

**India and the World:  
Economics and Politics of 'The  
Manmohan Singh Doctrine' in  
Foreign Policy**

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- The changing weight of India in the global economy as a factor shaping its weight in global affairs;
- Recognition of the new opportunities available to India, as a consequence of its economic growth and openness, to improve relations with all major powers;
- Positive impact of a new approach to the developing world, based on India's economic globalisation, on regional integration in South Asia and bilateral relations with neighbours;
- The recognition that as an open society and an open economy India can build bridges with the world on the foundations of its democratic, liberal, plural and secular credentials.

- C Raja Mohan, *"Rethinking India's Grand Strategy"*, in N S Sisodia & C Uday Bhaskar (Ed.) *Emerging India: Security and Foreign Policy Perspectives*, IDSA, 2005.

- India as 'participant' not 'victim' in global affairs. - "The world wants India to do well. Our challenges are at home" . – **Oxford University Speech**, 2005  
NAM - a 'bridge' not a battleground. G-8 – 'participants, not observers'.  
WTO, Climate Change – '**Inclusive Globalisation**' (Cambridge UK, 2006)
- From 'Third Worldism' to 'South-South' cooperation – Jakarta Speech.  
IBSA. '**Asymmetric Liberalisation**' towards all LDCs – Africa, CMLV, South Asia.

# Key Ideas

## **ECONOMICS**

- Role of Economic Size, Openness and Inter-dependence in shaping external relations. India's stake in globalisation and multilateral regimes

## **POLITICS**

- India's pluralism, secularism and openness as a strategic asset – India has a stake in a democratic Asia/ South Asia

# Manmohan Singh Doctrine is Premised Upon:

- (a) India's ability to sustain the recent growth momentum, of an annual average growth rate of national income of close to 9.0%;
- (b) assurance of energy security, food security and livelihood security;
- (c) the growth process being socially and regionally more inclusive and balanced;
- (d) fiscal and price stability and the fiscal empowerment of the State;
- (e) the pursuit of employment-creating industrialisation and rural development;
- (f) remaining a globally open economy, but pursuing closer integration with the economies of South, West, South-east and East Asia, establishing a 'web of interdependencies' in India's neighbourhood;
- (g) remaining an open and plural society, socially and politically inclusive, liberal and secular.

# Focus of This Paper

- India- US / EU / Russia
- India and Immediate Neighbours
- India and Wider Asian Neighbourhood – East Asian Summit/ Community
- India and LDCs, South-South Cooperation – *Asymmetric Liberalisation*
- WTO, NAM, Climate Change - *Inclusive Globalisation*

# Manmohan Singh at India Today Conclave, February 2005

- As a developing economy we must draw on international resources to fuel our development. We should be more open to global capital flows and better prepared to take advantage of new markets for goods and services. India is wholly committed to multilateralism in trade..... We would like to make globalisation a win-win game. How we deal with the challenge of globalisation and how we make use of its opportunities will shape our **relations with the world**, and the perception of our **capabilities as a nation**.
- Just as developed industrial economies enabled “Economies in Transition” to graduate into open economies, developed democracies should also assist “**Societies in Transition**” to become open societies. I believe India’s policies towards the world have been shaped by this commitment to the core values of our Nationhood. We should be proud to identify with those who defend the values of liberal democracy and secularism across the world.

# Nehru on Indian Foreign Policy, 1947

- “Talking about foreign policies, the House must remember that these are not just empty struggles on a chessboard. Behind them lie all manner of things. Ultimately, foreign policy is the outcome of economic policy, and until India has properly evolved her economic policy, her foreign policy will be rather vague, rather inchoate, and will be groping. .... a vague statement that we stand for peace and freedom by itself has no particular meaning, because every country is prepared to say the same thing, whether it means it or not. What then do we stand for? Well, you have to develop this argument in the economic field. As it happens today, in spite of the fact that we have been for some time in authority as a Government, I regret that we have not produced any constructive economic scheme or economic policy so far .... When we do so, that will govern our foreign policy more than all the speeches in this House.”
- “Whatever policy we may lay down, the art of conducting the foreign affairs of a country lies in finding out what is most advantageous to the country.”

## Manmohan Singh: Budget Speech – 1991 & 1995

- “I suggest to this august House that the emergence of India as a major economic power in the world happens to be one such idea. Let the whole world hear it loud and clear. India is now wide awake. We shall prevail. We shall overcome.” [1991]
- “It is this vision, of a resurgent India taking her rightful place as an economic power house in Asia, which has inspired our economic policies.” [1995]

# Singh as Prime Minister – 2004-05

- “Our strategy has to be based on three broad pillars. **First**, to strengthen ourselves economically and technologically; **Second**, to acquire adequate defence capability to counter and rebut threats to our security, and **third**, to seek partnerships both on the strategic front and on the economic and technological front to widen our policy and developmental options.”
- Our relations with major powers, especially the United States, and more recently China, have increasingly been shaped by economic factors. ... In the case of the U.S., an acceleration of people-to-people contact and the consequent business-to-business interaction has forged closer State-to-State relations. Shared values and growing economic links have enabled a closer strategic engagement.”
- “Greater economic integration will be a basis for greater security, enhanced cooperative efforts and stable relations. Consequently, we may have to revisit some of the traditionally accepted notions of ‘self-sufficiency’ and ‘self-reliance’.”

## **Factors Influencing Thinking on Importance of Economic Factors in Foreign and Strategic Policy in the 1990s**

- Collapse of Soviet Union. End of Rupee- Rouble Trade
- Balance of Payments Crisis, 1990-91. Stabilisation and Adjustment Programme - World Bank and International Monetary Fund. Bilateral Support – Japan, US & Singapore
- Shift from external aid and debt to external trade and investment
- WTO – multilateral and regional trading agreements
- China's Rise through unorthodox economic and strategic policies
- Y2K, IT, software services & BPO boom. Growth of services trade
- Outward-orientation of Indian business - from “Bombay Club” to “Forbes Billionaires”. ‘Business Diplomacy’ – CASI Paper

# Economics and Foreign Policy

OBJECTIVE: CAPITAL, MARKETS, TECHNOLOGY

**FOCUS:** U.S., E.U., Japan, Korea and Singapore

OBJECTIVE: ENERGY SECURITY (Climate Change)

**FOCUS:** U.S. Russia, France & NSG (Nuclear)  
Saudi, Nigeria, Gulf States, Iran,  
Central Asia, Malaysia (Oil & Gas)

OBJECTIVE: REGIONAL INTEGRATION

**FOCUS:** SAARC, East Asian Community

OBJECTIVE: SOUTH-SOUTH COOPERATION

**FOCUS:** Latin America, Africa & Asia

OBJECTIVE: DIASPORA – “Brain Drain to Brain Bank”

**FOCUS:** West Asia, US, South-East Asia

# Engaging U.S.

- To sustain economic growth – Capital [FDI, Multilateral Funding]; Markets [CEO Forum, Indian American Community]
- Energy Security – Nuclear. High Technology. [Civil Nuclear Cooperation Agreement]

“If India has to grow at the rate of 8 per cent to 10 per cent ..... India needs rising amounts of energy. ... we must never forget the primary motivation for India's nuclear programme was the production of energy, defence came much later .....”

**Manmohan Singh in Parliament, 17 August 2006,**

- Food Security – Second Green Revolution [Agricultural Research]
- Knowledge Economy – Skills [Fulbright-Nehru]

# Multilateralism and *Look East Policy*

- **Strategic stake in WTO**
  - ‘**ASEAN Level**’ tariffs as stepping stones

“We have as a nation, a great stake in a rule based international system, a system that is rule based and not deal based”
- I have repeatedly reaffirmed our commitment to the successful functioning of the **multilateral trading system** and to **broadening the agenda** of the **World Trade Organisation** with an increasingly liberal flow of goods, services and labour.
- We are committed to lowering our tariffs at least to ASEAN levels. This is a policy priority for us. You are also aware that we are negotiating **Free Trade Agreements with Singapore and ASEAN.**
- I have stated my commitment to the idea of creating an **Asian Economic Community**, an *arc of prosperity* across Asia, in which there are no barriers to trade and investment flows and to the movement of people.”

----- CII Partnership Summit, Kolkata, 12 January 2005

- **Strategic Stake in East Asian Community**

- “I believe India has to be a major trading nation. Our policy has never been mercantilist and so we do hope to be able to increase our share of world imports as we step up our share of world exports. Successive governments have committed themselves to bringing our tariffs in line with ASEAN levels and we shall take steps to this end. Our recent efforts to create an Asian Economic Community will also require us to walk forward in this direction, keeping in mind the requirements of domestic employment and enterprise.”

**- PM at Meeting of Council on Trade and Industry,  
4 December 2004**

# FTA - Party vs PM

- “Our approach to regional trade agreements in general, and FTAs in particular, has been evolved after careful consideration of our geo-political as well as economic interests. Although India has a large domestic market, our experience with earlier relatively insular policies, as also the global experience in this regard, clearly bring out the growth potential of trade and economic cooperation with the global economy.”

**- Manmohan Singh to Sonia Gandhi, May 2006**

**Preferential, Free and Regional Trade Agreements &  
Comprehensive Economic Cooperation/ Partnership Agreements  
being pursued by India**

• **ROLE OF TRADE & ECONOMIC RELATIONS COMMITTEE  
[TERC]**

- Mauritius – PTA/ CEPA
- South Africa – Customs Union
- Africa – PTA / CECA
- Australia – FTA
- EU – (RTA)
- South Korea – CECPA
- IBSA – CECA
- South Korea – CEPA
- Singapore – FTA/ CECA
- China – RTA
- Malaysia – CECA
- SAARC - FTA /CECA
- GCC – FTA
- New Zealand – FTA
- Japan – JSG (CEPA)
- Chile – PTA
- BIMSTEC – FTA
- Mercosur – PTA
- ASEAN – CECA
- Sri Lanka – FTA
- Russia – JSG (CECA)
- Israel – PTA

# Direction of Trade – Rising Asia

(Regional Shares in India's exports)

Source: Economic Survey, Govt. of India

|                                 | 1960-61     | 1970-71     | 1980-81     | 1990-91      | 2000-01      | 2006-07*      |
|---------------------------------|-------------|-------------|-------------|--------------|--------------|---------------|
| <b>E.U.</b>                     | <b>36.2</b> | 18.4        | 21.6        | 27.5         | 22.7         | <b>21.3</b>   |
| <b>U.S.</b>                     | 16.0        | 13.5        | 11.1        | 14.7         | 20.9         | <b>14.9</b>   |
| <b>Africa</b>                   | 6.3         | 8.4         | 5.2         | 2.1          | 3.2          | <b>6.7</b>    |
| <b>L America</b>                | 1.6         | 0.7         | 0.5         | 0.4          | 2.1          | <b>3.4</b>    |
| <b>USSR</b>                     | 4.5         | 13.7        | <b>18.3</b> | 16.1         | 2.0          | <b>1.0</b>    |
| <b>Russia</b>                   |             |             |             |              |              | <b>0.7</b>    |
| <b>Asia</b>                     | <b>6.9</b>  | 10.8        | 13.4        | 14.3         | <b>21.4</b>  | 49.8*         |
|                                 |             |             |             |              |              | <b>(31.6)</b> |
| OPEC                            | 4.1         | 6.4         | 11.1        | 5.6          | 10.9         | --            |
| Japan                           | 5.5         | <b>13.3</b> | 8.9         | 9.3          | 4.9          | <b>2.2</b>    |
| ASEAN                           |             |             |             | <b>(3.0)</b> | <b>(7.5)</b> | <b>10.0</b>   |
| NE Asia                         |             |             |             |              |              | 15.3          |
| WANA (West Asia & North Africa) |             |             |             |              |              | 18.2          |
| China                           |             |             | 0.0         |              |              | 6.6           |
| S. Asia                         |             |             |             |              |              | 5.1           |

(\* In 2006-07 exports to Asian OPEC countries were included under Asia)

# “No External Constraint”

- Rising Trade/GDP ratio
- Services Sector Globalisation
- Rising Forex Reserves
- Outward FDI on the rise. Indian companies in China, Africa, South-east Asia.
- Indian Multinationals

“The world wants us to do well. There is today no binding external constraint on our economy, save the pressure exerted by rising energy prices and the occasional attempts to bring back protectionism through the backdoor of non-tariff barriers by many industrial economies. For us the real challenge is at home and I do hope and believe we can create a national alliance cutting across party political lines in support of a new push to development.     - **Manmohan Singh**”

## **Caveats:**

- **Energy and Food Crisis**
- **Global Slowdown**
- **Growing Threat of Protectionism in West**

# Rising Trade/ GDP Ratio

(Only Merchandise Trade. Source: Economic Survey, Ministry of Finance, Govt. of India)

| <b>Year</b> | <b>Exports/GDP</b> | <b>Imports/GDP</b> | <b>X+M/GDP</b> |
|-------------|--------------------|--------------------|----------------|
| 1980-81     | 6.2                | 9.8                | 16.0           |
| 1985-86     | 5.6                | 8.5                | 14.1           |
| 1990-91     | 7.3                | 9.9                | 17.2           |
| 1995-96     | 11.2               | 14.5               | 25.7           |
| 2000-01     | 13.0               | 14.7               | 27.7           |
| 2007-08     | 13.5               | 21.2               | 34.7           |

**Table 1: Trends in India's Current Account  
(Average for the Plan Period)**

| Plan    | Period   | Percentage Growth |         | Per cent to GDP |                        |                     |             |
|---------|----------|-------------------|---------|-----------------|------------------------|---------------------|-------------|
|         |          | Exports           | Imports | TD/GDP          | Net Invisibles/<br>GDP | Remittances/<br>GDP | CAD/<br>GDP |
| First   | 1951-56  | 0.6               | 7.2     | -1.0            | 0.9                    | 0.5                 | -0.1        |
| Second  | 1956-61  | 0.0               | 9.4     | -3.1            | 0.8                    | 0.4                 | -2.3        |
| Third   | 1961-66  | 4.7               | 4.8     | -2.1            | 0.3                    | 0.2                 | -1.8        |
| Annual  | 1966-69  | 3.6               | -5.1    | -2.1            | 0.1                    | 0.2                 | -2.0        |
| Fourth  | 1969-74  | 10.7              | 9.8     | -0.7            | 0.4                    | 0.2                 | -0.3        |
| Fifth   | 1974-79  | 18.2              | 22.7    | -1.2            | 1.3                    | 0.8                 | +0.1        |
| Annual  | 1979-80  | 14.7              | 27.0    | -2.8            | 2.4                    | 1.5                 | -0.4        |
| Sixth   | 1980-85  | 5.2               | 6.3     | -3.5            | 2.0                    | 1.3                 | -1.5        |
| Seventh | 1985-90  | 11.4              | 9.4     | -3.0            | 0.8                    | 0.9                 | -2.2        |
| Annual  | 1990-92  | 3.9               | -5.1    | -2.0            | 0.3                    | 1.0                 | -1.7        |
| Eighth  | 1992-97  | 13.6              | 18.7    | -2.7            | 1.5                    | 2.3                 | -1.2        |
| Ninth   | 1997-02  | 5.9               | 3.1     | -3.2            | 2.6                    | 2.8                 | -0.6        |
| Tenth   | 2002-07* | 23.8              | 29.7    | -3.9            | 4.4                    | 3.3                 | 0.5         |
|         | 2002-03  | 20.3              | 14.5    | -2.1            | 3.4                    | 3.4                 | 1.3         |
|         | 2003-04  | 23.3              | 24.1    | -2.3            | 4.6                    | 3.7                 | 2.3         |
|         | 2004-05  | 28.5              | 48.6    | -4.9            | 4.5                    | 3.0                 | -0.4        |
|         | 2005-06  | 23.0              | 31.5    | -6.5            | 5.1                    | 3.1                 | -1.3        |

\*: Includes first four years of the Plan.

TD: Trade Deficit    CAD: Current Account Deficit    GDP: Gross Domestic Product at Current Prices

# South Asia – Focus on Economics

- Revitalisation of SAARC – Dhaka Summit
  - Trade – SAFTA – asymmetric liberalisation
  - Energy, Water & Climate Change
  - Education – South Asian University
  - Disaster management - tsunami
  - Connectivity – ‘open skies’; rail; road

*[“breakfast in Amritsar, lunch in Lahore, dinner in Kabul”]*

# India- Pakistan : The Kashmir *Solution*

- `Short of secession, short of re-drawing boundaries, the Indian establishment can live with anything. Meanwhile, we need soft borders - then borders are not so important.'"  
- **Manmohan Singh to Jonathan Power, *Statesman*; May 20, 2004.**
- Our people and our common destiny urge us to make an earnest attempt to find a lasting solution to all issues. In a globalising and increasingly integrated world, borders have lost meaning for much of the world. The journey of peace must be based on a step-by-step approach .."  
- **Manmohan Singh to Pervez Musharraf, Banquet Speech, 16 April 2005**

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**“Kashmir will have the same borders but people will be allowed to move freely back and forth in the region; ii) the region will have self-governance or autonomy, but not independence; iii) troops will be withdrawn from the region in a staggered manner; and iv) a joint supervision mechanism (‘institutional arrangement’) will be set up, with India, Pakistan and Kashmir represented on it.”**

**- President Musharraf to A G Noorani, *Frontline*, August 2006**

# **‘Inclusive Globalisation’ and South-South Cooperation – From ‘Third Worldism’ to ‘Bridging Gaps’**

- “Ours is a world of unprecedented connectivity. Thanks to the communication and information technology revolutions, distances has lost its old meaning. Fifty years after Bandung 1955, we meet in a smaller and more integrated world. Migration and more open economies are creating multi-cultural societies. globalisation enables instant availability of information and freer competition for opportunities.
- It is not coincidental that increasing openness, democracy and social awareness follow the process of globalisation. Recent advances in science and technology provides us unparalleled instrumentalities to combat age-old problems of poverty , ignorance and disease. Properly managed, globalisation can effect a significant improvement in the human condition in the span of a single generation. - **Jakarta, Asia-Africa Conference, April 2005**
- **‘Inclusive Globalisation’ – NAM Summit, September 2006**  
- (NAM as a “bridge of understanding” & “rejection of extremes”)
- **Inclusive Globalisation & Climate Change – Hellingendamm Initiative**
- **WTO and Inclusive Globalisation – Doha Development Agenda**
- **Asymmetric Liberalisation & LDCs – Trade Preferences to SAARC, ASEAN & African LDCS – SAARC Summit, Delhi. Africa Summit**

# China – Rising Economic Engagement

- "The rise of India and the rise of China is a global public good. It's good for us; it's good for the region. It's also good for the world. It helps the world economy."
  - **Manmohan Singh to Wen Jiabao, Beijing, January 2008.**
- Trade and Investment Flows
- Intentions vs Capabilities
- Cooperation in multilateral forums – WTO, Climate Change, Energy

# Politics of the Manmohan Singh Doctrine - The Democracy Dividend

## Strategic stake in democracy, pluralism and secularism in Asia

- “From Clash of Civilisation to Confluence of Civilisations” – Importance of Moderate Islam
- Helping ‘Societies in Transition’ – Democracy in South Asia [Afghanistan, Pakistan & Nepal]

PM at UN: 26 September 2008:

“The international community must pool all its resources to ensure the success of Afghanistan's reconstruction efforts and its emergence as a moderate, pluralistic and democratic society. ...We welcome the return of democracy in Pakistan. We are committed to resolving all outstanding issues between India and Pakistan, including the issue of Jammu and Kashmir, through peaceful dialogue. We also welcome the coming to power of democratically elected governments in Nepal and Bhutan.”

- India as an “Open Society and an Open Economy”

# In Conclusion

## CHALLENGES TO MANMOHAN SINGH DOCTRINE

NOTE: Doctrine based on sustained economic growth and political stability – necessary for consensual policy making and long term policy initiatives

Hence, challenge posed by:

- Global economic slowdown, protectionism
- Domestic economic slowdown, political uncertainty
- Challenges to pluralism and secularism at home
- Regional tensions. Terrorism. Internal security
- Chinese assertiveness – along border and in the region