

1. With much of the developed world adopting an inward-looking economic policy, there are challenges to India's economic diplomacy that need immediate attention. Elucidate.

Introduction:

According to the Economic Survey, the world is facing Hyper globalization repudiation in which western countries have reached its political capacities for globalization. There is a rising tendency of protectionism across the world, especially the developed countries like US, Japan, China, UK and EU.

Body:

Backtracking from trade liberalization is not new. Global Trade Alert (GTA) data reveals a significant reversal in trade liberalization since the global financial crisis of 2008, and especially since 2011.

In an inward-looking economic policy, protecting domestic industries against the foreign competition through tariffs, subsidies, import quotas, or other restrictions or handicaps placed on the imports of foreign competitors. The objective of trade protectionism is to protect a nation's vital economic interests such as its key industries, commodities, and employment of workers.

Concerns about global trade hostilities getting prolonged have escalated lately in the context of the recent measures taken by the US. The Donald Trump administration has imposed tariff hikes on steel and aluminium, triggering retaliatory actions by China.

A challenge to India's economic:

Inward looking policies of the developed world and protectionism are such that the developing countries like India have a reason for considerable concern about the state of commercial policy.

- Reduced export of IT services to the US due to the H1B visa issue.
- Curb on fruit and vegetable exports to Europe due to Sanitary and phytosanitary reasons.
- The dominance of developed nations in international platforms such as WTO and UN.
- An environment of restrictive global trade has an adverse impact on profit growth of Indian companies. Higher import tariffs can have a negative impact on earnings, by increasing the cost of inputs.
- Openness will lead to a drop in sales growth of Indian companies. While trade openness benefits Indian companies, reduction in import tariff hurts them on the demand front because of competition from imports.

- There has been increasing pressure on India to cut tariffs and dilute export incentives.

Way Forward:

- Increase in tariff rate to improve the performance of selected sectors.
- Use ASEAN and BIMSTEC like regional platforms to negotiate with developed countries.
- Advocate for a more democratic process of WTO.
- With massive trade surpluses in India's favour, it should offer greater market access to the neighbourhood by reducing tariff and non-tariff barriers.
- Before opening up its markets to the outside world, India should go for a controlled manner bilateral free trade arrangements and give Indian industry time and space to compete in markets around the world in the coming years.
- India, with the world's single largest cohort of young workers, should be a major beneficiary of ageing populations in industrialized nations. For India, securing international worker mobility is an important objective since domestic opportunities alone might not fully optimize India's workforce, and remittances from expatriate workers are a major source of much needed foreign exchange.
- With increasing protectionist trends and appetite for overarching trade deals getting lower, traditional trade negotiations might need to be replaced with specific bilateral solutions; which will be product and country-specific.

Conclusion:

Inward looking policies did generate some short term benefits, such as the protection of infant and declining industries; job creation; increased income and preserving traditional ways of life. However, the consensus is that the challenges of globalisation require a more outward-looking approach.

2. Do you think developments on the West Bank or Hong Kong can lead to internationalisation of the Kashmir issue as well? Critically comment.

Introduction:

Article 370 of the Indian constitution which gave special status to Jammu and Kashmir was revoked by the Government in August 2019 through a Presidential Order and the passage of a resolution in the Parliament. This action ensured the integration of the state with the entire nation and repeal of the Article 35A altogether.

Body:

Developments in various regions of the world and necessity of the International community:**West Bank:**

- When the Jewish State (Israel) came into existence, there was no Palestine Arab State because Palestinian Arabs were not organized, unlike Zionists; they lacked the money and gun power of their own. They relied on the armies sent by Syria, Jordan, Iraq, and Egypt, to fight for their cause.
- West Bank is the region on the west side of Jordan River. From 1950 to 1967 it was ruled by Jordan. But Israel captured it in 1967's war. A Palestine Authority (PA) was created and Israel handed over the civilian administration of Gaza and West bank to this PA.
- The current Israel-Hamas conflict, sporadic ceasefires, economic blockades, violent uprisings and militant movements are frequent incidents plaguing the region even now.
- Various UN resolutions and global interventions have been accompanied with key outside parties—the UN, the United States, the EU and the neighbours intervening strategically.

Hong Kong:

- Hong Kong is situated on the southeast coast of China, Hong Kong's strategic location on the Pearl River Delta and the South China Sea has made it one of the world's most thriving and cosmopolitan cities. Hong Kong became a Special Administrative Region (SAR) of the People's Republic of China on 1 July 1997.
- The interference of the communist regime of China in the internal affairs of Hong Kong and its oppressive policies have led to various pro-democracy protests for autonomy in recent times.
- Massive protests in Hongkong have erupted against a government plan to allow extradition to mainland China. Civil unrests and severe economic clampdowns are being witnessed in the region.

Situation in Kashmir and why it should not be internationalized:

- Under the Shimla Agreement the two countries not only agreed to put an end to "conflict and confrontation" but also work for the promotion of a friendly and harmonious relationship and the establishment of durable peace in the sub-continent, so that both countries may henceforth devote their resources and energies to the pressing task of advancing the welfare of their peoples.
- Article 370 of the Indian Constitution is a 'temporary provision' which grants special autonomous status to Jammu & Kashmir.
- The issue of cross-border terrorism affecting India, India's efforts to maintain peace and stability in J&K and issues relating to Article 370 are an internal

matter of India which is aimed at improving growth and economic development, democracy and prosperity for the people of Jammu and Kashmir.

- It should also be noted that out of the 3 main administrative divisions – Jammu, Kashmir, and Ladakh – insurgency and demand for independence are high only in the Kashmir Valley. Most of the people in Jammu and Ladakh still wish to be part of India, even though they demand autonomy in a different way.
- Kashmir was and still is an integral part of India. It has a plural and secular culture – just like the rest of India. Urgent steps should be taken to bridge the gaps of trust deficit in the minds of Kashmiri youth. All Kashmiris should get the due share in the growth story of India which can be realised only if it is integrated with the rest of the nation.

Challenges:

- UN refuses to formally declare Pakistan a ‘terrorist state’
- Pakistan’s military, identified as anti-India elemental force in Pakistan, remains opposed to any understanding with India
- Rising influence of radical extremist ideas and ideologies inside Pakistan and subsequent influence on youth of Kashmir may lead to a call for International intervention.

Way forward:

India needs to establish a national security doctrine in order to deal with all security issues. A strong need for India to change its approach from Responsive to Proactive is more suitable at present. Immediate measures to improve and mainstream J&K population economically and socially with the rest of India can help curb the feeling of neglect and backwardness of the region.

Conclusion:

For the past 70 years, India has consistently resisted any third-party mediation proposal and recently an overwhelming majority in the UN Security Council too has stressed Kashmir is a bilateral matter between New Delhi and Islamabad. Thus, both sides should exercise restraint and settle the matter via peaceful talks and negotiations, with the strict end to state sponsored terrorism by Pakistan.

3. Has Brexit affected India in any way? Analyse.**Introduction**

Brexit is an abbreviation for "British exit," referring to the U.K.'s decision in a June 23, 2016 referendum to leave the European Union (EU). The vote's result defied

expectations and roiled global markets, causing the British pound to fall to its lowest level against the dollar in 30 years.

Body

Facts:

- EU and India would emerge as strong trade partners through enforcement of BTIA.
- EU is India's largest trading partner accounting for approximately 13% of its total world trade, while India is EU's 10th largest trading partner. India is reliant on EU for machinery, nuclear reactors, optical and photo equipment, aircraft, etc.
- EU's top imports from India include mineral fuels, oil, distillation products, organic chemicals, textiles, etc. The key sectors of trade in services between the two are sea and air transport, computer and information, financial and banking services.

Positive effects of Brexit in India:

- **To reset legal terms:** Brexit is an opportunity for India to reset the legal terms of its trade with the UK and EU, at the multilateral level, and through free trade agreements.
- **Students friendly:** Before Brexit, British universities were forced to offer scholarships and subsidies to the citizens of the UK and EU. Brexit frees up funds for the other students and more Indian students might be able to get scholarships.
- **Increases tourism:** Reduction in pound value will reduce travelling cost to the UK and will make it a good travel destination.
- **Huge investment:** Brexit will help strengthen our ties with Britain because India's focus on innovation and entrepreneurship still makes it an attractive destination for outsourcing and investment.
- **Goods and services:** According to the UK's Department for International Trade (DIT) figures, total trade in goods and services between the UK and India was 18 billion pounds in 2017, a 15 per cent increase from 2016.
- **Current account deficit:** Lower commodity prices, crude oil prices may help narrowing current account deficit (CAD)
- **Trading partners:** The UK and the EU are losing trading partners in the process. So they will both be looking for replacements. Here, India can play a crucial role. We may see enhanced cooperation in segments like technology, cyber security, defence production and finance.

Negative effects of Brexit in India:

- **Short term effects:** Automobile, Pharmacy and IT might be the most affected. NASSCOM has predicted that the effect of Brexit will be felt on the \$108 Billion Indian IT sector in the short term.
- **Automobile industry:** In the automobile industry, Brexit may lead to reduction in sales and companies that derive good revenues of profits from Britain could get hurt majorly.
- **Disruptions:** Indian companies would need to recalibrate European operations, like setting up an additional operating company within European Union. This means short term disruptions will have a financial impact, as also take up management time.
- **Immigration:** Because of the large number of immigrants from EU, UK has restricted immigrants from other parts of the world, which had an impact on Indians.
- **Restrictions:** Post Brexit, immigration into UK of Indians may not become easier as the UK wants to place quantitative restrictions on total number of immigrants, and only a few Indians with special skills may find it easier to work in the UK.

Conclusion

India should re-negotiate with the UK and EU the World Trade Organization Schedules of Concessions, for both goods and services, should resume its FTA discussions with the EU, and should prepare to launch FTA talks with the UK.

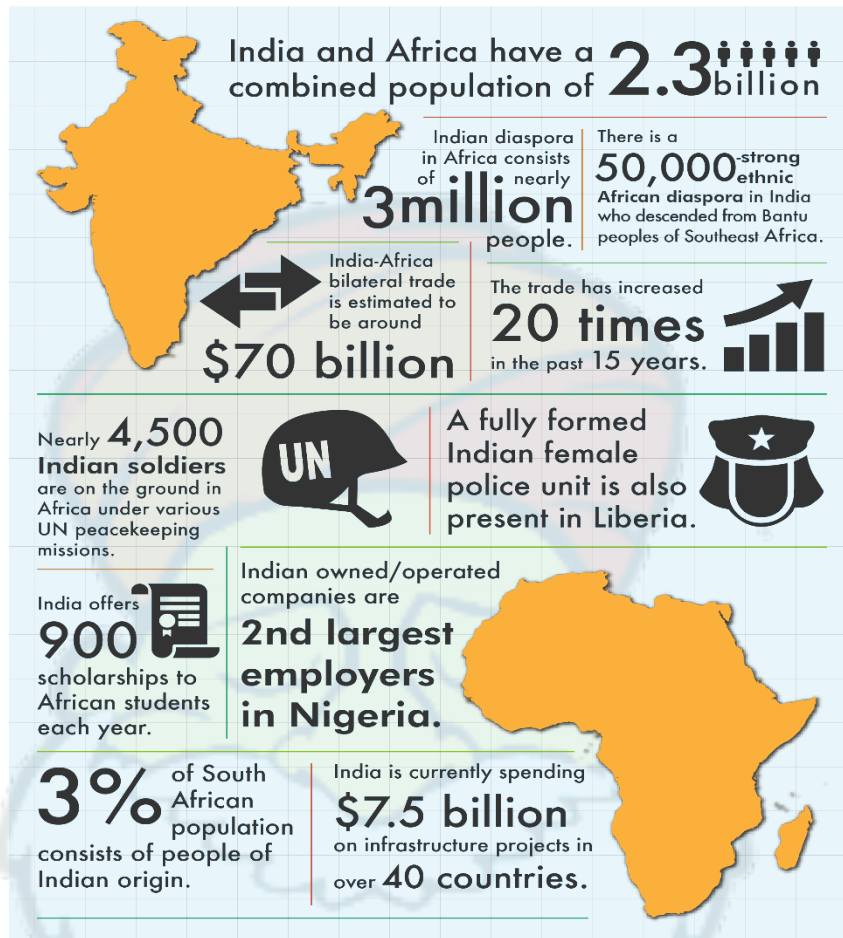
4. What are India's stakes in Africa? How is India seen and perceived by the members of the African Union? Discuss.

Introduction:

Africa is now being tipped as the global economic growth engine of the coming decades. Its vast natural wealth and favourable demographic profile are expected to turn the continent as a whole into a growth engine that is expected to run faster than any of the world's current economic powerhouses, including China, Brazil and India.

Body

INDIA - AFRICA IN NUMBERS



India’s stakes in Africa:

- With faster growth trajectory for India and need for energy and other resources, Africa remains a crucial source of natural resources. Ex: crude oil and gas has emerged as Africa’s leading export to India, diversifying sources of supply from middle-east.

Just not resources:

- India is not solely resource driven in African engagement. It is about financial services, telecom, hospitals and education. The 50% of all global FDI in Africa is into services and not resources any more. Resources is big. But it is now a major service economy and that is what India is competing in as India is service driven economy.

Market:

- For developing new markets. Most African countries will be “middle income” by 2025 providing huge trade and investments opportunities as well as market for Indian exports.

Geo-political:

- Africa remains vital for India's emergence as a global actor in the international institutional arena. Ex: In reforming existing global governance structures like U.N. Security Council (UNSC), and shape the emerging global regimes related to food, energy, climate, water, cyber security, and use of outer space for development purposes.

To counter China:

- Increasing Chinese presence (military base at Djibouti) and signs of Chinese neo-colonialism.

Growth:

- To achieve sustained economic growth over long term at a time when western economies show signs of saturation and increasing protectionism in global trade.

Terrorism:

- International terrorism has been on the rise in North Africa in recent years. While India is not directly affected by the localized terrorist organizations in Africa, the troubling links between Somali and other groups with militant groups in the Afghanistan and Pakistan region could significantly threaten India's future security.

Security:

- Secure freedom of navigation in sea lines of communication protecting India's international trade moving by sea.

India as perceived by African union members:

- India has a **"comparative advantage" over China** in building connectivity projects and trade corridors in Africa due to its compatibility and proximity to the continent.
- India is seen as a friendly nation, helping the Continent in need with developmental initiatives such as Indian Technical and Economic Cooperation (ITEC), **Asia-Africa Growth corridor**, and Pan Africa e-network etc., aimed at building institutional and human capacity as well as enabling skills and knowledge transfer.
- Indian engagement lays emphasis on the long term: enhancing Africa's productive capacities, diversifying skills and knowledge, and investing in small and medium sized enterprises.
- On the other hand, China's approach is more traditional: resource-extraction, infrastructure development and elite-level wealth creation.
- Some of the countries like **Sudan** gave India share in oil field which was controlled largely by China because they didn't want China to have 100% share in oil field.
- **Nigeria** also did the same which wanted that all of their resources should not be controlled by one country.

- President of Zambia ran on a wildly anti-china platform with increased Chinese investment and labourers, giving no jobs to locals.
- The beneficiary is Vedanta which was allowed to take copper industry to the point that Vedanta is slated to be 26% of Zambia's entire GDP.
- India has benefited and the bulk of work done in Africa is running on its own scheme.
- At the core of this is the rise of Indian private sector investment along with large number of state owned enterprises, PSUs investing, especially in oil and gas industry.
- India has extended Line of Credit worth millions of dollars in varied areas to the African countries.
- The term '**Indo-Pacific**' is a recognition of India's pivotal role in establishing trading regimes and rules-based maritime freedom of navigation, and noted that Africa "counts" on India to play a very important part strategically and politically for the same India is a "pivot" in the Indo-Pacific region and it has "played a critical role in creating a conducive maritime regime" for a rules-based freedom of navigation.

So, finally The African countries see India as a emerging global power and as a country which can counter china's Dominance in the continent. At the same time They look India as potential source of investment, grants and a major strategic partner in the Indian ocean region.

Conclusion

Hence, it is critical for India to view Africa not just as a destination for short-term returns but as a partner for medium and long-term economic growth.

5. How are regional trading blocs affecting world trade? Will it have any impact on India? How is India planning to cope up? Discuss.

Introduction

A trade bloc is a preferential trade agreement between a range of nations, aimed at significantly reducing or removing trade barriers within the member states. Regional trade blocs are formed by neighbouring countries or countries that are in close proximity to each other.

Body

Regional trading blocs affecting world trade

- Favouritism can be observed by the Trading Blocs upon its member countries. The tariffs and quotas that are been fixed are only in light of benefiting the trade to the member countries. The regional trade bloc members follow Regionalism against World Trade Organization.

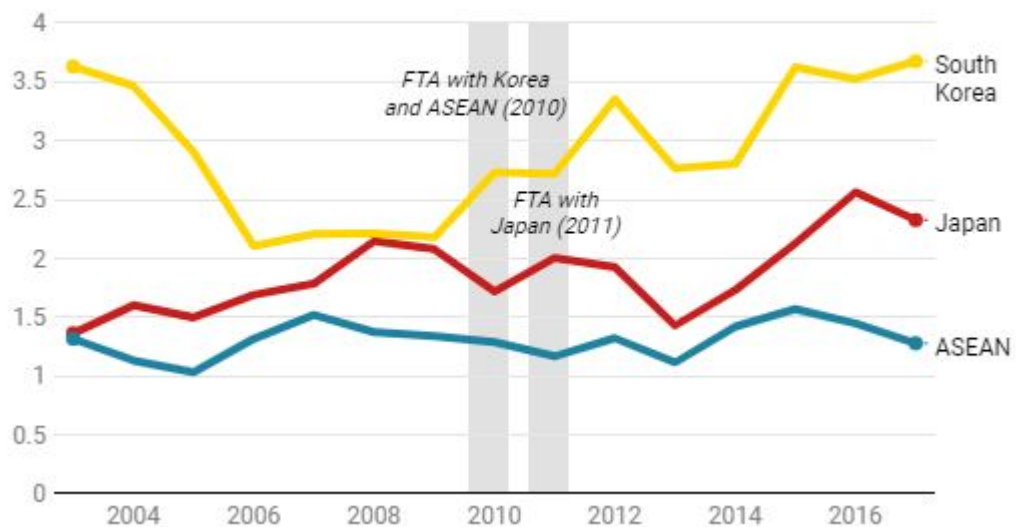
- Increased interdependence on economic performance in other countries in trading block. If Eurozone goes into recession, it will affect all countries in the Eurozone. However, this is almost inevitable even if countries are not formally in a trading block due to a close relationship between trade cycles in different countries.
- When a trading bloc transforms into a political union, the sovereignty of the member countries is being lost.
- Greater Bargaining power for such groupings if they put up collective on multilateral platforms such as WTO.
- The non-member countries are provided access to the RTB member countries, only after charging the taxes. Concessions are provided only to the member countries.
- Regional trading blocs, regardless of their expansion properties with reference to intra-regional trade, almost necessarily encompass some form of trade diversion with regard to the point that lower-cost producers who not belong to the regional trading bloc are discriminated against, thus debilitating the efficient global allocation of resources and ultimately reducing the global welfare.
- Regional trade blocs that lower the prudence of states nations to pursue trade liberalisation with non-members are likely to turn into barriers to multilateralism. For example, if China has already been successful in finding a market partner in the United States, it would develop little interest for a free trade arrangement with the United States. But its less thriving rival, India, would be keen to sign a bilateral trade agreement with the United States and hence capture China's share of the United States market; not by making a better or less costly product, but by obtaining special treatment under the United States trade law. Once India obtains its special privilege, it would not have interested in less interest in attending WTO meetings and signing multilateral free trade agreements that would instead eliminate those privileges.
- Members of the trading bloc may not realise additional economics of scale from global trade liberalisation, which often offers only meek opening of international markets. Regional trading blocs, which often offer more widespread trade liberalisation, may enable local firms to achieve adequate production and hence deplete scale economies.
- Member state of a trade bloc may want to devote the resources they have to creating robust regional connections rather than investing them in international talks.

However, there are some positive aspects too, Regional Trading bloc act as building blocks to liberalization of global economy. As, regional blocs may attain more economic integration than do multilateral talks because of greater harmony of interests and less complicated negotiating procedures.

Regional Trading Bloc Impact on India

- India's existing agreements with South Korea, Japan and the Association of South East Asian Nations (ASEAN) are often deemed to have benefited the partner countries at India's expense. The import-export ratio with these countries deteriorated in the years following the implementation of the trade agreements. Even as partner countries have benefited, Indian exports to these regions have remained lacklustre.

India's import-export ratio* with other countries



- India's inability to gain market share in these regions may be partly explained by its lack of competitiveness in exports. Unless India removes the structural bottlenecks hurting its exports, it is unlikely to make big gains in the world market.
- Government think tank NITI Aayog, in a note on free trade agreements (FTAs) and their costs for India, has argued that the country needs to rethink joining the Regional Comprehensive Economic Partnership (RCEP) as it will be disastrous to provide more market access to China, which is a key player in the grouping.

India's planning

- At RCEP, FTA being negotiated even in services, it will add to the advantage for India where they have a comparative advantage over other nations, especially in the context of Information Technology related services, healthcare services and educational services.
- Make in India Program that aided with the Export Policy can help in reducing the trade deficit with the regional blocs.
- Some of the sectors that have been identified as potential sources of India's export growth impulses under RCEP to the tune of approximately \$200 billion. Exports include processed food, gems and jewellery, metal manufactures, refined petroleum, chemicals and pharmaceuticals, leather goods; textiles and clothing, automobiles and parts, electrical machinery, and parts of aircraft and spacecraft, etc.

Conclusion

The focus needs to be on where India can promote its exports, it does not necessarily mean entering into regional trade agreements. India needs to be careful in weighing each trade deal on its own merit. When it comes to free trade agreements, no deal may be better than a bad deal. RCEP negotiations especially with China need to be properly pondered upon and planned.

