library_detail.php/156/en/heavy_mittal).

protected a handful of private business houses and allowed them to take advantage of India's large domestic market free from competition. This small group of firms increasingly financed India's political class: now, regardless of the party in power, few policies are introduced that threaten their interests.

Now free to invest abroad, some Indian firms do not appear averse to exporting a tendency towards soliciting business through corrupt practices. Some cases have emerged of Indian politicians, such as the former chief minister of Jharkhand, investing money in overseas projects both to launder funds and to take advantage of better investment opportunities than are available domestically.

Occasional difficulties have already emerged. More are likely to arise as India's private sector expands its overseas operations. RITES has ended up in dispute with the government of Tanzania. In part the dispute stemmed from the International Finance Corporation (IFC) providing only \$7m of a promised \$44m in concessionary funding, after the Tanzanian government 'voiced concerns about [RITES'] technical and financial capacity'. Another \$40m LoC from the Exim Bank to Tanzania is 'mired in delays, a legal review and accusations of corruption'.<sup>41</sup> The individual representing Escorts Agri Machinery, Jeetu Patel, faces six corruption charges relating to the embezzlement of \$120m from the Bank of Tanzania.

It is likely that some projects were obtained through corruption. In 2005, Vedanta purchased a 51% stake in Konkola Copper Mines in Zambia for \$25m; in the first quarter in which it owned the mine, Vedanta's profits were \$26m. The company was formerly called Sterlite, which in 2001 purchased a 51% stake in Bharat Aluminium Corporation when it was privatized. At the time opposition politicians claimed that this bid under-valued the company.

However, while the government is keen to promote Indian companies, including Vedanta and ArcelorMittal, it can adopt an arm's-length approach to avoid criticism. Vedanta is listed on the London Stock Exchange; ArcelorMittal on the stock exchanges of New York,

Amsterdam, Paris, Brussels and Luxembourg. When Vedanta has faced criticism for causing environmental degradation in India, it has often been described as a 'foreign multinational'.

## Trade liberalization

There is a widespread recognition within India that more liberal trade and investment regimes would be beneficial. But the liberalization of India's own trading regime has been slow, if steady, over the past decade. Protecting domestic producers (both industrial and agricultural) and raising government revenue remain important government priorities. In 2008/09 the central government collected excise duty worth Rs 1,087bn and customs revenue worth Rs 998bn.<sup>42</sup> Together these sums represented just over one-third of gross tax revenue. However, with soaring corporation tax, this proportion is projected to have fallen to less than 20% in 2010/11.

Given that more than 50% of India's population is connected to the agricultural sector, it is unsurprising that political concerns dominate the debate over agricultural tariffs. Fears of subsidies in developed countries (and of dumping) mean that tariffs on agricultural products remain high. India's average WTO-bound agricultural tariff is 112% and its median applied agricultural duty is 35.2%.

Suicides among Indian farmers, often because of debt, are a major political concern within India. Domestic political pressure and an impending general election meant that Kamal Nath, the then commerce minister, had little room for manoeuvre during the Doha Round of trade talks. India's tough negotiating position reflected the need to maintain support for farmers, and the influence of India's emerging middle class, many of whom wish to see India as an important international player, able to affect the outcomes of negotiations. While India may not always achieve its aims, it enjoys being seen as the champion of the developing world.<sup>43</sup> It is widely believed that the

41 *Africa-Asia Confidential*, February 2010.

42 Ministry of Finance, *Economic Survey 2009/10*.

43 A. Narlikar (2006), 'Peculiar Chauvinism or Strategic Calculation? Explaining the Negotiating Strategy of a Rising India', *International Affairs*, 82 (1).

decision to appoint Anand Sharma in place of Kamal Nath in 2009 following the general election will allow India to adopt a more flexible position in future negotiations without losing face.

In 1991, India's import-weighted average tariff stood at 87%. By 2009, tariffs on non-agricultural products had fallen to a peak level of around 10%.<sup>44</sup> Industry groups within India continue to use infant industry arguments to call for protection, and liberalization is more rapid in those areas in which Indian firms lack competency. The inability to increase the domestic tax system also slows the process of liberalization. Some commentators suggest that reports examining trade policy are frequently produced to justify a predetermined policy to suit political rather than economic objectives.

Unlike in manufactured goods and agriculture, India is calling for liberalization in the services sector, where its comparative advantage is strongest. It is increasingly clear that developing countries, including India, have differing comparative advantages. In the G20, Brazil and Argentina were key allies in relation to non-agricultural market access and agriculture, whereas India's position is closer to that of more developed economies in relation to trade in services.<sup>45</sup>

While the Trade Policy Division in the Ministry of Commerce and Industry is the main organization responsible for trade policy, other ministries (such as agriculture) are responsible for domestic policy. Coordination can be limited. Some states have established their own WTO cells to better understand the implications of WTO negotiations, and to explain to farming communities the logic of the WTO.<sup>46</sup> Changing a popular perception, particularly among farming communities, that liberalization will affect them adversely will take many years. In the interim, progress will be slow, and those states without such cells are likely to lag even further behind.

India has shown a preference for negotiating bilateral free trade agreements, some of which have come to fruition.<sup>47</sup> It has signed FTAs with Sri Lanka (1998), Thailand (2003) and Singapore (2005). Negotiations with Singapore took many years, primarily because of an Indian misunderstanding over rules of origin. In 2009 India also signed a Comprehensive Economic Partnership Agreement with Korea, under which both countries agreed to lower tariffs over the next decade.

India signed an FTA in goods with ASEAN in August 2009; to date Singapore and Thailand (with which India already had FTAs) have implemented the agreement. Brunei, Indonesia and Malaysia are expected to follow suit in 2011 with other countries (including Burma) finalizing negotiations by 2016. An FTA between India and China is occasionally mooted, and a feasibility study was completed in 2008, but there is little impetus on the Indian side since Indian firms fear being overrun by cheaper Chinese imports. A South Asian Free Trade Area (SAFTA) came into force in 2006. This allows for a phased reduction in tariffs on all tariff lines except those on the 'sensitive list'. The sensitive list for each country comprises around 1,000 items, making SAFTA a far from finished project.

India is also negotiating FTAs with the United States and the EU (along with a range of other countries). The EU–India FTA remains stalled because of the EU's proposed inclusion of provisions relating to issues such as environmental protection and child labour.

Aside from government-led policies, some Indian NGOs are also working to build capacity on trade-related issues. In particular CUTS International (Consumer Unity & Trust Society) has worked in Africa to promote South–South cooperation on trade and development issues.

44 United States Department of Agriculture, Foreign Agricultural Service. [www.fas.usda.gov/country/India/Indian%20Agricultural%20Economy%20and%20Policy%20Paper.pdf](http://www.fas.usda.gov/country/India/Indian%20Agricultural%20Economy%20and%20Policy%20Paper.pdf).

45 J. Brummer (2007), 'India's Negotiations Positions at the WTO', Friedrich Ebert Stiftung Briefing Paper. <http://library.fes.de/pdf-files/bueros/genf/50205.pdf>.

46 ICRIER (2009), 'India: Strategies at the Doha Development Agenda–July and Beyond'. <http://www.nsi-ins.ca/english/pdf/India%20at%20Doha.pdf>. This report sets out the main interest groups and the role of think-tanks and business associations in the Doha round.

47 A full list of trade agreements (both completed and under discussion) is detailed on the Department of Commerce website. [http://commerce.nic.in/trade/international\\_ta.asp?id=2&trade=i](http://commerce.nic.in/trade/international_ta.asp?id=2&trade=i).

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## Conclusion

The notion of India's government as a facilitator for its private sector has grown rapidly in recent years. Companies that were previously domestically focused are quickly recognizing the opportunities available in other developing countries. The close links between Indian industry, trade associations and various government ministries enable concessional credit lines to be put in place to facilitate economic interaction.

Undoubtedly, some sectors of India's economy have a great deal to offer other developing countries. In many cases the lower costs of Indian firms suggest that it could often be cost-effective for Western donors to utilize them in assistance projects in third countries. Some attempts to

'triangulate' aid are already occurring in relation to health care. Information technology, and agricultural technologies are other obvious sectors in which this could occur.

However, it is worth reiterating that India's private sector is motivated by profit. Increasing the irrigated land area in Senegal or providing buses to Afghanistan that can be repaired by local mechanics demonstrate a benefit both to the recipient and to the 'donor'. Whether future generations of Ghanaians will enjoy repaying loans to India for the construction of a state-of-the-art presidential palace is more questionable. This highlights one of the concerns about a strategy that is not imposed by India but instead meets the needs of other countries, particularly if other governments choose to articulate their own aspirations rather than their country's priorities.

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## 4. Security and Democracy

### Peacekeeping

The belief that India should play a leadership role among developing nations, coupled with respect for sovereignty, manifests itself in attitudes towards the United Nations. Engagement with the United Nations is a means of demonstrating that India is a responsible global citizen. In turn, most Indians recognize the domestic benefits of UN assistance on a range of development challenges. (Appendix 4 lists India's contribution to various branches of the UN system.) Among India's most important commitments is its long-standing contribution to UN peacekeeping operations. Such operations contribute to the international community and advance India's claims to be a responsible global actor.

India is currently the third largest contributor to UN peacekeeping missions (after Pakistan and Bangladesh), with 8,680 police and army personnel serving in January 2011.<sup>48</sup> As well as putting forward its troops for peacekeeping work, India stresses its political acceptability to a range of countries in Africa and Asia, and the longevity of its participation in peacekeeping missions which date back to the Korean War. Around 50,000 Indian peacekeepers have served in 30 conflicts, including the Middle East, Congo, Namibia and Cyprus. India has also contributed military observers to monitor borders.

Indian troops had operational responsibility for one-third of Somalia during UNOSOM II (the UN

Operation in Somalia). Elsewhere in Africa, Indian peacekeepers have served in Angola, Mozambique and Sierra Leone. India has worked on de-mining programmes (notably in Cambodia), and trains officers from a range of countries at the Indian Military Academy and the National Defence Academy. The issue of de-mining demonstrates the links with India's comparative advantages: peacekeepers have used low-cost Indian prosthetics in areas affected by landmines.

India can claim several competencies in relation to peacekeeping. It contains practically every type of terrain (mountains, deserts and jungles) in which troops are likely to be deployed; it possesses stand-alone capability to support peacekeeping operations; and it has been able to link in with its disaster-response capacity (see below).<sup>49</sup> In return, Indian armed forces benefit from the experience of undertaking operations around the world.

India is currently the third largest contributor to UN peacekeeping missions (after Pakistan and Bangladesh)

India's Army Training Command (ARTRAC) is responsible for doctrine and concept development in relation to peacekeeping. This is then disseminated via training courses for military personnel, as well as specific training packages for groups such as military observers. ARTRAC also sets out inter-operability with other parts of the armed forces, as well as with other government departments and national missions. India has also set up a Peacekeeping Training Centre in Delhi, which uses former officers from earlier UN missions as trainers.

While India is happy to undertake peacekeeping operations under a UN mandate, bad memories of sending its peacekeeping force to Sri Lanka in the late 1980s remain strong and limit the options for military action in South Asia. India has undertaken military action without a UN

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48 United Nations, 'Peacekeeping Contributions', 31 January 2011, [http://www.un.org/en/peacekeeping/contributors/2011/jan11\\_1.pdf](http://www.un.org/en/peacekeeping/contributors/2011/jan11_1.pdf).

49 Embassy of India, Washington, DC, 'India's Experience in Peacekeeping, Capacity Building and Training of UN Peacekeepers', 17 March 1999. [http://www.indianembassy.org/policy/Peace\\_Keeping/UN\\_Seminar/UN\\_Seminar\\_ray.htm](http://www.indianembassy.org/policy/Peace_Keeping/UN_Seminar/UN_Seminar_ray.htm).

mandate in Sri Lanka and the Maldives; in both cases, however, this was in response to a request for assistance by the host government.

India has contributed naval ships to the ongoing anti-piracy operation off Somalia, and has also pledged to build the maritime surveillance capacity of the Seychelles. Like China and Russia, it has not joined the main multinational groupings off Somalia (Combined Task Force 150, led by the US and the EU-led naval task force operating under Operation Atalanta). However, the various navies involved in these patrols clearly coordinate their activities. While accepting that piracy is a public 'bad', India would be loath not to participate in a UN-mandated operation within the Indian Ocean, particularly when piracy could have a clearly detrimental impact on India. (and indeed a number of Indian sailors have been kidnapped by pirates from Somalia).

## Afghanistan

Afghanistan is a special case in Indian foreign policy thinking and in its contribution to public goods. Assistance to most of its neighbours is for mutual economic benefit (thus, for example, much of the assistance provided to Bhutan, the largest recipient of Indian aid, is invested in hydro-electric schemes, power from which is subsequently utilized in India). While assistance to Afghanistan is not dissimilar to the project-based approach adopted in Africa, it is on a much larger scale. This is because of specific strategic interests. Whether India's aid to Afghanistan is likely to form a template for future assistance to other countries is far from certain. Were the situation in Afghanistan to deteriorate (from an Indian perspective), it might well be some years before India attempted a similar large-scale package of bilateral assistance.

India is currently the fifth largest provider of aid to Afghanistan. Between 2002 and 2009 it disbursed \$662m, having pledged \$1.2bn.<sup>50</sup> Unlike China and Pakistan, it has contributed funds to the Afghanistan Reconstruction

Trust Fund (although this assistance is small-scale; India pledged just \$200,000 at the fund's inception). The bulk of India's assistance is project-based. Some of the projects have a clear strategic function: the construction of a road linking Afghanistan to Iran enabled an alternative trading route between Afghanistan and India (between 2002 and 2008 Pakistan had refused access for Indian assistance destined for Afghanistan).

Other projects, including the construction of a new parliament building in Kabul and renovating the former school of Hamid Karzai, Afghanistan's president, have been more grandiose. But the bulk of Indian assistance has been in traditional developmental projects, training civil servants, constructing wells, power plants and transmission lines, and building and staffing hospitals. India has also provided one million tonnes of wheat in the form of high-protein biscuits via the World Food Programme under the School Feeding Programme, and offered 500 university scholarships and 500 short-term places to Afghans under the ITEC training programme.

As in Africa, India's policy-makers are keen to stress that its assistance targets projects identified by the Afghan government as priorities for development (although in the case of Afghanistan the requirements are many). For the first time, India has utilized an Indian NGO to work in Afghanistan. The Self-Employed Women's Association is providing technical assistance to a woman's training centre, and the Confederation of Indian Industry is training 3,000 Afghans in vocational skills including carpentry, plumbing and welding. India has participated in multilateral meetings regarding Afghanistan, such as the Joint Monitoring and Coordination Board. The MEA states that:

It has been India's endeavour to act in conformity with the best aid-effective principles, taking fully into account the local government priorities, in coordination with the other donors, using local sub-contactors and material as practical. The cost effectiveness of Indian aid is greatly appreciated by the Afghan government and the people on the ground.<sup>51</sup>

50 Government of Afghanistan, Ministry of Finance, 'Donor Financial Review', November 2009. [www.undp.org.af/Publications/KeyDocuments/Donor'sFinancialReview%20ReportNov2009.pdf](http://www.undp.org.af/Publications/KeyDocuments/Donor'sFinancialReview%20ReportNov2009.pdf).

51 Government of India, Ministry of External Affairs, 'Brief on India's Assistance Programme in Afghanistan', May 2008. [http://www.diplomatie.gouv.fr/en/IMG/pdf/India\\_s\\_Assistance\\_Programme\\_in\\_Afghanistan\\_-\\_May\\_2008.pdf](http://www.diplomatie.gouv.fr/en/IMG/pdf/India_s_Assistance_Programme_in_Afghanistan_-_May_2008.pdf).

India's policy towards Afghanistan has several discrete drivers. The prime concern relates to links between the Taliban and Islamist groups that have targeted India in recent years. India supported the Northern Alliance in the mid-1990s, but its antipathy towards the Taliban dates from the hijack of an Indian Airlines flight in 1999: the plane was diverted to Taliban-controlled Kandahar and India freed three militants, closely linked to the Taliban, to gain the release of the hostages.<sup>52</sup>

Taliban rule over Afghanistan marked a brief period when the Afghan government tilted towards Islamabad rather than Delhi. Once the Taliban were ousted, India was keen for the relationship to revert to the previous norm. Much of India's security establishment saw the Taliban and Pakistan's intelligence agency, the ISI, as one and the same. The extent to which India sees Afghanistan through a prism of rivalry with Pakistan is debatable and in some respects irrelevant: more hawkish commentators in India evidently do take this view. Such voices may have held greater sway at the start of India's support for the Northern Alliance but this view does not appear to reflect the primary focus of policy-makers today. However, since Pakistan in turn clearly does see India's presence in Afghanistan as threatening, it has become an area of contention, regardless of India's intention.

India sees a stable, pro-Indian government in Afghanistan as a strategic benefit. But there is also a recognition that Pashtun areas of Afghanistan will almost certainly look towards Pakistan rather than India for support. India's opposition to talks with the 'moderate' Taliban stems partly from concerns over whether such a group really exists and partly from a fear that it will be presented with an uncomfortable choice if Western troops leave: whether to provide security for its own development projects or for the Afghan state itself.

As in many spheres, India's comparative advantage in terms of security in Afghanistan is likely to be in training. It seems highly unlikely that it would consider sending

troops to Afghanistan to train the Afghan National Army. However, increasing the number of Afghan troops trained in India appears more plausible.

Afghanistan remains a special case, and India's assistance strategy is in some respects a gamble which will be won or lost depending on political developments there. But India is likely to take heart from the impact of its assistance on public opinion. In a Gallup poll conducted in June 2009, 59% of Afghans thought that India played a favourable role in Afghanistan, compared with 57% for the UN and 51% for NATO.<sup>53</sup> And in a survey by America's International Republican Institute, 24% of Afghans named India as a country having 'good relations with Afghanistan'; 19% mentioned the United States, 17% Iran and 12% Tajikistan. However, perhaps the reason for this goodwill is that India is not responsible for security in Afghanistan.

## Disaster response

India's armed forces have played a major role in regional disaster response, most notably in the aftermath of the 2004 Indian Ocean tsunami, providing assistance including food, medical supplies and emergency relief to Sri Lanka, the Maldives and Indonesia. They have a long-standing expertise in responding to cyclones, earthquakes and floods in their own country.

Since the tsunami, this commitment to disaster response has continued. India was one of the first countries to transfer funds to Haiti following the recent earthquake there.<sup>54</sup> It is recognized that disaster response provides an opportunity to demonstrate the transition from aid recipient to donor. India has a set of comparative strengths in this field: following recent earthquakes in Gujarat it has substantial experience in providing low-cost housing, which it is keen to share with other countries.<sup>55</sup>

52 Critics of the BJP use this as a means of attacking the party's claims to be tough on terrorism.

53 'Afghans favour India's role in reconstruction, says study', *Economic Times*, 22 November 2009. <http://economictimes.indiatimes.com/article-show/5256271.cms>.

54 'India delivers aid money to Haiti; Jaipur foot low cost housing next', Rediff.com, 3 February 2010. <http://news.rediff.com/report/2010/feb/03/india-delivers-aid-money-to-haiti-jaipur-foot-low-cost-housing-next.htm>.

55 For an in-depth study of India's disaster response, comparing the Gujarat earthquake with the Indian Ocean tsunami and assessing the National Disaster Management Act, see G. Price and M. Bhatt (2009), 'The role of the affected state in humanitarian action: a case study on India', Overseas Development Institute. <http://www.odi.org.uk/resources/details.asp?id=3279&title=states-crisis-india-humanitarian-action>.

Its own 2005 Disaster Management Act has been used as a template by a number of countries. It has also provided advice to neighbouring countries, including Burma and Afghanistan, attempting to improve preparedness and mitigation practices. The growing focus within India on disaster mitigation is closely linked to concerns about climate change.

In the case of Haiti, Indian peacekeepers were already working in the country on one of the projects funded by the IBSA Trust Fund, and consequently its post-earthquake assistance was channelled through IBSA.

Yet although India has much to offer in the field of disaster response, there are critics of its approach. Despite being framed in the language of community ownership, in practice its approach is often top-down rather than bottom-up. Technical solutions are generally preferred over 'traditional' and local coping strategies. And while India's expertise in immediate disaster response is clear, it has less capacity in risk reduction and longer-term rehabilitation.

## Democracy promotion

While India is proud to refer to itself as the world's largest democracy and celebrates its political pluralism, the value-system in which foreign policy is formulated has stopped it from promoting democracy in other countries. Instead it has 'attached more weight to solidarity with fellow developing countries and the defence of its own national security interests without a reference to ideology at the operational level'.<sup>56</sup>

This situation is changing and an internal debate is taking place over whether democracy promotion should become a more central part of India's foreign policy. In recent years, it has worked to promote democracy on a case-by-case basis, notably in Nepal and Sri Lanka. But its relationship with Burma in particular demonstrates that its approach is far from universal. Within India there is widespread cynicism regarding the lack of universality of Western democracy promotion, not least in relation

to long periods of US support for military dictatorships in Pakistan. Most Indian policy-makers would agree that the country's Burma policy is 'governed by the head rather than the heart'<sup>57</sup> and that for economic and strategic reasons India is unable to adopt a policy of isolating its neighbour. While its approach stems from concern over China's influence in Burma, Indian access to Burmese gas and Burma's role as a conduit to Southeast Asia, it is the need to gain Burma's support for action against militant groups that is most often cited as driving India's policy.

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India's reluctance to promote democracy relates both to the Nehruvian notion of state sovereignty, as well as to concerns over the potential for state failure in South Asia. India's dialogue with the United States has intensified the debate over whether India should work to promote democracy in other countries. In 2000 it was one of the founding members of the Community of Democracies, a US initiative, but avoided full engagement. In 2005 US President George W. Bush and Indian Prime Minister Manmohan Singh announced a joint global democracy initiative, agreeing 'to assist other societies in transition seeking to become more open and democratic' and recognizing 'democracy as a universal aspiration that transcends social, cultural and religious boundaries'.<sup>58</sup>

This reflects a major change; India has also begun playing an important role in the United Nations Democracy Fund, founded in 2005, and has provided around \$20m annually.

56 C. Raja Mohan (2007), 'Balancing Interests and Values: India's Struggle with Democracy Promotion', *Washington Quarterly*, Summer.

57 Shashi Tharoor, 'Burma: India's Bad Neighbour Policy', [www.project-syndicate.org/commentary/tharoor26/English](http://www.project-syndicate.org/commentary/tharoor26/English).

58 Embassy of India, Washington, DC, 'India-US Global Democracy Initiative', 18 July 2005.

Nonetheless, its increasing interaction with Burma and voting record on human rights issues in the UN suggest that the trade-off between values and national interest is not yet resolved. Even without active democracy promotion, the stress India places on its own democratic credentials can concern its neighbours during periods when they are undemocratic. Consequently, India then appears to over-stress its friendship with (and lack of threat to) countries such as Burma, in turn irking many in the West.

The US continues to press India to become a more active proponent of democracy promotion. This was one of the centre-pieces of President Barack Obama's speech to the Indian parliament in November 2010, when he argued that it would befit its status as a rising power.<sup>59</sup> But while a universal preference for democracy is likely to take years (and many in India would argue that the United States and other countries have themselves had historical relations with a host of undemocratic regimes), this does not preclude a role for India in assisting in democratic processes should the concerned state request it. India has specific abilities, developed over the last 60 years, in technical functions applicable in many developing countries. It has the capacity to assist in democratization by providing technical assistance in fields such as compiling voters' lists, training election monitors and sharing voting technology.

## Conclusion

India is keen to play a role in uncontroversial internationally mandated operations, particularly in Africa. It would find it harder to operate within the South Asian region, although it would prefer to be seen as the lead actor within the region; this explains its opposition to UN operations in Nepal. Beyond this immediate circle, however, the wider Indian Ocean is a region within which India feels able to play a role. Its recent foreign policy thinking has examined ways to re-engage with the Indian Ocean rim countries.

There is little support within India, however, for operations that are seen to challenge the sovereignty of another state. In part, this reflects its approach to the issue of Kashmir, which it sees as a bilateral dispute (with Pakistan) rather than an international question. At a deeper level, India's stance reflects its continued support for non-aligned movement opposition to interference in sovereign affairs. This thinking determines its approach to democracy promotion. While it might seem surprising that the world's largest democracy is a less than vocal support of democracy per se, this will remain the case unless a new set of norms emerges to determine India's foreign policy.

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59 Barack Obama, 'Remarks by the President to the Joint Session of the Indian Parliament', New Delhi, India, 8 November 2010. <http://www.whitehouse.gov/the-press-office/2010/11/08/remarks-president-joint-session-indian-parliament-new-delhi-india>.

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## 5. The Environment

### Climate change

In India there is widespread recognition of the threat of climate change, and the benefits that could accrue from greater use of carbon mitigation technologies and renewable energy. At the same time, the priority is economic growth. While renewable energy use is likely to expand, if current trends persist India seems likely to do the minimum required to avoid international criticism. Its main focus, amid increasing competition, will be to increase energy supplies from traditional sources.

India's huge natural diversity and climatic variability put severe constraints on the viability of current models, but some suggest that it could be extremely vulnerable to the impact of climate change. Issues such as water stress, drought and flooding are constant threats to the most vulnerable among its population. The gathering pace of urbanization and the development of mega-cities mean that air pollution, already a problem in urban India, is likely to intensify. With a large number of people dependent on agriculture and living in low-lying and vulnerable areas, changing weather patterns could have major implications for livelihoods.

India has the potential to make a significant contribution in tackling climate change, in terms of the development of renewable energy, the adoption of low carbon technologies, the conservation of its forest cover, and in notions of frugality and traditions which tend towards low consumption. Debates surrounding these issues are not framed in the same way as in the West. Renewable energy,

for instance, often provides electricity to communities for the first time, though reliability and efficiency are key issues. Energy policy has suffered from the competing interests of different ministries. Thus while India may be one of the first countries in the world to have a Ministry of Renewable Energy, positive steps taken by this ministry can be undermined by the strategies of other energy-related ministries.

India's policy on climate change reflects the importance of individual decision-makers, as well as the relevance of red lines. While climate change science is generally accepted, India's long-standing policy was twofold: first, that short-term 'development' was a more immediate national interest than any long-term threat; and, second, that India should not pay for a problem that it had little part in creating. India's attitude has also drawn on its experience of pharmaceuticals and generic drug production, so that carbon mitigation technology is viewed as a global public good that should be provided to developing countries.

Although India wants universal access to power by 2012, if it is to maintain growth rates of 8% it will need to triple its primary energy supply and quintuple its electricity supply over the next decade.<sup>60</sup> At present around 40% of the population do not have access to electricity. Those that do face frequent shortages. Slightly less than 30% of energy consumed in India comprises traditional biomass: wood, charcoal and dried dung. This is the most important fuel for over 90% of rural households. While these are carbon-neutral, their use can cause severe respiratory problems, and unsustainable use of wood will lead to environmental degradation. Therefore efforts have been made to produce smokeless stoves.

Efforts are also under way on biomass gasification, whereby traditional biomass is converted to gas which can then be used for cooking, to power mechanical operations such as water-pumps or to generate electricity. Annual investment in biomass technology in recent years, according to the government, has stood at Rs 10bn.

One of the main focus areas has been bagasse (the residue from pulping sugar-cane). In the past, this has

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60 C. Zissis, 'India's Energy Crunch', Council on Foreign Relations, 23 October 2007. [http://www.cfr.org/publication/12200/indias\\_energy\\_crunch.html](http://www.cfr.org/publication/12200/indias_energy_crunch.html).

been used as a primary fuel source. In 2004, 56 projects used bagasse, providing 432MW of installed capacity; by 2009, 109 projects were producing 1,048MW.<sup>61</sup> The potential exists to increase power generation from bagasse to 5,000MW. Surplus biomass could be used to produce 18GW of installed capacity; however, as of 2009 there was only 704 MW of installed capacity but a large number of small-scale projects are under way.

Until recently, the increasing demand for power was viewed in terms of expanding access to grid systems, and increasing the number of (often coal-fired) power stations. The shift in policy stemmed from the recognition that renewable energy and decentralized grid systems may well be more effective in providing power for rural communities.

Notions of frugality and opposition to conspicuous consumption are deeply ingrained in India. While there are increasing numbers of counter-examples, particularly in urban India, by and large Indians are averse to over-consumption. In part this reflects past and ongoing scarcity, but there are also close links to religion and to Gandhian virtues. Such values are frequently evoked at times when unemployment or inflation threatens India's masses. Values, and poverty, mean India ranks low in terms of per capita emissions: the average Indian produces one-sixteenth of the average American and one-quarter of the global average; in urban India average emissions are rising but remain well below the global average.

India is currently the world's fourth largest emitter of greenhouse gases (GHG) and in October 2009 agreed to bear the cost of cutting these emissions. The government has announced plans to cut the carbon intensity of its emissions, relative to each unit of GDP, by 20–25% by 2020, and to limit the overall growth in GHG emissions.

Some commentators have questioned the scale of India's commitment to cut carbon emissions. By 2005, it had already achieved a 17% reduction in carbon emissions for each unit of GDP from 1990 levels. So a cut of between 3% and 8% in ten years, on the condition that India receives substantial assistance, is seen by some as a negligible commitment. Nonetheless, it remains an important shift

in policy, internationalizing what had been regarded as a domestic issue.

The shift in policy from arguing that the West should bear the cost of cuts stemmed from rising appreciation of the damage India would suffer from climate change (in part because of its ongoing vulnerability to climate-related events) as well as for strategic reasons:

[It] is thought that India's decision would enhance its position in several key areas (its desire for a seat on the UN Security Council, its desire to overtake China in its relations with the United States).<sup>62</sup>

Until recently many commentators believed that the divergent viewpoints of environment minister Jairam Ramesh, the prime minister's former special envoy on climate change, Shyam Saran, and the chairman of the UN International Panel on Climate Change, R.K. Pachauri, hindered policy-making. Personality clashes between the three, coupled with divergent opinions regarding glacial melting, undermined India's attempt to formulate a coherent position. The shift towards a more constructive position stemmed from the influence of Jairam Ramesh, in whose hands climate change policy currently appears to rest.

Despite the controversy early in 2010 regarding exaggerated time-frames for glacial melting in the Himalayas (which led Jairam Ramesh to establish India's own panel on climate change and a National Institute of Himalayan Glaciology), melting within the so-called 'Third Pole', is an increasing concern. Creating trust between India, Pakistan and Bangladesh over both water-sharing and more efficient water utilization in the region will both be necessary to tackle future water challenges. The fact that these challenges will clearly impinge on people within India, however, is one of the major causes of a shift in India's wider attitude towards climate change and a recognition that simply blaming the West will be insufficient in ensuring a positive future for India.

While their approaches may differ, the views of a range of stakeholders converge in relation to climate change and

61 Italian Trade Commission, 'Wind & Biomass Power in India', Profile (2009), <http://www.ice.it/paes/asia/india/upload/182/INDIAN%20WIND%20%20BIOMASS%20POWER%20PROGRAMME1.pdf>.

62 D. Wheeler and S. Shome (2010), 'Less Smoke, More Mirrors: Where India Really Stands on Solar Power and Other Renewables', Center for Global Development Working Paper 204.

renewable energy. These include a large number of NGOs working in the field of sustainable development; industry groups that see the potential for profit from renewable energy; and politicians who recognize the electoral benefit of finding new means of providing power to their electorate.

SAARC is clearly India's preferred institution for tackling climate change within South Asia. In April 2010, India established the 'India Endowment for Climate Change in South Asia', a fund intended to help SAARC member states adapt to climate change. It has also offered monsoon prediction and climate modelling services for other countries in SAARC and has set up weather stations throughout South Asia to monitor variations. These stations will be established initially in Bangladesh, Nepal and Bhutan, then in Afghanistan and Pakistan, and finally in the Maldives and Sri Lanka.

In terms of climate change negotiations, India is likely to continue to work primarily with the BASIC bloc of Brazil, South Africa, India and China. While there are shared interests, this strategy also prevents India being outflanked by China. The issue of financial and technology transfer from the developed world to developing economies will continue to underpin the overarching BASIC strategy in these negotiations.

Jairesh Ramesh faced criticism for his negotiating stance at the 2010 Cancún climate change talks when he said that 'all countries must take binding commitments under appropriate legal forms'. This was interpreted to mean that he had committed India to legally binding emission cuts and a legally binding agreement. Both positions diverged from India's previous stance.

The environment minister disputed that interpretation, however, and argued that he had nuanced India's position: 'appropriate legal forms' did not necessarily mean legally binding. During the talks India had come under pressure from a number of developing countries to accept a legally binding agreement. Mr Ramesh argued that he had strengthened India's negotiating position by accepting these concerns. Within India there remains widespread opposition towards any enforceable emissions targets until domestic developmental objectives have been achieved. Equitable access to development remains a key demand

for India, while it has put in place a voluntary target for the emissions intensity of GDP to fall by 20–25% by 2020 relative to 2005 levels.

Although their primary focus is domestic, some climate change-related companies and NGOs are internationalizing their operations (and engaging in international forums). The Energy Research Institute has prepared the energy-sector dialogue and undertaken capacity-building for the SAARC Energy Centre and has helped develop a policy framework for renewable power generation in Sri Lanka. It also has regional offices in Sierra Leone and Ethiopia working to build local capacity. Among Indian companies with global reach, Suzlon has sold wind turbines around the world, although there have been complaints regarding quality. Astonfield, which provides solar, biomass and waste-to-energy products, has recently announced plans to expand from India into East Africa.

Attitudes toward climate change vary by state; Gujarat, for instance, has launched an awareness campaign to be run by the Gujarat Ecology Commission, part of the department of forests and environment. Some less-developed states have proved receptive to new policies. For instance, Orissa's frequent experience of climate-related disasters, such as cyclones, explains its openness to new thinking.

Despite widespread concern, and a vociferous environmental movement, moves to tackle pollution have been haphazard; the ban on diesel public vehicles in Delhi stemmed from legal action by an NGO rather than government policy. Concern over black carbon, in part a result of cooking with biomass, is widespread; as with renewable energy the debate seems likely to be framed in terms of access to cleaner cooking facilities rather than glacial melting or pollution.

## Renewable energy, energy efficiency and low carbon technology

At present, less than 2% of India's electricity is generated from renewable sources and 70% is generated from coal. One-third of electricity generated is lost or stolen. India has traditionally relied on coal because of its domestic supplies,

and intends to expand the number of coal-fired power plants by 35% over the next decade. As it has increased demand, however, it has become a significant importer of high-quality coal, increasing the logic of diversification to other energy sources including nuclear and renewable energy.

In June 2008, the government announced a National Action Plan on Climate Change which comprised eight initiatives to reduce emissions. These include a National Solar Mission, intended to significantly increase the role of solar energy in the energy mix, and a National Mission for Enhanced Energy Efficiency, which is intended to reduce the need for 10,000MW of capacity by 2012.

India has also established a Ministry of New and Renewable Energy, which is drafting a National Renewable Energy Policy. This is intended to provide a framework for the provision of clean energy development and a Renewable Energy Standard (RES), which will increase India's production of renewable energy.

Renewable energy and decentralized energy production (rather than major grids) are seen as a means of providing power to remote areas. Both federal and state governments are promoting renewable energy, in particular solar power. However, voltage consistency, 24-hour availability and current costs are among the issues that lead many to doubt whether solar power can provide a solution with current technology.

Thus far 17 of India's 28 states have put in place RES policies: the percentage of electricity mandated to come from renewable sources varies from 1% to 20% of total production. In 2009 India announced new regulations for a system of feed-in tariffs, creating incentives for wind and solar energy. According to the National Action Plan on Climate Change, 5% of electricity generation in India will come from renewable sources by 2010, rising by 1% per annum for the next decade.

At present, penalties for non-compliance with RES policies are weak, and the cost of producing renewable energy may be higher than the cost of non-compliance.<sup>63</sup> There is speculation that a national RES policy (probably mandating that renewable power must account for between 15% and 20% of electricity production by 2020) may be brought in (power is a shared responsibility between state

and central government). Some estimates suggest that a 15% renewable electricity target would cost India around \$54bn, averting 1.3 gigatonnes of CO<sub>2</sub> emissions, and would require additional renewable capacity of 10,000 MW annually until 2020.

India's power sector has significant scope for energy improvements and emission mitigation. There is potential for the adoption of cleaner coal-based generation, although lack of financial capacity is a hindrance. India requires technical development, and most likely financial assistance. There is a focus on utilizing India's ICT skills base to improve efficiency.

Concern about pollution and environmental degradation in India is also growing, feeding into the wider climate change debate. But despite rising awareness, India is poorly placed to deal with a range of challenges. While most countries subscribe to the Stockholm Convention's 'polluter pays' principle, in India the concept of reverse-tipping fees affects the ability to tackle pollution. In many cases third parties pay local councils to recycle waste. Because the councils, which generally have poor revenue streams, treat waste as an income stream, the effect is that developers who would bring in more efficient treatment technologies are deterred.

Of the 3,053 projects registered with the Clean Development Mechanism (CDM), as of May 2011 there are 650 from India, second only to China.<sup>64</sup> These projects involve energy efficiency, renewable energy, fuel-switching and municipal waste. The National CDM Authority (part of the Ministry of Environment and Forests) estimates that these projects could generate 573m Certified Emission Reductions by 2012, leading to inflows of \$5.7bn.

Nonetheless, it is recognized that Chinese firms currently have a major advantage over their Indian counterparts. While Indian firms will continue to produce low carbon technologies such as solar and wind power generators for domestic use, at present they would struggle to compete internationally. But there is a range of voices within India suggesting that the use of renewable energy could replicate India's mobile telephone revolution, which allowed India to leapfrog over other countries in utilization. If this is to occur, and if Indian firms are to produce low carbon tech-

63 Ibid.

64 See [cdm.ufccc.int](http://cdm.ufccc.int).

nologies benefiting other countries, significant transfer of intellectual property will be necessary.

## Forestry

India's forest cover is an important source of carbon sequestration. Between 1995 and 2005, according to the Ministry of Environment and Forests, the carbon sequestered in India's forests increased annually by 138mt CO<sub>2</sub> equivalent. Forest conservation is a key part of the National Mission on Green India, itself part of the National Action Plan on Climate Change. The government has announced a Green India campaign to increase the forested area by 6m hectares, and has set a target for 33% of India to be forested, compared with the current level of 23% (although the figures must be treated with caution).

Lessons from past errors are likely to underpin India's strategy towards conservation in the future. Millions of Indians live in or close to forests. Past attempts at sustainability and conservation have alienated these communities. Forestation campaigns have focused on faster-growing trees, with implications for the water-retention capacity of forests.

Consequently, future forestry campaigns are likely to focus on sustainability for local communities rather than on climate change directly. India seems likely to intensify the legal framework protecting forests. It has already banned logging in a number of areas and enacted laws to protect biodiversity. Moves to shift forest ownership towards communities are also in place.

However, there are two main concerns. First, in areas with natural resources the enforcement of the legal framework is frequently weak and often determined by the capacity of the particular state. Second, despite the positive rhetoric, forest protection (particularly involving tribal communities) is frequently elitist and patronizing, and therefore often ineffective.

Rising concern about Naxalites (Maoist insurgents), whose activities are concentrated in forests, is likely to increase the focus on forest protection, and on sustainable development in forested areas. A range of disputes has

occurred in recent years as India has cleared forests for factories, roads and mining projects. There are concerns that cash transfers to communities in forested areas could be co-opted and have unintended, negative consequences.

While concern about domestic deforestation is rising, Indian demand for forest products is increasing. India is currently the sixth biggest importer of forest products. There is little evidence at present that domestic concern about deforestation is translating into a widespread understanding of the global nature of the issue. In relation to illegal logging, a recent report notes that 'India is another country which has received too little attention and yet is important as both a producer and consumer of illegal timber.'<sup>65</sup> The issue of environmental protection is now rising up the political agenda within India. Growth remains the priority, and numerous commentators argue that environmental safeguards harm growth. But there is a recognition, particularly within the environment ministry, that environmental protection is necessary as a means to ensure sustainable development.

## Conclusion

India has long been reluctant to 'internationalize' domestic issues. Its policy towards climate change reflects this, in that it does not want to be beholden to international legal constraints. While there is widespread understanding of the potential longer-term impact of climate change, the immediate priority remains domestic growth; tackling poverty now would mean India is better prepared to deal with a future problem. At the same time, the benefits of renewable energy are recognized – not least as a means of providing electricity to communities that were previously without power.

The more successful environmental campaigns within India have focused on specific practical issues. These include legal pressure to convert buses in Delhi from diesel to compressed natural gas, or Project Tiger, which seeks to stabilize the number of tigers in the country. It is notable that the broader the environmental aspiration, the less public traction it tends to achieve within India.

65 Sam Lawson and Larry MacFaul (2010), *Illegal Logging and Related Trade: Indicators of the Global Response*, Chatham House. <http://illegal-logging.info/uploads/CHIllegalLoggingPaperwebready1.pdf>.

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## 6. Conclusion

India's increased global standing is a common source of pride for its citizens, particularly within the growing middle class. Within a short time it has evolved from a country with a marginal role to a key participant in global decision-making. This is frequently seen as an example of India's coming of age, as are manifestations of its hard power projection (for instance in anti-piracy operations) and the success of its companies.

But among policy-makers (not to mention the hundreds of millions of Indians who live in poverty) such issues are seen as secondary to the challenges of domestic development. Many agree that India's ability to play a greater global role would evolve more naturally were these challenges met.

This divergence affects India's attitude towards the provision of a range of global public goods. Attitudes towards 'developmental' objectives are still seen largely in terms of self-interest, whether for Indian companies or for Indian prestige. This is partly because of the need of decision-makers to meet the demands of the domestic audience. It is also because of India's own experience as a recipient of aid; many opinion-formers argue that other countries have provided it with development assistance as a means of enhancing their relationship with the country.

Consequently, India appears set to continue and expand an assistance programme that is primarily predicated on the use of concessional lines of credit. Meanwhile Indian companies have a growing interest in opportunities overseas, though often finding it easier to operate in Africa or Southeast Asia than in India's immediate neighbourhood.

Criticism of links between India's private sector and

politicians in the making of domestic policy has not translated into concern over international policy. This is unlikely to remain the case over the coming years, however. As Indian companies expand their overseas operations, the policy-making establishment will have to determine how commercial ties fit within India's foreign policy framework. For now, however, countries seeking to improve their engagement with India need to direct their efforts towards specific firms or trade associations as much as with the government.

Greater regional integration offers a wide range of benefits; the India–Sri Lanka free trade agreement resulted in a major surge in trade

India retains a preference for providing its assistance to other countries bilaterally, but some emerging trends point to a greater willingness to pool sovereignty in multilateral structures such as IBSA. While Western countries may not be ideal partners from an Indian perspective, there is greater openness, particularly in the private sector, to ideas such as triangulation, whereby Western governments could utilize Indian capacity in third countries.

Greater regional integration offers a wide range of benefits; the India–Sri Lanka free trade agreement resulted in a major surge in trade, and offers a template for relations with other countries in the region. Continued ad hoc integration seems most likely in the short term; while India is pushing for SAARC to become a more effective institution, and steps are being taken to allow for better regional links, the organization remains hindered by the poor bilateral relations between India and Pakistan and progress on the South Asian Free Trade Area has been slow.

Despite calls within India for greater coordination of the country's aid programme, there is little pressure to change the current approach. Policy-makers point to the positive perception of India in countries such as Afghanistan. With the greater confidence provided by sustained economic growth over the past decade, India is increasingly willing

to play a greater role in areas such as disaster response, though not yet to proactively promote its specific approach towards 'development'.

This reflects a preference within India for practical projects, rather than more theoretical positioning. India's own development assistance has focused on areas such as training in which the benefits survive the ending of the assistance. Indian policy-makers frequently criticize 'three-year projects' that fall into disrepair once the assistance funding ends.

India remains committed to UN peacekeeping operations: these are a key means of demonstrating India's role as a good 'global citizen'. India's participation also demonstrates its commitment to the UN and forms a part of its claim for permanent membership of the Security Council. However, India continues to argue for state sovereignty rather than the imposition of values. Consequently, it is difficult to envisage that its attitude towards democracy promotion will evolve substantially in the near term. However, in this field India already provides practical assistance for other countries – training election monitors, for instance – and this is more likely to increase than be scaled back.

India's civil society (as well as its Supreme Court) has led the way for some progressive domestic movements (such as tackling air pollution in Delhi), and some domestic

commentators are increasingly proud of the overseas activities of a few Indian NGOs. Most of these will remain focused primarily on domestic issues, but they also seem likely to acquire a greater international presence on 'global' issues such as trade and climate change.

India's approach towards climate change reflects the broader question of its own development needs. Development in the short term is seen as the best means of combating the impact of climate change in the longer term. But renewable energy is also considered an important means of expediting development; there is an increasing focus on off-grid energy sources that can bring power to villages lacking access to electricity.

India can and will gradually play a more significant role in global development, through training and through the capacity of its private sector and NGOs, but a significant escalation of India's global role is unlikely until its domestic development challenges are better addressed. Until it is clear that the country has found a model that makes more progress in tackling domestic issues such as poverty, there will remain a reluctance to attempt to export an Indian model of development. However, the process is likely to be speeded up by the increasing (and overdue) attempts by other countries at engagement with India on tackling a host of global challenges.

# Appendix 1: Technical and Economic Cooperation

Technical and economic cooperation with other countries and advances to foreign governments (Rs m)

	2005/06 <sup>a</sup>	2006/07 <sup>b</sup>	2007/08 <sup>c</sup>	2008/09 <sup>d</sup>	2009/10 <sup>e</sup>	2010/11 <sup>f</sup>
Bangladesh	520	200	600	60	38	30
Bhutan	11,311	5,995	7,310	12,059	13,020	17,230
Nepal	660	2,100	1,000	1,130	1,500	1,500
Sri Lanka	250	280	280	300	800	900
Maldives	132	60	195	5,047	35	110
Myanmar	220	446	200	350	550	900
Aid to other developing countries	4,948	5,916	1,801	510	366	344
Aid for disaster relief	-	-	-	700	400	1,550
ITEC-Programme	-	-	600	650	850	1,200
SAARC Programme	-	-	-	200	220	80
SCAAP Programme	-	-	-	60	90	150
Aid to African countries	610	200	500	950	1,250	1,500
Multilateral Economic Relations Programme (MER)	-	-	-	30	80	130
Investment Promotion and Publicity Programme	-	-	-	8	50	42
Eurasian countries	90	170	200	188	200	300
Aid to Latin American Countries	-	-	15	20	20	40
Aid to Afghanistan	-	-	4,340	4,185	2,870	3,100
Mongolia	-	-	-	-	1,250	-

Source: Ministry of External Affairs. <http://indiabudget.nic.in>

a <http://indiabudget.nic.in/ub2006-07/eb/sbe30.pdf> Revised 2005-06, Total (plan and non-plan)

b <http://indiabudget.nic.in/ub2007-08/eb/sbe31.pdf>. Revised 2006-07, Total (plan and non-plan)

c <http://indiabudget.nic.in/ub2008-09/eb/sbe30.pdf> Revised 2007-08, Total (plan and non-plan)

d <http://indiabudget.nic.in/ub2009-10/eb/sbe31.pdf> Revised 2008-09, Total (plan and non-plan)

e <http://indiabudget.nic.in/ub2010-11/eb/sbe31.pdf> Revised 2009-10, Total (plan and non-plan)

f <http://indiabudget.nic.in/ub2011-12/eb/sbe31.pdf> Revised 2010-2011, Total (plan and non-plan)

## Technical and economic cooperation with other countries and advances to foreign governments (US\$m)

	2005/06 <sup>a</sup>	2006/07 <sup>b</sup>	2007/08 <sup>c</sup>	2008/09 <sup>d</sup>	2009/10 <sup>e</sup>	2010/11 <sup>f</sup>
Bangladesh	11.7	4.7	14.9	1.3	0.8	0.7
Bhutan	255.5	141.9	181.6	262.2	274.6	378.6
Nepal	14.9	49.7	24.8	24.6	31.6	33.0
Sri Lanka	5.6	6.6	7.0	6.5	16.9	19.8
Maldives	2.9	1.4	4.8	109.7	0.7	2.4
Myanmar	5.0	10.6	5.0	7.6	11.6	19.8
Aid to other developing countries	111.8	140.0	44.7	11.1	7.7	7.6
Aid for disaster relief	-	-	-	15.2	8.4	34.1
ITEC-Programme	-	-	14.9	14.1	17.9	26.4
SAARC Programme	-	-	-	4.3	4.6	1.8
SCAAP Programme	-	-	-	1.3	1.9	3.3
Aid to African countries	13.8	4.7	12.4	20.7	26.4	33.0
Multilateral Economic Relations Programme (MER)	-	-	-	0.7	1.7	2.9
Investment Promotion and Publicity Programme	-	-	-	0.2	1.1	0.9
Eurasian countries	2.0	4.0	5.0	4.1	4.2	6.6
Aid to Latin American Countries	-	-	0.4	0.4	0.4	0.9
Aid to Afghanistan	-	-	107.8	91.0	60.5	68.1
Mongolia	-	-	-	-	26.4	0.0

Source: Ministry of External Affairs <http://indiabudget.nic.in>

- a Rs 44.273 per \$
- b Rs 42.25 per \$
- c Rs 40.261 per \$
- d Rs 45.993 per \$
- e Rs 47.42 per \$
- f Assuming Rs 45.5 per \$

## Appendix 2: Lines of Credit Extended by Exim Bank

### Lines of credit extended by Exim Bank – Asia (US\$m)

	<b>Credit lines</b>	<b>Total amount</b>	<b>Purpose</b>
Bangladesh	1	1,000.000	Goods and services imports
Cambodia	3	65.200	Stung Tasal development project; of water pumps; construction of electricity transmission line between Kratie and Stung Treng
Lao PDR	3	122.890	Paksong S/S-Jiangxai transmission line project; Nam Song hydropower project; equipment for Rural Electrification Phase 2 project; development of irrigation projects in Chamassack Province
Myanmar	7	247.428	Railway rehabilitation; Thanlyin Refinery; Thahtay Chaung hydropower project; upgrading Thanbayakan Petrochemical Complex
Nepal	1	100.000	Various road projects; rural electrification projects; power transmission projects; hydro-power projects
Sri Lanka	5	833.790	General; Petroleum Products; Imports from India; Upgrading of Southern Railway Line (Colombo-Matara)
Vietnam	2	72.000	General; Nam Chien hydropower project (200 MW)
Uzbekistan	1	10.000	General

### Lines of credit extended by Exim Bank – Latin America (US\$m)

	<b>Credit lines</b>	<b>Total amount</b>	<b>Purpose</b>
Brazil	1	10.00	General
Colombia	1	10.00	General
Guyana	2	21.1.0	Cricket stadium in Georgetown; signalling system
Honduras	1	30.00	Communication; health; transport and air force parts
Suriname	5	47.05	General; water supply; supply of ten fire engines
<b>Regional organizations</b>			
CAF*	1	10.00	General

\* Corporacion Andina de Fomento (CAF), Andean Development Corporation, covering Bolivia, Colombia, Ecuador, Peru and Venezuela

## Lines of credit extended by Exim Bank – Africa (US\$m)

	Credit lines	Total amount	Purpose
Angola	5	108.00	General; railway rehabilitation; tractors
Benin	1	15.00	Purchase of railway equipment; agricultural equipment; feasibility study for a cyber city in Benin
Burkina Faso	2	55.97	Agricultural projects including acquisition of tractors, harvesters, agricultural processing equipment and construction of national post office; rural electrification
Cameroon	1	37.65	Maize farm plantation; rice farm plantation
Central African Republic	1	29.50	Setting up a modern dry process cement plant; procurement of 100 buses for internal transport
Chad	1	50.00	Setting up of cotton yarn plant, Steel billet plant and rolling mill, plant for assembly of agricultural equipment and bicycle plant
Côte d'Ivoire	4	112.30	Project for renewal of urban transport system in Abidjan; agricultural projects in vegetable oil extraction; fruit and vegetable chip production; production of cocoa, coffee etc; Mahatma Gandhi IT and Biotechnology Park; fisheries processing plant; coconut fibre processing plant; electricity interconnection project between Côte d'Ivoire and Mali
Djibouti	2	20.00	General; cement plant project
DR Congo	3	100.50	Installation of hand pumps and submersible pump; setting up a cement factory
Eq Guinea	1	15.00	Potable water plant project
Eritrea	1	20.00	Multipurpose agricultural and educational projects
Ethiopia	5	657.54	Energy transmission and distribution project; development of sugar industry
Gabon	1	14.50	Housing project
Gambia	2	16.70	Tractor assembly plant project; construction of National Assembly Building Complex
Ghana	5	148.72	General; rural electrification, agriculture, communication and transportation projects; rural electrification project and construction of Presidential Office
Guinea Bissau	1	25.00	Electricity project, mango juice and tomato paste processing unit and purchase of tractors and water pumps for development of the agricultural sector
Lesotho	2	9.70	General
Madagascar	1	25.00	Projects for rice productivity and for fertilizer production
Malawi	1	50.00	Supply of irrigation, storage, tobacco threshing plant and one village- one project in Malawi
Mali	5	163.00	Rural electrification; setting up of agro machinery and tractor assembly plant; electricity transmission and distribution project from Côte d'Ivoire to Mali; completion of Mali-Côte d'Ivoire interconnection link integrating national power grids of both countries; agriculture and food processing projects
Mozambique	6	140.00	General; Gaza Electrification Project; transfer of water drilling technology and equipment; IT Park Project comprising construction, incubator facility, research and learning centre and technology park and administrative facility; rural electrification projects in Gaza, Zambezia and Nampula
Niger	2	37.00	Acquisition of buses, trucks, tractors, motor pumps and flour mills; rehabilitation of six power stations; purchase of three power transformers; rehabilitation and erection of power lines
Rwanda	1	20.00	Power projects
Senegal	6	95.87	Development of rural SMEs; purchase of agricultural machinery and equipment; supply of buses and spare parts; irrigation project; women poverty alleviation programme; acquisition of vehicles; IT training projects; rural electrification project and fishing industry project
Seychelles	2	13.00	General
Sierra Leone	2	45.00	Procurement of tractors and connected implements, harvesters, rice threshers, rice mills, maize shellers and pesticide equipment

	Credit lines	Total amount	Purpose
Sudan	6	566.90	General; supply of agricultural inputs for the Sudanese Agricultural Bank; technical and laboratory equipment for higher education; scientific equipment for Ministry of Science and Technology; solar electrification; assisting Sudan Railways; Kosti combined cycle power plant; Eldeum sugar project
Tanzania	1	40.00	Export of tractors, pumps and equipments from India to Tanzania
Zambia	3	65.00	General; Itezhi-Tezhi hydropower project
<b>Regional organizations</b>			
AFREXIMBANK <sup>a</sup>	1	30.00	General
PTA Bank <sup>b</sup>	7	90.00	General
WADB <sup>c</sup>	1	10.00	General
Senegal & Mali	1	27.70	Acquisition of railway coaches and locomotives

a African Export Import Bank covers Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo

b Eastern and Southern African Trade and Development Bank (PTA Bank) covering 17 countries in the eastern and southern African region

c West African Development Bank

Lines of credit extended by Exim Bank – other countries (US\$m)

	Credit lines	Total amount	Purpose
Belarus	1	55.6	Tishreen power project
Fiji	1	50.4	Rehabilitation of sugar industry
Jamaica	1	7.5	Export of water pumps
Mauritius	1	48.5	Supply of off-shore patrol vessel
Russia	2	125.0	General
Syria	2	125.0	Steel plant; part-finance of Tishreen thermal power project by BHEL
Trinidad & Tobago	1	8.0	General

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## Appendix 3: Trade with Sub-Saharan Africa

### Indian trade with sub-Saharan Africa (US\$m)

	<b>Exports</b>	<b>Imports</b>
2000/01	1,429	845
2001/02	1,716	1,018
2002/03	1,819	1,165
2003/04	2,128	3,197
2004/05	5,362	3,741
2005/06	5,584	3,875
2006/07	8,401	11,380
2007/08	11,540	14,928
2008/09	11,391	18,904
2009/10	10,308	20,715

Source Ministry of Finance, Economic Survey 2010/11

# Appendix 4: Contributions to International Agencies

Contributions to international bodies for 2005–11 (Rs m)

Ministry/department/organization	2005/06 <sup>a</sup>	2006/07 <sup>a</sup>	2007/08 <sup>a</sup>	2008/09 <sup>a</sup>	2009/10 <sup>a</sup>	2010/11 <sup>b</sup>
<b>Agriculture</b>	<b>176.30</b>	<b>137.90</b>	<b>184.40</b>	<b>201.60</b>	<b>280.00</b>	<b>226.90</b>
Food and Agriculture Organization	77.90	79.20	94.10	105.90	105.70	103.00
World Food Programme	43.90	4.60	42.30	44.30	49.90	50.19
<b>Environment and Forests</b>	<b>33.10</b>	<b>47.90</b>	<b>25.20</b>	<b>20.30</b>	<b>24.00</b>	<b>104.49</b>
United Nations Environment Programme	4.70	4.20	4.70	4.70	4.20	4.90
<b>External Affairs</b>	<b>1,166.60</b>	<b>1,032.80</b>	<b>1,046.70</b>	<b>10,534.10</b>	<b>1,332.20</b>	<b>2,471.40</b>
Contribution to UN budget	818.40	405.70	420.00	10,413.60	1,045.60	1,520.70
<b>Finance</b>	<b>713.20</b>	<b>1,000.90</b>	<b>725.90</b>	<b>531.50</b>	<b>1012.10</b>	<b>952.10</b>
United Nations Development Programme	207.70	211.80	186.20	202.60	218.90	225.50
Afghanistan Reconstruction Fund	9.00	9.00	8.10	0.00	9.20	10.00
<b>Health and Family Welfare</b>	<b>86.10</b>	<b>91.50</b>	<b>212.00</b>	<b>131.80</b>	<b>482.10</b>	<b>242.50</b>
International Committee of Red Cross Society	0.00	0.00	0.00	0.60	0.60	0.60
World Health Organization	75.70	81.20	129.80	108.20	105.30	141.90
<b>Human Resource Development</b>	<b>115.70</b>	<b>133.70</b>	<b>109.90</b>	<b>126.50</b>	<b>132.10</b>	<b>132.10</b>
UNICEF <sup>c</sup>	31.10	38.00	38.00	38.00	38.00	39.10
<b>Total (includes other ministries)</b>	<b>3,012.10</b>	<b>3,249.00</b>	<b>4,088.00</b>	<b>12,598.30</b>	<b>4,385.30</b>	<b>5,498.80</b>

a Actual budget figure. Source <http://indiabudget.nic.in>

b Budget figure

c From 2007/08 UNICEF budget funded from Ministry of Women and Child Development rather than Human Resource Development. India has contributed US\$2m to the UN Peace Building Fund (as of 28 February 2008, see <http://www.unpbf.org/pledges.shtml>) and the same amount to the UN Central Emergency Fund (see <http://www.unis.unvienna.org/unis/pressrels/2006/iha1163.html>). It is not clear whether this is in addition to the figures above.

## Contributions to international bodies for 2005–11 (US\$m)

Ministry/department/organization	2005/06 <sup>a</sup>	2006/07 <sup>b</sup>	2007/08 <sup>c</sup>	2008/09 <sup>d</sup>	2009/10 <sup>e</sup>	2010/11 <sup>f</sup>
<b>Agriculture</b>	<b>3.98</b>	<b>3.26</b>	<b>4.58</b>	<b>4.83</b>	<b>5.92</b>	<b>4.99</b>
Food and Agriculture Organization	1.76	1.87	1.97	2.30	2.23	2.26
World Food Programme	0.99	0.11	1.05	0.96	1.05	1.10
<b>Environment and Forests</b>	<b>0.75</b>	<b>1.13</b>	<b>0.63</b>	<b>0.44</b>	<b>0.51</b>	<b>0.02</b>
United Nations Environment Programme	0.11	0.10	0.15	0.10	0.09	0.11
<b>External Affairs</b>	<b>26.35</b>	<b>24.44</b>	<b>26.00</b>	<b>229.00</b>	<b>28.09</b>	<b>54.32</b>
Contribution to UN budget	18.49	9.60	10.43	223.42	22.05	33.42
<b>Finance</b>	<b>16.11</b>	<b>23.69</b>	<b>18.03</b>	<b>11.56</b>	<b>21.34</b>	<b>20.93</b>
United Nations Development Programme	4.69	5.01	0.02	4.41	4.62	4.96
Afghanistan Reconstruction Fund	0.20	0.21	0.20	0.00	0.19	0.22
<b>Health and Family Welfare</b>	<b>1.90</b>	<b>2.17</b>	<b>5.27</b>	<b>2.90</b>	<b>10.17</b>	<b>5.33</b>
International Committee of Red Cross Society	0.00	0.00	0.00	2.17	0.01	0.01
World Health Organization	1.71	1.92	3.22	2.35	2.22	2.13
<b>Human Resource Development</b>	<b>2.61</b>	<b>3.16</b>	<b>2.73</b>	<b>2.75</b>	<b>2.79</b>	<b>2.90</b>
UNICEF	0.70	0.90	0.94	0.83	0.80	0.86
<b>Total (includes other ministries)</b>	<b>68.03</b>	<b>76.90</b>	<b>101.54</b>	<b>273.92</b>	<b>92.48</b>	<b>120.85</b>

a Rs 44.273 per \$

b Rs 42.25 per \$

c Rs 40.261 per \$

d Rs 45.993 per \$

e Rs 47.42 per \$

f Assuming Rs 45.5 per \$



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