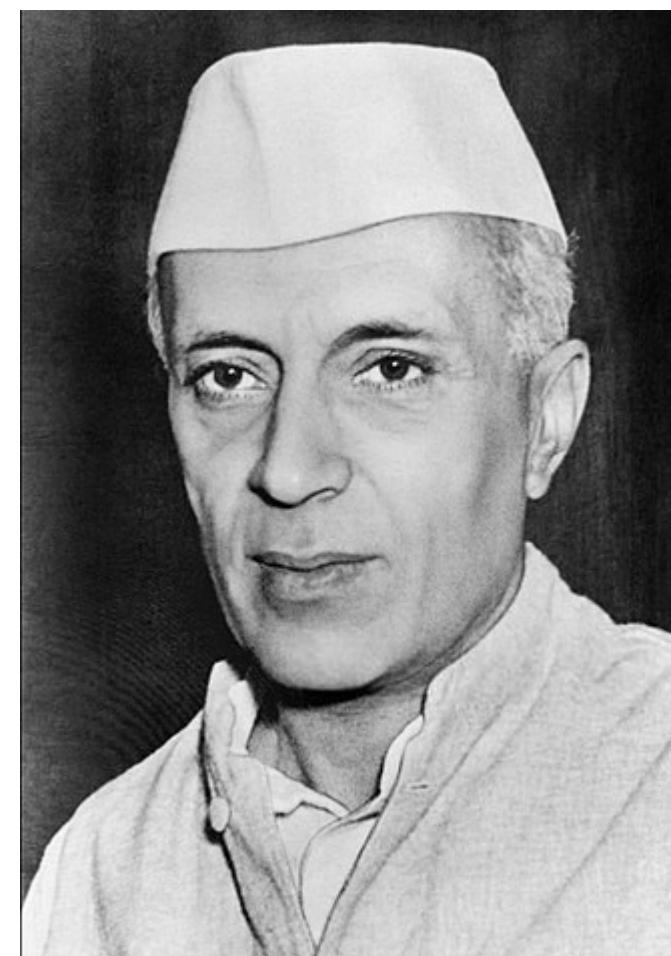


India from Nehru and Manmohan Singh to Modi and its Role as a Leading Nation in Asia



India
from **Nehru** and **Manmohan Singh** to **Modi** and
its Role as a Leading Nation in Asia

A presentation
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भरत गणराज्य, Bharat Ganarajya Republic of India, Bundesrepublik Indien

The secular and democratic Republic of India was founded on January 27th 1950 after a long struggle for independence from Great Britain and other colonial powers as the Portuguese and French



India: A Democracy with a functioning separation of powers and a strong economy

„Seit der Unabhängigkeit hat sich in Indien ein gefestigtes demokratisches System entwickelt, in dem die Gewaltenteilung von Exekutive, Legislative und Judikative sowie der Föderalismus die wichtigsten Stützen bilden.“ Bundeszentrale für Politische Bildung 2017 in the „Indien“-edition

- India has been a member of World Trade Organization since January 1st 1995
- Democracy makes India a reliable partner
- India is Asia's 3rd biggest economy after China and Japan

Population of 1.371.109.620 on
4th Oct. 2019, 15.37 pm

India, second most populated country, will
surpass China by population in 2024



During the seven centuries since Independence in 1947 India underwent paradigmatic turns in economy, politics and culture

1. The leftliberal, secular and socialist Indian National Congress Party, which ruled India between 1947 and 2014 (PMs Nehru, Indira Gandhi, Manmohan Singh) is currently fading into insignificance due to the overwhelming victories of the Hindunationalist BJP (Indian People Party) under Prime Minister Modi in 2014 and his re-election in May 2019
2. The socialist economy 1947-1991 was influenced by extensive regulation, protectionism and public ownership, leading to corruption and slow economic growth
3. Economy today is a mixed economy, blending elements of market economies with state interventionism

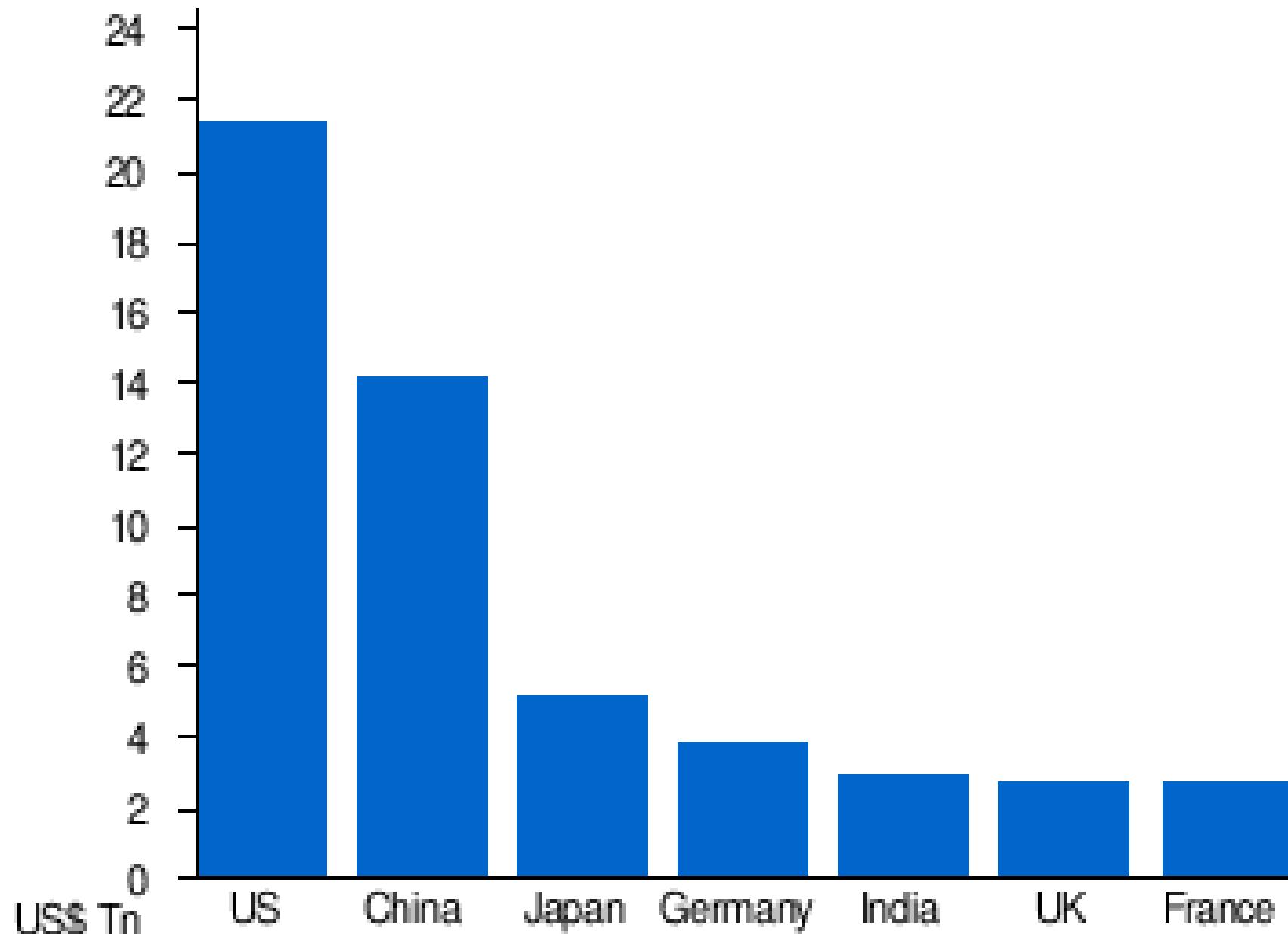
India: A Superpower in near future?

- Beginning in 1991, neoliberal economic reforms have transformed India into one of the fastest-growing economies in the world with a huge consumer market of 400 Mio.
- India is a major world power with growing influence and a prominent voice in global affairs in South Asia and recently as a partner of the the US, and is seeking a permanent seat in the United Nations Security Council; it is a nuclear-weapon state with the 2nd largest standing army in the world
- Many economists, military analysts and think tanks expect India to become a superpower in the near future, recognizing her supremacy in (South)Asia

The Economy of India today is a developing market economy ...

- ... and the world's fifth-largest economy by nominal GDP (gross domestic product) and the third-largest by purchasing power parity, PPP
- But: According to the International Monetary Fund, on per capita income basis, India ranked 142nd by GDP **per capita** (nominal) and 119th by PPP **per capita** in 2018, this is due to poverty
- The long-term growth perspective of the Indian economy remains positive due to its young population (median age 27) and corresponding low dependency ratio, healthy savings and investment rates, and its increasing integration into the global economy

Largest economies by nominal GDP in 2019



India's economy slowed slightly in 2017 ... due to shocks of "demonetization" ...

- ... in Nov 2016 and the introduction of the GST, Goods and Services Tax, in 2017 (ranking from 0%-28%)
- Nearly 60% of India's GDP is driven by domestic private consumption and continues to remain the **world's sixth-largest and steadily growing consumer market**; GDP by sector: agriculture 15%, industry 23%, and service 61.5%
- In 2018, India was the world's tenth-largest importer and the nineteenth-largest exporter, **becoming the top ranked country in South Asia** and the third among BRICS (Brazil, Russia, India, China, South Africa)

From Independence in 1947 until 1991 ...

- ... successive governments of the left/socialist Indian National Congress under **Nehru** and **Indira Gandhi** promoted protectionist economic policies with extensive state intervention, centralization and regulation; nationalisation of banks under Indira Gandhi
- The end of the Cold War and an acute balance of payments crisis in 1991 led to the adoption of a broad program of economic liberalisation
- Since 2000 the annual average GDP growth has been 6% to 7%, dropping slightly recently; from 2014 to 2018, India was the world's fastest growing major economy, surpassing even China; inflation rate was 3.9% in Oct 2019





India's Mixed Economy under Nehru

1947 – 1964

- Indian economic policy after independence was influenced by the colonial experience, which was seen, rightly, as exploitative by Indian leaders; politically, India opted for non-alignment
- Domestic policy tended towards the planned economy of the Soviet Union, towards protectionism, with a strong emphasis on import substitution industrialisation, economic interventionism, a large government-run public sector, strong business regulation, and central planning, while trade and foreign investment policies were relatively liberal, as Nehru considered foreign capital essential



Nehru formulated seven „rational goals“ for India's modernisation

- ... national unity, parliamentary democracy, industrialisation, socialism, scientific development, secularism and political non-alignment
- For Nehru, socialism was not just an economic doctrine, but a „new civilisation“ based on a radically transformed „humanity“
- Still, poverty, illiteracy, and unemployment were widespread throughout Nehru's governance

Under Prime Minister Jawaharlal Nehru, INC

- Five-Year Plans of India resembled central planning in the Soviet Union; steel, mining, machine tools, telecommunications, insurance, and power plants, among other industries, were effectively nationalised in the mid-1950s; banks were nationalised under Indira Gandhi
- Jawaharlal Nehru, the first prime minister of India, along with the statistician Prasanta Chandra Mahalanobis, expected favourable outcomes from their strategy, involving the rapid development of heavy industry by both public and private sectors, and based on direct and indirect state intervention

The Paradigmatic Turn in the early 1990s under Manmohan Singh: Liberalisation

- The breakdown of the Soviet Union and an acute balance of payments crisis in 1991 led to the adoption of a broad program of economic liberalisation
- India's fiscal deficit was close to 8.5 per cent of the gross domestic product, the balance of payments deficit was huge and the current account deficit was close to 3.5 percent of India's GDP; India's foreign reserves barely amounted to US\$1 billion, enough to pay for 2 weeks of imports, in comparison to US\$283 billion today
- In 1991, as India faced this severe economic crisis, Manmohan Singh became Minister, later, he served as Prime Minister from 2004 to 2014

Despite strong opposition Singh carried out structural reforms and liberalised India's economy which proved successful



The British Empire and India's Poverty Today

- „There is no doubt that our grievances against the British Empire had a sound basis. As the painstaking statistical work of the Cambridge historian **Angus Maddison** has shown, India's share of world income collapsed from 22.6% in 1700, almost equal to Europe's share of 23.3% at that time, to as low as 3.8% in 1952. Indeed, at the beginning of the 20th century, "the brightest jewel in the British Crown" was the poorest country in the world in terms of per capita income.“ Manmohan Singh



Singh, thus far one of India's most influential architect of socialism ...

- ... deregulated Indian economy, eliminated the so called „permit Raj“/“Licence Raj“ (a bureaucratic system, inherited by the British, that inhibited the prosperity of private business and investments), reduced state control of economy and import taxes drastically
- He removed obstacles for Foreign Direct Investment (FDI) and initiated the process of the privatisation of the public sector companies which continues till today
- Singh pushed India towards a market economy and saw an 8-9% economic growth rate during his tenure 2004-2014; he propagated the so called „Pragmatic foreign policy“

Today: Narendra Modi and the hindu-conservative (ethnonationalist) BJP since 2014

- Throughout its four-decade-long history, India's ruling Bharatiya Janata Party (BJP) has always been divided between two viewpoints on economics: The free market model that goes for globalisation and is private capital-oriented, and the traditional protectionist system with a significant welfare component
- Modi's government since 2014 has brought several significant changes in the economic environment including introducing a transformational bankruptcy law and pushing through the long-awaited Goods and Services Tax which is now the same all over India

Thinking global: India's „Third Way“

- The question then remains as to whether Modi is growth-and-free-market-oriented, or he is transitioning to the welfare state model
- Modi seems to favour the „domestic-first model“ with strong elements of protectionism in which every step must be taken by the State to protect national industries against foreign competition; see Savarkar, chief ideologist of „Hindutva“ and the *sva-deshi*-concept: India first – for Indians; not in global context)
- The BJP's current constitution document states the party's commitment to “*Gandhian approach to socio-economic issues leading to the establishment of an egalitarian society free from exploitation*“

Modi is signaling that giving up on growth ...

- ... would lead to a downward spiral that would make it impossible for the state to deliver goods and services. Flight of global capital from India could cripple and even imperil his government



India's Economy Today

- India's largest trading partners are China, USA, UAE, Saudi Arabia, Switzerland, Germany, Hong Kong, Indonesia, South Korea, Malaysia
- In 2018-19, the foreign direct investment (FDI) in India was \$64.4 billion with service sector, computer, and telecom industry remains leading sectors for FDI inflows
- India has free trade agreements with several nations, including ASEAN Association of Southeast Asian Nations), SAFTA (The South Asian Free Trade Area), Mercosur (Mercado Común del Sur), South Korea, Japan and few others which are in effect or under negotiating stage

Modi spent his first term laying the groundwork to transform India ...

- ... into a nation that is both attractive to global investors and at the same time Ethnonationalist/Hindunationalist and culture-conservative: „We believe that nationalism and economic growth are not counter to each other“, says BJP spokesman Gopal Krishna Agarwal
- Modi has visited nearly a dozen nations since his landslide re-election in May seeking investments from the Middle East till China
- This is a new, more strategic foreign policy

Transforming India in a „Liberal“ Welfare State

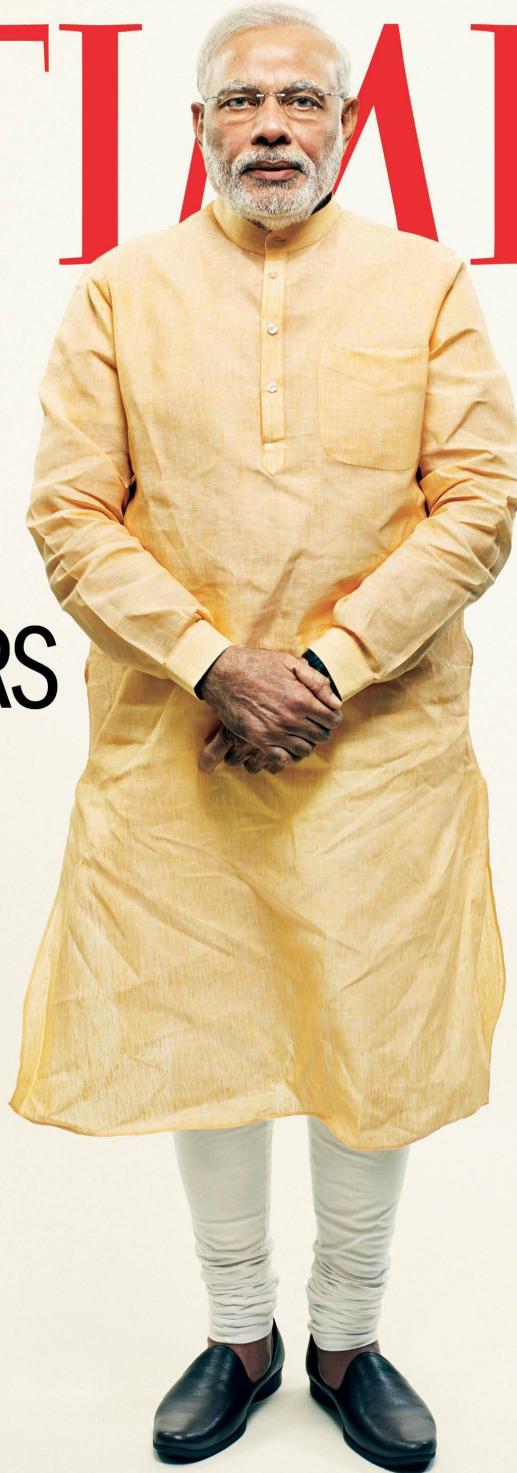
- In his first term, the Modi government built toilets for every household, around 80 million gas cylinders were handed out to help women, especially in rural India, escape indoor air pollution and more than 350 million LED bulbs were distributed; around 100 million people have received e-cards that would help them access cashless treatment scheme under the Ayushman Bharat, the national health insurance scheme
- To enable efficient delivery of these goods and services, the state has pushed Aadhar platform for identity verification; the system has since registered about 90 percent of Indian citizens. Moreover, Modi's flagship United Payments Interface has surpassed the combined number of transactions in credit and debit cards

TIME

WHY MODI MATTERS

THE WORLD
NEEDS INDIA TO
STEP UP AS A
GLOBAL POWER.
ONE YEAR IN,
CAN PRIME
MINISTER
**NARENDRA
MODI**
DELIVER?

AN EXCLUSIVE
INTERVIEW



Global Competitive Index 2019

- India slipped down ten places to be ranked 68th (58th in 2018) in the annual Global Competitiveness Index 2019 while Singapore replaces USA at top
- Despite its lower rank, India performed better in certain indicators like renewable energy regulation, airport connectivity, inflation, research institutions prominence
- However, it performed poorly in other indicators including security, where it was ranked near bottom at the 124th rank with its terrorism incidence
- India also ranked relatively low in the skills of future workforce indicator, student-teacher ratio in primary education, electricity access, electricity supply quality and exposure to unsafe drinking water, nutrition, health care

Ease of Doing Business Index: India under Modi jumped 14 places to rank 63

- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights (compare: New Zealand, Singapore: very easy)
- India is on rank 63 (77 in 2018; 100 in 2016)



Germany-India-Economy-Relation

- Already in the 16th century, Jakob Fugger, a merchant and banker from Augsburg, financed the voyage of the first German ships to Goa
- India offers various and immense opportunities for German companies; today, more than 1700 German companies are active in India, providing around 400.000 direct and indirect jobs
- Germany is India's largest trading partner in Europe and among India's top ten global trade partners
- Bilateral trade between Germany and India in 2018 was valued at more than EUR 19 billion

Germany is the 7th largest foreign direct investor in India ...

- ... with a total foreign direct investment from 2000 until 2016 amounted to approx. EUR 9 billion
- There are more than 1600 Indo-German collaborations and over 600 Indo-German Joint Ventures in operation
- Various programs have been set up in order to facilitate the realization of business opportunities in India such as the Fast-Track-System for German companies or the Make-in-India-Mittelstand-Program

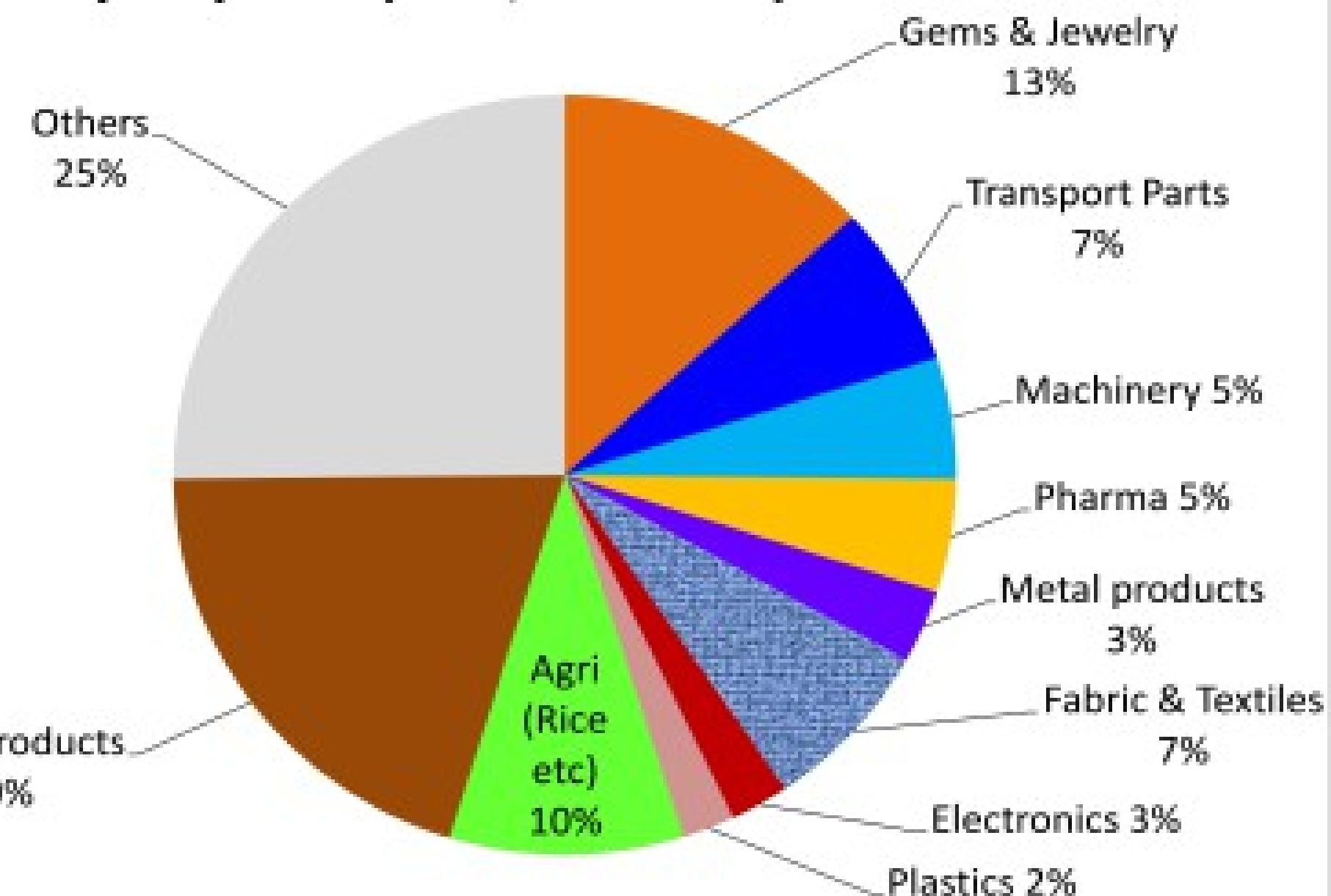
Vice versa, Indian investments in Germany have remarkably increased ...

- ... over the last few years
- Indian corporate entities have invested over EUR 6.5 billion in Germany, especially in sectors of IT, automotive, pharmacy and biotechnology
- Today, there are more than 200 Indian companies operating in Germany, and more than 1.700 German companies operate in India

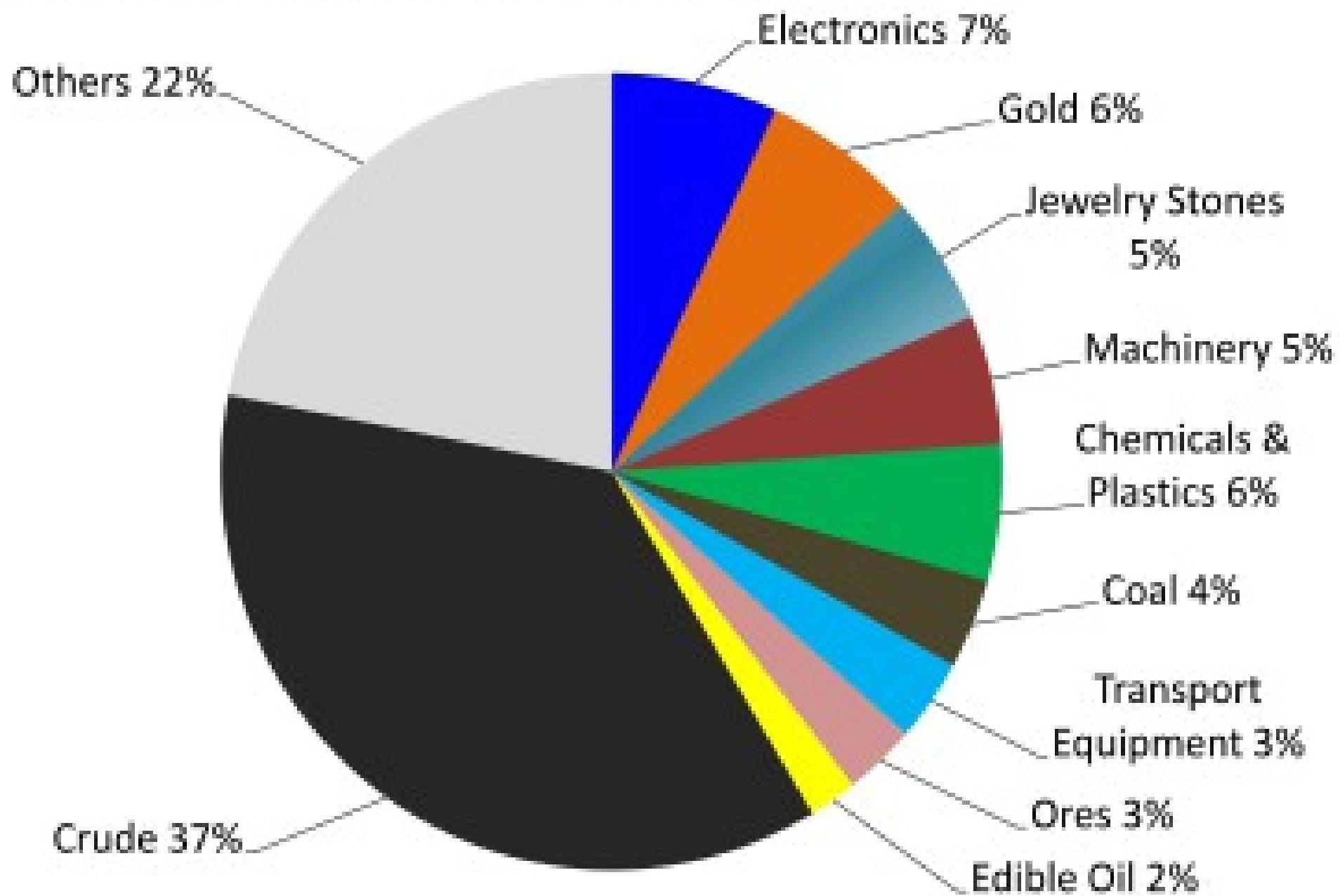
2015: Make in India



India's Top Exports (US\$, 2013-14)



India's Top Imports (US\$, 2013-14)



India joined free trade ASEAN in 2009

- Association of Southeast Asian Nations is a regional intergovernmental organization comprising ten countries in Southeast Asia, which promotes intergovernmental cooperation and facilitates economic, political, security, military, educational, and sociocultural integration among its members and other countries in Asia
- Members are India, Indonesien, Malaysia, die Philippinen, Singapur, Thailand, Brunei, Kambodscha, Laos, Myanmar, Vietnam



BIMSTEC und BRICS

- The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC): Bangladesh, India, Myanmar, Sri Lanka, Thailand, Nepal und Bhutan
- BRICS: Brasilia, Russia, India, China, South Africa; five »emerging powers«



SAARC since 1985

South Asian Association for Regional Cooperation (SAARC), regional interests of Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka



The US, Israel (India's military, economic and strategic partner) and Western Countries ...

- ... want India to grow and play a bigger role



India, Not China, Is Still The Dominant Power In South Asia ...

- „.... *maintaining peace together with the US — the necessary condition for the economic integration of the region.*“ Panos Mourdoukoutas in „Forbes“; May 30th 2019
- „*That's according to a recently published United States Institute of Peace (USIP) report. “In general, the United States is deepening its security relations in South Asia, with the major exception Pakistan,*” explains the report. “*The United states has worked to build its relationship with India, the dominant country in the region, as a strategic partner and has bestowed on it the status of “major defense” partner.*”

India, Asia's 3rd biggest economy, is a Leading Nation in Asia

- India is a functioning democracy (compared to China)
- India is a young country (median age 27) with best educated youngsters (India's problem: the „brain drain“ of high skilled specialists)
- India is continuously improving business conditions to foreign investors
- India is an „innocent“ country, a victim rather of foreign aggressions as colonialism and exploitation
- India is seen as honourable and reliable; having followed a defensive foreign policy with no global aggression

NDTV 1.11.2019: "*Germany-India are linked by very close ties. We Have Great Respect For This Country, Its Diversity,*" says Cancellor Merkel

PM Modi and Cancellor Merkel will sign over a dozen agreements including on agriculture and social security; political-economic counterweight to China



Merkel and Modi, 22 documents signed: Fresh attempt at EU-India trade deal ...

- ... the free trade agreement of 2007 fell apart in 2012: Germany is India's most important trade partner in Europe and seen by India as Europe's leading power
- Merkel wants: More cooperation in regional security, agriculture, digitalization, health, green projects, climate change
- Merkels plans to simplify the recruitment of skilled Indians for Germany (But: language problem)
- Announcement of a 1.12 billion Euro investment into environment friendly projects

For India, Germany represents Europe

