
**Economics in
Narendra Modi's Foreign Policy**

Amitendu PALIT

August 2015

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ISBN: 978-2-36567-430-0
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IFRI
27, RUE DE LA PROCESSION
75740 PARIS CEDEX 15 – FRANCE
Tel: +33 (0)1 40 61 60 00
Fax: +33 (0)1 40 61 60 60
Email: ifri@ifri.org

IFRI-BRUXELLES
RUE MARIE-THÉRÈSE, 21
1000 – BRUXELLES – BELGIQUE
Tel: +32 (0)2 238 51 10
Fax: +32 (0)2 238 51 15
Email: info.bruxelles@ifri.org

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Executive Summary

A distinct feature of Prime Minister Narendra Modi's first year in office was the remarkable speed and alacrity with which he moved on external engagement. During his first twelve months as Prime Minister, he travelled to almost twenty countries in different parts of the world. Indeed, Modi appeared to be guided by the impression that high rates of economic growth cannot be generated only by domestic policies and initiatives. These need to be matched by external engagement that, apart from serving geo-strategic imperatives, would be economically proactive by enabling greater exchange of goods and services and fostering business collaborations between India and the rest of the world.

As this paper points out, the drivers of Modi's foreign policy are embedded in the objectives of domestic economic growth and expansion of the Indian economy. These drivers primarily aim to facilitate India's economic turnaround and consolidate its comparative advantages in several key industries for expanding India's share in global production over time. In this regard, the paper emphasizes the importance of 'Make in India', Modi's signature initiative for transforming India into a global hub for several manufacturing and services industries. It also analyses Modi's efforts to rectify India's supply – side deficiencies, particularly its limited access to energy and argues that building nuclear energy capacities has become an important objective of the Modi government's external outreach.

Another important driver of Modi's external engagement is the diaspora. This is a 'natural' engagement given the BJP's strong links with the overseas Indian community and the political and financial leverages it draws from the links. The paper points to the multiple significance of the Diaspora, including improving India's global image and extracting greater strategic benefits from bilateral relations with countries that are host locations of the Diaspora. A final driver identified by the paper is Modi's plan to ensure that India becomes an active member of major regional and economic groupings. Taking APEC as a case in point, the paper argues formal entry in APEC would enable India to be a part of the significant changes taking place in the region's trade and economic architecture and avoid being left out of the region's growth story.

In conclusion, the paper suggests that Modi's challenge will be to maintain the momentum he has generated and ensure translation of positive sentiments into tangible assets facilitating India's economic growth. Unfortunately, the Prime Minister may not be in complete control of the situation in this regard as changes pertaining to doing

business conditions need to be implemented mostly by state governments. At the same time, foreign trade negotiations, particularly in the pending and upcoming FTAs and RTAs, will be an important determinant of Modi's ability to translate words into action. The paper indicates the strategy of the Modi government is not clearly spelt out in this regard in its Foreign Trade Policy (2015-2020).

Contents

Introduction	5
BEGINNING OF THE MODI ERA	7
General Elections 2014: Modi’s landslide victory	7
Why Modi is Different	9
External Engagement: Emerging Patterns.....	11
EXTERNAL ENGAGEMENT: OBJECTIVES AND ECONOMIC DRIVERS.....	14
‘Make in India’: Develop India as a Global Production Hub	15
Access Energy Resources.....	17
Engage the Diaspora	19
Greater Role in Global and Regional Forums	21
FINAL THOUGHTS: CHALLENGES AHEAD	24
BIBLIOGRAPHY	28

Introduction

Narendra Modi became the 15th Prime Minister of India on 26 May 2014 after leading the Bharatiya Janata Party (BJP) to a spectacular victory in India's last general election. With a strong political mandate and an almost unchallenged leadership, Modi has begun putting in place his and the BJP's vision of the modern India.

Modi's first year in office witnessed his pursuing a vigorous external engagement policy. He travelled to countries far and wide leaving lasting impressions of his visits through passionate efforts to establish India as an attractive destination for global capital. His charisma was noticeable and reflected in the striking bonhomie with his counterparts. Some of his addresses to the foreign audiences, particularly the overseas Indians, were comparable to the glamour and intensity characterizing performances of top entertainers.

The energy that Modi has brought to the conduct of Indian foreign policy in his first year in office was clearly noticeable¹. He was successful in producing a major shift in the global perception on India by generating positive sentiments about the outlook of the Indian economy and the constructive and proactive role that India could play in global and regional affairs. Indeed, it is evident that India's foreign policy under Modi would be driven by economic objectives and would primarily enable the latter².

This paper analyses the emerging patterns, economic objectives and drivers of Modi's foreign policy. The policy is based on the BJP's vision of India as a major actor in global affairs on the basis of the strategic influence flowing from strong economic performance. The paper identifies domestic economic growth, access to energy, engaging the diaspora and deeper foothold in global and regional forums as the key drivers of the Modi government's external engagement strategy. It concludes by highlighting some of the

Amitendu Palit is Senior Research Fellow and Research Lead (Trade and Economic Policy) at the Institute of South Asian Studies in the National University of Singapore. He can be reached at isasap@nus.edu.sg. The views expressed in this article are his own.

1. Ian Hall (2015), "Is a Modi 'doctrine' emerging in Indian foreign policy?" *Australian Journal of International Affairs*, Vol. 69, n° 3, 2015, pp. 247-252; <<http://dx.doi.org/10.1080/10357718.2014.1000263>>. Accessed on 15 May 2015.

2. WPS Sidhu and Benjamin Weiss, "India: Building the Foundations for Robust Global Engagement", *Brookings India Impact Series*, April 2015; <<http://brookings.in/wp-content/uploads/2015/04/India-Building-the-Foundations-for-Robust-Global-Engagement-1.pdf>>. Accessed on 14 June 2015.

challenges likely to be encountered by the strategy in the days to come.

Beginning of the Modi Era

General Elections 2014: Modi's landslide victory

The general election of 2014 for electing representatives to the Lower House of the Indian Parliament was the world's biggest electoral exercise involving more than 814 million voters³. It was also India's longest election held for five weeks from 7 April to 12 May 2014. The election witnessed the highest voter turn-out (66.4 percent) since 1951 recording sharp improvements over elections held in 2009 (58.2 percent) and 2004 (58.1 percent)⁴.

The results of the election marked a fundamental shift in India's political landscape. For the first time since Rajiv Gandhi led the Congress Party to a thumping victory in 1984 in an election held a few weeks after the assassination of his mother and incumbent Prime Minister Mrs. Indira Gandhi – India voted a political party to the Lower House with absolute majority. The National Democratic Alliance (NDA)⁵ led by the BJP won 337 seats in the 543-member Lower House. The BJP won 282 seats, a large enough tally for a majority on its own.

The BJP, which was the main opposition party during 2004-2014 when the Congress-led United Progressive Alliance (UPA)⁶ was in power, had earlier been in government as the largest party in the NDA coalition during 1998-2004. At that time it had much fewer seats

3. Shashank Chouhan, "Facts and Figures for India's 2014 general election", *Rebutters*, 3 April 2014; <<http://blogs.reuters.com/india/2014/04/03/facts-and-figures-for-the-2014-general-election/>>. Accessed on 15 May 2015

4. Election Commission of India, "Turnout Trends Over the Years", <http://eci.nic.in/eci_main1/GE2014/line.htm>. Accessed on 15 May 2015.

5. Led by the BJP, the NDA includes 30 political parties, where apart from the BJP the rest are all small regional parties. Among these, the parties that are relatively more prominent in India's political mainstream include the Shiv Sena, Telegu Desam Party (TDP), Lok Janshakti Party (LJP), Shiromani Akali Dal (SAD), Jammu & Kashmir People's Democratic Party (PDP) and Rashtriya Lok Samata Party (RLSP). See <[http://en.wikipedia.org/wiki/National_Democratic_Alliance_\(India\)](http://en.wikipedia.org/wiki/National_Democratic_Alliance_(India))> for more details.

6. The UPA contested the 2014 general elections as a group of 13 parties under the leadership of the Congress Party. In the past, influential regional parties like the Dravida Munnetra Kazhagam (DMK), Bahujan Samaj Party (BSP), All India Trinamool Congress (AITC), Bahujan Samaj Party (BSP) and Jharkhand Mukti Morcha (JMM) had supported the UPA. The Left Parties in India (Communist Party of India (CPI) and the Communist Party of India – Marxist (CPI-M)) had also supported the UPA for a few years during its five years in government from 2004-2009.

and was dependent on other coalition partners for retaining majority. The Congress under Prime Minister Manmohan Singh faced a similar compulsion during 2004-2014. In this respect, the results of the general election of 2014 put an end to coalition governments where the largest political party lacked electoral majority in the Lower House. This was significant since many difficulties encountered by central governments in India in implementing policies were due to large differences of opinions among coalition partners.

The Congress Party, which ruled India for several years since the country's independence in 1947, suffered its worst performance in 2014. With only 44 seats, its tally was barely 20 percent of the 206 seats it won in 2009. Several factors contributed to the setback including a series of financial scandals involving the government, deteriorating governance manifesting particularly through rising incidence of crimes against women and the failure to turn around a decelerating economy. Neither the incumbent Prime Minister Manmohan Singh, nor Sonia Gandhi and Rahul Gandhi - the Congress President and Vice-President respectively – were spared of popular ill will.

The BJP's tally of 282 seats was its best-ever performance, surpassing the previous best of 182 seats in 1999. The performance reflected the electorate's frustration with the Congress. More importantly, it revealed the popular endorsement of the leadership of Narendra Modi, the incumbent Chief Minister of India's western state Gujarat, who was the BJP's Prime Ministerial candidate and the main face of the party during the election campaign. The election results firmly stamped the authority of Modi on the BJP, the NDA and the Indian polity by giving him an unambiguous political mandate to run the country for five years. The significance of the outcome is evident from a senior Congress leader describing the Modi and the BJP victory as the beginning of a new era and a victory of 'Indianness'⁷. The reference was to the success of Modi and the BJP in understanding the minds and moods of the people better and connecting to them more effectively than the Congress could. The results reflected what India felt and also the fact that Modi and his party were in sync with the social and political pulse of the country.

Modi was the star campaigner for BJP in the 2014 elections. He attended more than 5000 election events while travelling more than 300,000 km across India⁸. Development was the key theme of

7. The comment is attributed to senior Congress leader Janardan Dwivedi. "Congress leader Janardan Dwivedi says Modi's win a victory of 'Indianness'", *The Indian Express*, 22 January 2015; <<http://indianexpress.com/article/india/politics/congress-leader-janardan-dwivedi-says-narendra-modis-win-a-victory-of-indianness/99/>>. Accessed on 16 May 2015.

8. "Maximum Campaign: Modi unleashes a blitzkrieg never seen before in Indian electoral history", *India Today*, 19 May 2014; <<http://indiatoday.intoday.in/story/narendra-modi-bjp-campaign-indian-electoral-history-lok-sabha-elections-2014/1/359920.html>>. Accessed on 16 May 2015.

his election speeches with strong emphasis on the economic success achieved by Gujarat, the state he ruled for more than a decade. Foreign policy was rarely mentioned in his election speeches. It is therefore remarkable that his first year in office found him pursuing a vigorous and proactive external engagement policy. The policy and its drivers, primarily economic, have several distinct imprints of Narendra Modi and the BJP's vision of India.

Why Modi is Different

Addressing the Indian community at Shanghai at the end of his first state visit to China on 16 May 2015, Modi remarked: "No one would have made me Prime Minister by looking at my bio-data"⁹. Not only does Modi belong to the Other Backward Class (OBC) community¹⁰ of India's lower social strata, he takes pride in the fact that he made a living by selling tea in his younger days. Modi's meteoric rise – from an ordinary tea seller to one of the longest serving Chief Ministers in the country and somebody who dared to challenge the most powerful political family in the Indian politics – was a story that captured the imagination of the Indian electorate, including many traditional Congress supporters.

Modi has never been shy of striking a chord with his constituencies on the basis of his modest and 'non-elite' background. As India's first OBC Prime Minister from a low-income background, he symbolizes aspirations of many socially and economically marginal Indians in a way that hardly any of his predecessors have. The fact that he rarely addresses rallies in English and does not have a formal educational background steeped in the Western tradition makes him more 'common' than many of his political rivals, particularly the Gandhis. But he is careful in not letting his indigenous and homegrown personality get trapped in a political vision catering only to narrow regional and caste-based constituencies. By steadfastly focusing on a development agenda, he projects himself as 'Pan-Indian' and well above social and political divisions. Modi is well aware of the BJP's traditional reputation as a right-wing Hindu nationalist party and his own image of a radical champion of Hindutva, which has stuck to him since allegations of involvement in the communal riots of Gujarat in 2002. He is conscious of the sectarian implications of these impressions and has taken great pains to project himself as a crusader of national interests focused on development and unbound by religious and ethnic considerations.

9. "No One Would Make Me PM Based on My Bio Data. I Bow to Millions of Indians,' Says PM Modi in China", NDTV, 16 May 2015; <www.ndtv.com/india-news/pm-narendra-modi-addresses-indian-community-reception-in-shanghai-highlights-763550>.

10. OBCs are collectively applied to socially and educationally backward castes and the Indian State is committed to their empowerment and development.

As India's first Prime Minister born after independence, Modi's world vision has been shaped by developments and influences that are more contemporary than his predecessors. This probably explains why 'multi-alignment' is more appealing to him than 'non-alignment'¹¹; it also explains why he does not mind scaling up engagement with China on business and economic matters notwithstanding lack of movement on territorial disputes. As a grassroots politician having risen through party ranks, Modi was far more clued in to the political pulse of the country than the Gandhis and the Congress. By making social media the most important channel of his communication with people, Modi was able to connect with India's modern generations faster than most other politicians of his genre¹². His use of social media as a medium for public outreach is evident from his opening an account on the Sina Weibo – the Chinese micro-blogging site often heralded the Chinese 'Twitter' – a few days before his visit to China in May 2015¹³.

Very few Indian Prime Ministers have been Chief Ministers in their earlier political careers. In this respect, Modi brings a distinct 'state' perspective to his Prime Ministership. This is evident from his repeated emphasis on cooperative federalism and the bigger role that Indian states need to play in the country's economic growth story. His firm belief that Indian states should have greater spaces in economic and foreign policy is clear from his taking along Chief Ministers on his foreign visits. For instance, the Chief Ministers of the states of Maharashtra and Gujarat travelled with him during his visit to China, in April 2015. More importantly, despite serious political differences, the Chief Minister of the State of West Bengal accompanied Modi during his visit to Bangladesh in June 2015 on the occasion of the signing of the land boundary agreement between India and Bangladesh.

Modi is also distinct from his predecessors in having spent little time in Delhi during his political career with no experience of

11. India's first Prime Minister Jawaharlal Nehru was a major influence behind the growth of the non-aligned movement (NAM) comprising states non-aligned to major power blocs. Born in 1961 as a response to the Cold War, the NAM lost considerable relevance after the end of the Cold War. The non-aligned ideology, nonetheless, has not entirely obliterated from conversations and contemporary discourses on the Indian foreign policy. Modi's foreign policy resonates an antithetical posture to non-alignment with India not hesitant to develop close proximities with various major powers and power blocs irrespective of differences between the latter. His 'Act East' strategy is a pertinent example (Palit 2015a).

12. Narendra Modi is the third most followed world leader on Twitter with 12.1 million followers after the US President Barack Obama and Pope Francis. "Modi Doubles Twitter Following to 12.1 million Users", *Forbes Asia*, 6 May 2015; <www.forbes.com/sites/anuraghunathan/2015/05/06/modi-doubles-twitter-following-has-12-1-million-followers/>. Accessed on 17 May 2015.

13. "Week before China visit, PM Narendra Modi logs onto Sina Weibo", *The Indian Express*, 4 May 2015; <<http://indianexpress.com/article/technology/social/pm-modi-logs-onto-sina-weibo-chinas-twitter-with-new-handle/>>. Accessed on 17 May 2015.

having been part of the Central government¹⁴. Rather than letting this work to his disadvantage, he has converted his 'non-Delhi' status and unfamiliarity with the national capital into political mileage by proclaiming himself an 'outsider' to Delhi, which is gratifying for many who feel that mandarins in Delhi take a dim view of the rest of India and impose top-down decisions without understanding ground realities.

External Engagement: Emerging Patterns

As mentioned earlier, Modi hardly mentioned foreign policy during his election campaign. Occasionally, he emphasized the tough posture his government would have on matters involving India's territorial sovereignty and terrorism. The veiled references were obviously towards neighbours with whom India had problems in these regards and included China and Pakistan. The references were probably part of the larger rhetoric and hype of a charged political campaign and could hardly be construed as articulation of a foreign policy construct.

Experts were tentative about the contours of Modi's external engagement strategy as he assumed office. Modi's liberal economic ideas of attracting greater foreign investment and reducing opportunity costs for investors pointed to the likelihood of his constructively engaging foreign partners. But there were factors that could temper his economic liberalism. The US, UK and European Union member-states had denied visas to Modi for several years due to his alleged involvement in the Gujarat riots of 2002. It was not clear whether the history of denying visas would influence Modi and his government's strategy towards some major powers of the world. The Modi government's likely stance towards the US was particularly uncertain given that Indo-US relations were stormy in the run-up to the general elections. There was also speculation over whether his government's neighbourhood policy would be more uncompromising than its predecessor given the BJP's traditional hard-line posture on border and territorial issues¹⁵.

What has taken most by surprise is the remarkable speed and alacrity with which Modi has moved on external engagement. During his first twelve months as Prime Minister, he travelled to almost

14. Modi's senior Cabinet colleagues, Finance Minister Arun Jaitley, and Home Minister Rajnath Singh, were ministers in the earlier BJP-led NDA government under Prime Minister Vajpayee.

15. Detailed opinions on the Modi government's likely foreign policy direction at the time of his assuming office can be seen at John Cassidy, "What Does Modi's Victory Mean for the World?" *The New Yorker*, 16 May 2014; <www.newyorker.com/news/john-cassidy/what-does-modis-victory-mean-for-the-world>. Accessed on 17 May 2015; and Sumit Ganguly, "What will Narendra Modi's Foreign Policy Be Like?", *bbc.com*, 21 May 2014; <www.bbc.com/news/world-asia-india-27482166>. Accessed on 17 May 2015.

twenty countries in different parts of the world (Table 1). The countries visited range from the world's traditional major powers and OECD members (USA, Canada, France, Germany, Japan) to the modern powers and large emerging markets (China, Brazil, South Korea) and countries where previous Indian Prime Ministers have hardly set foot (Mauritius, Mongolia, Seychelles, Fiji and Bhutan). Modi was also a busy host receiving various Heads of State during his first year in office: Australia, Bhutan, China, Guyana, Ivory Coast, Qatar, Russia, Singapore, Sri Lanka, Vietnam and the US.

Table 1: PM Modi's Foreign Visits¹⁶

Regions	Countries Visited
South Asia	Bhutan, Nepal, Sri Lanka, Bangladesh
Indian Ocean Rim	Mauritius, Seychelles
Asia-Pacific	Australia, China, Fiji, Japan, Mongolia, South Korea
Europe	France, Germany
Central Asia	Turkmenistan (forthcoming), Russia (forthcoming)
North America	Canada, USA
South America	Brazil

Source: List of Prime Ministerial Trips made by Narendra Modi; <http://en.wikipedia.org/wiki/List_of_prime_ministerial_trips_made_by_Narendra_Modi>. Accessed on 17 May 2015

While one year might be too short to arrive at distinct conclusions about the objectives of the Modi government's external engagement strategy, a few emerging patterns are noticeable. Modi has engaged the East and West with almost equal intensity. His visits to the US and Canada have attracted as much local and global attention as have his visits to Australia, China and Japan. Indeed, in this regard, he has articulated the importance of India following the "Act East, Link West" policy. The economic implication of the concept is the importance Modi attaches to the Indian economy getting more closely integrated with markets and economies both on its East and West, presumably through greater presence of Indian industries in cross-regional production networks. The strategic implication of the vision entails the necessity of modern India paying equal weightage to regional developments and actors in both its East and West¹⁷.

16. Table 1 gives visits for the first year of PM Modi and includes information on forthcoming visits. In addition to the countries mentioned in Table 1, Modi also travelled to Myanmar for attending the East Asia Summit (EAS) in November 2014 and to Singapore in January 2015 for attending the funeral of Singapore's First Prime Minister, Mr Lee Kuan Yew.

17. The initiative is arguably built on strategic principles of earlier PM's Vajpayee and P.V. Narasimha Rao, who specified US and India as natural allies (Vajpayee) and

Neighbourhood relations are high priority for the Modi government. The neighbourhood includes South Asia (Bangladesh, Bhutan, Maldives, Nepal, Pakistan, Sri Lanka) and extends to Southeast and East Asia. The 'Act East' strategy in this regard extends the domain of the Look East Policy (LEP), which primarily focused on Southeast Asia, to include China, Japan, Korea and Mongolia¹⁸. Active engagement of the neighbourhood has led to the Indian Parliament approving an amendment of the Indian Constitution for implementing the long-pending Land Boundary Agreement with Bangladesh¹⁹ and India playing a prominent role in the rescue, relief and rehabilitation operations in Nepal after the catastrophic earthquake in April 2015. As the first Indian Prime Minister to visit Sri Lanka after twenty-eight years in March 2015 and by choosing Bhutan as the country of his first foreign visit in June 2014, there is little doubt over the importance of the neighbourhood for the Modi government. The cycle of foreign visits during Modi's first year began with Bhutan and ended with East Asia, while his second year has begun with a visit to Bangladesh. The pattern brings into close alignment the principle of 'neighbourhood first' with the 'Act East' strategy. There are expectations of India engaging Southeast Asia and East Asia more robustly through the 'Act East' Strategy²⁰.

It is also interesting that Modi travelled to small island countries like Fiji, Mauritius and Seychelles right during his first year in office. These visits would not have happened without strategic motivations, such as engaging the Indian Diaspora or entrenching strategic alliances in the maritime spaces of the Indian and Pacific oceans. The fact that these countries were hardly there on the radar of his predecessors, and were picked up by Modi for outreach during his early days, points to a new strategic thinking and foreign policy on part of his government.

inaugurated the LEP for connecting India to Southeast Asia (Rao). See Ramesh P Babu, "Look East' to 'Act East' and 'Link West': New Direction and Dynamism in Indian Foreign Policy", *FreedomFirst*, no. 571, January 2015; <www.freedomfirst.in/issue/articles.aspx?id=8252>. Accessed on 17 May 2015.

18. Prime Minister Modi articulated the 'Act East' strategy in his remarks at the ASEAN-India summit at Myanmar in November 2014 by emphasizing on a more action-oriented strategy for engaging Southeast Asia. <<http://thediplomat.com/2014/11/modi-unveils-indias-act-east-policy-to-asean-in-myanmar/>>. Accessed on 17 May 2015. His visit to China, Mongolia and South Korea in May 2015 is an important component of the "Act East" strategy (Palit 2015a)

19. The Indian Parliament unanimously approved the 119th Amendment Bill for amending the Constitution on 7 May 2015. 'Parliament puts seal of approval on LBA', *The Hindu*, 8 May 2015 <www.thehindu.com/news/national/parliament-approves-bill-to-settle-41yearold-border-issue-with-bangladesh/article7181273.ece>. Accessed on 18 May 2015.

20. See Palit (2015b) for contemporary ties between India and Southeast Asia and expectations from the 'Act East' strategy.

External Engagement: Objectives and Economic Drivers

The emerging patterns of the external engagement strategy of the Modi government point to the following as its major objectives:

- Make India a decisive and proactive global and regional actor, as opposed to a more hesitant and passive player in the past.
- Structure India's external engagement in line with dominant national interests in a pragmatic fashion.
- Focus on domestic economic growth as a priority in all spheres of external engagement.

All the three objectives are inter-connected and feed into the larger vision of India aspiring to achieve greater global strategic influence. Such influence is assumed a function of the length and depth of economic success that India achieves. Modi appears to be guided by the impression that high rate of economic growth cannot be generated only by domestic policies and initiatives. These need to be matched by external engagement that, apart from serving geo-strategic imperatives, would be economically proactive by enabling greater exchange of goods and services and fostering business collaborations between India and the rest of the world. The quality of the external engagement therefore needs to become far more active and business-oriented than what it has been in the past.

The objectives mentioned above are not exclusive to Modi and are part of the BJP's global vision of India. These have been articulated in the BJP's election manifesto with varying degree of explicitness²¹. Nonetheless, the distinct 'Modi' flavor in the pursuit of the objectives cannot be overlooked. Foremost among these is the confidence with which he is pushing the objectives in his external engagement: a confidence stemming from unchallenged political authority at home; faith in his ability to strike rapports with world leaders and counterpart heads of states; and the knowledge of the goodwill he enjoys in the international community.

It is hardly surprising that economic growth and development are the main planks of Modi's external engagement strategy. Apart from the fact that he took over the reins of the country at a time when

21. Bharatiya Janata Party (BJP), Election Manifesto 2014, pp. 39-40; <<http://bjp.electionmanifesto.com/pdf/manifesto2014.pdf>>. Accessed on 21 May 2015.

economic growth was low²² and economic revival was a priority, Modi is conscious of the huge expectations that propelled him to his current office, most of which are of jobs and livelihood opportunities from a young India. His image of a pro-business development-oriented political leader compounds these expectations. Furthermore, Modi is aware that India's greater weight in global affairs and influence on global and regional decisions are contingent on conclusive establishment of its ability to grow at sustained high rates for several years – similar to what China was able to do for almost two decades and the strategic influence it was able to secure from the exceptional economic performance.

The drivers of Modi's foreign policy are embedded in the objectives of domestic economic growth and expansion of the Indian economy. These drivers aim to facilitate India's economic turnaround and consolidate its comparative advantages in several key industries for enabling India to expand its share in global production over time. This is not possible without rectifying the country's supply – side deficiencies, particularly the limited access to energy. Besides, India's economic progress and the concomitant strategic clout would remain unrealized unless India becomes member and active participant of major regional and economic groupings of the world.

Some of the distinct drivers shaping the objectives and patterns of Modi's external engagement strategy are as follows.

'Make in India': Develop India as a Global Production Hub

Several ambitious economic initiatives have been launched during Modi's first year in office. These include the 'Jan Dhan Yojana', a scheme for providing banking facilities to all Indian households and promoting financial literacy, and 'Digital India', for connecting public service providers (government agencies) digitally to consumers (people) for efficient delivery of services²³. Both schemes have

22. India's GDP growth was estimated at 4.9% for the financial year 2013-14 by the Central Statistical Organisation (CSO) in its advance estimates of national incomes released on 7 February 2014. <http://mospi.nic.in/Mospi_New/upload/nad_pr_7feb14.pdf> Accessed on 4 June 2015. Both overall industry and manufacturing were growing at negative rates. Inflation was at more than 8% and the fiscal and current account deficits were at disturbing highs of 4.6% and 2% of GDP respectively. For more details on the macroeconomic situation prevailing at the time of the 2014 elections, see Amitendu Palit, "Economic Despondency and Indian Elections", *ISAS Insight*, no. 247, Institute of South Asian Studies (ISAS), National University of Singapore; 29 April 2014. <www.isas.nus.edu.sg/PublicationByCategory.aspx>. Accessed on 4 June 2015.

23. More details on the schemes are available at <www.pmjdy.gov.in/Pdf/PMJDY_BROCHURE_ENG.pdf> and <www.cmai.asia/digitalindia/>. Accessed on 19 May 2015.

ambitious deadlines for completion within Modi's tenure of five years. Considerable attention has been generated by his other ambitious scheme of cleaning the river Ganges, the largest and longest river running through India's northern and eastern regions, and constructing 100 'smart cities', by upgrading several existing cities and building new ones with top-notch civic and technological infrastructure ensuring quality operating conditions for businesses and living conditions for residents. While Modi has been particular in highlighting all these initiatives to his foreign audiences, his strongest emphasis has been on 'Make in India': a concept drawing inspiration from the economic vision of India articulated in the BJP's election manifesto.

'Make in India' is Modi's signature initiative for transforming India into a global hub for several manufacturing and services industries. The manufacturing sectors include automobiles, automobile components, chemicals, defence manufacturing, electrical machinery, electronic systems, food processing, leather, pharmaceuticals, textiles and garments. The service industries are aviation, biotechnology, construction, IT, media and entertainment, oil and gas, ports, renewables, roads and energy, highways, space, thermal power, tourism and hospitality and wellness²⁴. The sectors resonate with the economic priorities articulated in the BJP's election manifesto, particularly developing manufacturing and services with emphasis on employment creation, modern infrastructure, self-sufficiency and proficiency in strategic industries like defence manufacturing, ports, energy, IT and tourism²⁵.

Apart from creating employment and contributing significantly to India's GDP by producing for domestic consumption and exports, 'Make in India' industries can embed India firmly in global value chains. The long-term objective is to add as much value as possible in these industries within 'India' for maximizing growth and employment opportunities at various segments of the value chains. For instance, in his interaction with the Chinese business leaders at Shanghai, in May 2015, Modi encouraged investors to 'make in India' by alluding specifically to the textile value chain: farm-to-fibre-to-fabric-to-fashion-to-foreign²⁶.

However, 'Make in India' will remain a non-starter unless global investors commit to the initiative. Modi's foreign visits have focused emphatically on wooing investors to various 'Make in India' sectors. These technology and skill-intensive sectors require investments from specialized foreign firms endowed with the above

24. <<http://makeinindia.com/sectors/>>. Accessed on 20 May 2015.

25. Bharatiya Janata Party (BJP), Election Manifesto 2014, pp. 29-31; <<http://bjp-electionmanifesto.com/pdf/manifesto2014.pdf>> Accessed on 21 May 2015.

26. "'Make in India,' PM Narendra Modi Tells Top Chinese CEOs; Deals Worth \$22 billion Signed", NDTV, 16 May 2015; <www.ndtv.com/india-news/make-in-india-pm-narendra-modi-tells-top-chinese-ceos-in-shanghai-763492>. Accessed on 20 May 2015.

attributes and make it imperative for India to engage countries that have been world leaders in the initiative's focus areas. Australia, Canada, Japan, China, Korea, Germany, France and the US become obvious choices in this regard. Modi's high pitch for 'Make in India' in his visits to these countries is hardly surprising. At the same time, the neighbourhood is also important in taking forward the vision. India's plans to build Special Economic Zones (SEZs) in Bangladesh and manufacturing hubs in Southeast Asia (Cambodia, Laos, Myanmar and Vietnam) can contribute to the growth of regional value chains with Indian producers at their core²⁷.

Access Energy Resources

India's ability to achieve and sustain high rates of economic growth over long periods of time depends on its success in addressing some critical supply-side deficiencies. Notable among these are infrastructure. The major gaps are in availability of good quality roads, highways, seaports, airports, urban infrastructure and uninterrupted supply of electricity. New investments in some sectors of 'Make in India' – aviation, construction, roads, ports, energy, highways, oil & gas, mining, renewable energy – would contribute to additional capacities in the long run. Among these sectors, electricity production assumes particular importance given that its regular supply needs to be matched with environmental priorities of deploying clean technologies with limited carbon emission.

The bulk of India's electricity is coal-fired thermal power²⁸. The reliance on coal and the rapidly increasing demand for electricity has led to large imports of coal. Despite large domestic reserves of coal in central and eastern India, infrastructure bottlenecks make it difficult to transport coal to major industrial areas and cities. Combined with high washing costs of domestic coal, imports are often cheaper options for final users. Greater reliance on coal for electricity is also affecting India's ability to cut carbon emissions. Hydel power and natural gas, the two other major sources of electricity in India, are subject to

27. a) "Bangladesh offers 2 SEZs to Indian Companies", *The Times of India*, 7 June 2015; <<http://timesofindia.indiatimes.com/business/india-business/Bangladesh-offers-2-SEZs-to-Indian-companies/articleshow/47575045.cms>>. Accessed on 8 June 2015;

b) The Union Budget presented in February 2015 announced the establishment of a project development company for facilitating growth of manufacturing hubs in Cambodia, Myanmar, Laos and Vietnam. Ministry of Finance, Government of India, Key Features of Budget 2015-16, 8 February 2015, page 6; <<http://indiabudget.nic.in/ub2015-16/bh/bh1.pdf>>. Accessed on 8 June 2015.

28. a) Central Statistics Office, National Statistical Organisation, Ministry of Statistics and Programme Implementation, Government of India, Energy Statistics 2013, <http://mospi.nic.in/mospi_new/upload/Energy_Statistics_2013.pdf>. Accessed on 21 May 2015; b) The National Bureau of Asian Research, India's Energy Policy and Electricity Production, 26 October 2011; <www.nbr.org/research/activity.aspx?id=181>. Accessed on 21 May 2015.

availability of water and regularity of monsoons, and discovery of new reserves. Production of renewable energy (e.g. solar, wind) is yet to assume as large scales as are required for satisfying high domestic demand. The situation has led the Modi government to prioritise nuclear energy.

The BJP's election manifesto emphasizes on developing a strategic nuclear programme given the importance of nuclear power to India's energy sector²⁹. Building nuclear energy capacities has accordingly become a major part of the Modi government's external outreach. India plans to expand its production capacity to 14,600 MWe by 2020 and have 25 percent of its electricity from nuclear power by 2050 from the current meager share of 2 percent³⁰. The Modi government is keen on securing greater imports of uranium and drawing foreign investment and technology for domestic generation capacities.

Signing a civilian nuclear deal with the US and the lifting of sanctions by the Nuclear Suppliers Group (NSG) on nuclear exports to India in September 2008 marked a turning point in India's nuclear energy programme. The NSG waiver opened possibilities of import of uranium and foreign technical collaborations in India's nuclear industry. Discussions began with various countries including the US, Russia, UK, France, Korea, Canada and Mongolia. But uranium imports and foreign technical expertise have hardly been forthcoming due to the discomfort of global nuclear suppliers with India's civil liability law for nuclear accidents. The Civil Liability of Nuclear Damage Act of 2010, while making operators of nuclear plants liable for nuclear damage caused by material used in the installations, allows them recourse against the suppliers of nuclear material if the latter is found responsible for accidents³¹.

India's civilian nuclear energy programme has been entirely indigenous due to the NSG's embargo imposed on India since the Pokhran tests of 1974. Limited domestic access to uranium led to India's nuclear fuel cycle relying on indigenous thorium reserves. Access to uranium would significantly enhance India's capacity prospects. It is hardly surprising that Modi's visits in his first year included countries that could be potential collaborators in producing

29. "We will follow a two-pronged independent nuclear programme, unencumbered by foreign pressure and influence, for civilian and military purposes, especially as nuclear power is a major contributor to India's energy sector". Bharatiya Janata Party (BJP), Election Manifesto 2014, p. 39; <<http://bjpelectionmanifesto.com/pdf/manifesto2014.pdf>>. Accessed on 21 May 2015.

30. World Nuclear Association, Nuclear Power in India, Updated May 2015; <www.world-nuclear.org/info/Country-Profiles/Countries-G-N/India/>. Accessed on 21 May 2015.

31. Sections 4 and 17 of the Liability Law are relevant in this respect. See The Civil Liability for Nuclear Damage Act 2010, 22 September 2010, New Delhi, *the Gazette of India*; <[http://lawmin.nic.in/ld/regionallanguages/THE%20CIVIL%20LIABILITY%20OF%20NUCLEAR%20DAMAGE%20ACT,2010.%20\(38%20OF%202010\).pdf](http://lawmin.nic.in/ld/regionallanguages/THE%20CIVIL%20LIABILITY%20OF%20NUCLEAR%20DAMAGE%20ACT,2010.%20(38%20OF%202010).pdf)>. Accessed on 8 June 2015.

nuclear energy and suppliers of uranium. Apart from the US and France, these partners include Australia, Canada, Japan, Mongolia and South Korea.

Modi's major diplomatic successes in developing nuclear collaborations relate to achievements with respect to Australia, Canada, France and the US. India and Australia signed a civil nuclear deal in September 2014 during the Australian Prime Minister Tony Abbott's visit to India, paving the way for Australian exports of uranium to India³². Canada and India entered into a US\$280 million deal during Modi's visit to Canada in April 2015 for Canadian export of uranium to India for the next five years³³. Both agreements are significant given the reservations that Australia and Canada have had for several years on supplying uranium to India given its exclusion from the Nuclear Non-Proliferation Treaty (NPT) club. During President Obama's visit to India in January 2015, India and the US made significant progress on implementing the bilateral civil nuclear agreement signed in October 2008 by agreeing on the specific content of the liability in case of nuclear accidents. As a result, prospects of US investments in India's nuclear energy industry have become brighter. France was one of the earliest countries to enter into a civil nuclear cooperation agreement with India after the lifting of the NSG embargo in September 2008. During Modi's visit to France in April 2015, the French nuclear supplier Areva and the Nuclear Power Corporation of India (NPCIL) entered into an agreement for faster negotiations and clarification of technical issues on the construction of six nuclear reactors in the Western state of Maharashtra³⁴. Japan – another major nuclear supplier that India is looking forward to collaborating with – is yet to conclude a civil nuclear deal with India though significant progress was made during Modi's visit in September 2014.

Engage the Diaspora

Overseas Indians have been an important political constituency of the BJP for several years. Modi has had a huge following among the Indian Diaspora given the large proportion of Gujaratis and his active engagement of the Diaspora as Chief Minister of Gujarat through high-profile events like the 'Vibrant Gujarat' summits. Organizations

32. "India and Australia seal civil nuclear deal for uranium trade", *Rebutters*, 5 September 2014; <<http://in.reuters.com/article/2014/09/05/india-australia-nuclear-deal-idINKBN0H00MX20140905>>. Accessed on 21 May 2015.

33. "Canada, India unveil nuclear supply deal, bury nuclear discord", *Rebutters*, 15 April 2015; <<http://in.reuters.com/article/2015/04/15/india-canada-modi-idINKBN0N61BN20150415>>. Accessed on 21 May 2015.

34. "Areva Signs Jaitapur Agreements", *World Nuclear News*, 13 April 2015; <www.world-nuclear-news.org/NN-Areva-signs-Jaitapur-agreements-1304154.html>. Accessed on 21 May 2015.

like the Overseas Friends of BJP (OFBJP) having presence in more than a dozen countries of the world worked actively for the BJP in the last general election by raising funds and dispatching volunteers for the election campaign³⁵. The BJP too has been steadfast in its commitment to the overseas Indian community and keen on utilizing the strategic and financial influence of overseas Indians in building 'Brand India'³⁶.

Given the BJP's strong links with the overseas Indian community and the political and financial leverage it draws from the links, it is natural for the Diaspora to be an important driver of Modi's external engagement. The Diaspora is crucial for several reasons including improving India's global image and extracting greater strategic benefits from bilateral relations with countries that are locations of the Diaspora. In several countries (e.g. US, Canada, Australia, United Kingdom) people of Indian origin (PIOs) as well as the later generation of immigrant Indians have become active participants in domestic political spheres and significantly influential for positively impacting foreign policies of these countries towards India. The India-US civil nuclear cooperation agreement is an important example of the lobbying by non-resident Indians with the US lawmakers for pushing the deal. From Modi and the BJP's perspective, the Diaspora is also a major source of funds and technical expertise for signature economic initiatives like 'Make in India', smart cities and cleaning the Ganges³⁷. Finally, the Diaspora is the biggest captive source of inward remittances and inbound tourists for India.

Modi's travels to major locations of the Indian Diaspora in his first year in office – Australia, Canada, China, Mauritius, Fiji, France, Germany, Seychelles – underscore dual objectives: gratitude for the patronization of the Diaspora, both for the party as well as his own leadership; and the effort to extract financial and institutional commitment for the new economic programmes. His diplomatic thrust has been on making overseas Indians feel precious and valuable in the BJP's grand vision of nation building. His high profile addresses to the resident Indian communities at New York, Sydney and Shanghai have urged the non-resident Indians to come back to their home

35. "NRI Indians are BJP's biggest donor", *The Indian Express*, 26 February 2014; <<http://indianexpress.com/article/cities/ahmedabad/nri-indians-are-bjps-biggest-donor/>>. Accessed on 21 May 2015.

36. "The NRIs, PIOs and professionals settled abroad are a vast reservoir to articulate the national interests and affairs globally. This resource will be harnessed for strengthening Brand India". Bharatiya Janata Party (BJP), Election Manifesto 2014, p. 40; <<http://bjpelectionmanifesto.com/pdf/manifesto2014.pdf>>. Accessed on 21 May 2015.

37. "Narendra Modi urges the Indian Diaspora to become an extension of foreign policy", *The Guardian*, 2 March 2015; <www.theguardian.com/world/2015/mar/02/narendra-modi-india-overseas-diaspora-united-states>. Accessed on 21 March 2015.

country and participate in India's economic revival. His already high political capital among the overseas Indians has risen further by his facilitating the re-connection of the latter with India through initiatives like visa-on-arrival and the pledge to ensure their participation in future Indian elections.

Greater Role in Global and Regional Forums

The BJP's election manifesto spelt out the priorities for India playing active and larger roles in various regional and global forums such as the South Asian Association for Regional Cooperation (SAARC), Association of Southeast Asian Nations (ASEAN), BRICS (Brazil, Russia, India, China and South Africa), G20, Shanghai Cooperation Organisation (SCO) and the Asia-Europe Meeting (ASEM)³⁸. Modi's external engagement policy has been in line with these priorities with emphasis on developing closer relations with individual members of different regional and global associations. His engagement of Bangladesh, Bhutan, Nepal and Sri Lanka has been motivated by the objective of making India the key player in SAARC. A proactive 'Act East' strategy is expected to make India a larger player in the regional architecture through greater strategic links with the ASEAN, Northeast Asia and the Asia-Pacific³⁹. Engaging China specifically becomes important from the multiple perspectives of stronger ties with the SCO⁴⁰, BRICS and the G20. Similar priorities apply for Brazil and Russia. France and Germany become critical not only for bilateral reasons, but also for India's obvious strategic interests with respect to the G20 and ASEM.

Security and specific geo-strategic considerations apart, Modi's external engagement strategy, stemming from the BJP's vision of India being a prominent global and regional actor, is intricately linked to India's economic growth. The economic interest is implicit in the effort to develop strong ties with regional and global associations. What is further noticeable is Modi's plan to take India into forums

38. Bharatiya Janata Party (BJP), Election Manifesto 2014, p. 40; <<http://bjpelectionmanifesto.com/pdf/manifesto2014.pdf>>. Accessed on 21 May 2015.

39. Modi's travels to China, Mongolia and Korea, by his own admission, were an important part of the 'Act East' strategy. See "Its now Act East Policy: Modi", *The Hindu*, 19 May 2015; <<http://www.thehindu.com/todays-paper/tp-international/its-now-act-east-policy-modi/article7221072.ece>>. Accessed on 14 June 2015. While the 'Act East' strategy appears to be implying greater economic and strategic engagement with the Asia-Pacific region, specific components of the strategy with respect to Southeast Asia are yet to emerge.

40. India is now an Observer of the six-member SCO that includes China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan and is poised to become a member. "Shanghai Cooperation Organisation ready to welcome new members", *Russia and India Report*, 4 August 2014, <http://in.rbth.com/world/2014/08/04/shanghai_cooperation_organisation_ready_to_welcome_new_members_37167.html>. Accessed on 22 May 2015.

where it is yet to figure: The Asia-Pacific Economic Forum (APEC) is a key example⁴¹. India is keen on joining the APEC and becoming more integrated with the Asia-Pacific economic and strategic architecture. While it is negotiating the Regional Comprehensive Economic Partnership (RCEP) – a comprehensive trade and investment agreement involving the ASEAN, Australia, China, India, Japan, New Zealand and South Korea – it is absent from the more ambitious and advanced US-led Trans Pacific Partnership (TPP) that has only APEC members till now⁴². There are possibilities of the RCEP and the TPP converging in future to produce a Free Trade Area for the Asia-Pacific (FTAAP)⁴³. Formal entry in APEC would enable India to be a part of the significant changes taking place in the region's trade and economic architecture and avoid being left out of the region's growth story, as it was during the Asia-Pacific's explosive export-oriented growth and economic expansion after the 1960s⁴⁴.

Modi's travels during his first year in office have covered large parts of the Asia-Pacific. He has visited key APEC member countries: Australia, Canada, China, Japan, South Korea, Singapore and the US. Apart from the priorities specific to each relationship, and the pursuit of the drivers mentioned earlier, connecting with these countries has been important for building support for India's entry in APEC. India applied for membership of APEC in 2007. The APEC's moratorium on adding new members expired in 2010. Expanding membership, however, is not an easy issue for APEC given that the entry of new members including India would influence the balance of power within the grouping⁴⁵. Modi's efforts have borne fruit to a large extent with the US endorsing India as a future member of the grouping⁴⁶. His successful visits to Australia, Canada and Japan

41. The APEC members include Australia, Brunei Darussalam, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Taiwan, Thailand, USA and Vietnam.

42. The TPP includes Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, USA and Vietnam. While the majority of RCEP members are APEC economies, India is a notable exception, along with ASEAN economies Cambodia, Lao PDR and Myanmar.

43. The impression that both RCEP and TPP can be pathways to a high quality FTAAP is becoming an influential idea in the Asia-Pacific. See Sanchita Basu Das, "RCEP and TPP: Can They Converge into an FTAAP?", *ISEAS Perspective*, no. 60, The Institute of Southeast Asian Studies (ISEAS), Singapore, 12 November 2014; <www.iseas.edu.sg/documents/publication/ISEAS_perspective_2014_60.pdf>. Accessed on 14 June 2015.

44. Amitendu Palit, "India and APEC: Not Yet There, But Getting Closer", PECC Discussion Forum, Pacific Economic Cooperation Council (PECC), 16 July 2014; <www.pecc.org/blog/entry/india-and-apec-not-yet-there-but-getting-closer>. Accessed on 14 June 2015.

45. *Ibid.*

46. The White House, Office of the Press Secretary, "U.S.-India Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region", January 25, 2015; <www.whitehouse.gov/the-press-office/2015/01/25/us-india-joint-strategic-vision-asia-pacific-and-indian-ocean-region>. Accessed on 21 May 2015.

should have also helped in this regard. Furthermore, both China and Russia have welcomed India's participation in APEC⁴⁷.

47. "APEC doors open for India, President Xi, Sushma Swaraj discuss progress in ties", *The Indian Express*, 3 February 2015; <<http://indianexpress.com/article/india/india-others/apec-doors-open-for-india-president-xi-sushma-discuss-progress-in-ties/>>. Accessed on 14 June 2015.

Final thoughts: Challenges ahead

Modi's vigorous external engagement policy during his first year in office spelt out the long-term priorities of his government. Driven by strong economic objectives, Modi is expected to keep up the momentum in external outreach. His personal credibility and the promise to transform India would remain the main planks of his outreach. As is also evident from the pragmatic character of his foreign policy, he is keen on moving ahead without reflecting too much on history: contrary to what many had expected, he did not let the US's past refusal to grant him visa come in the way of building personal rapport with President Obama and upscaling the Indo-US engagement.

Till now, Modi enjoys the confidence of the international community and has succeeded in converting the sentiment about India to a positive note after the negativity that prevailed during the final years of the Manmohan Singh government. At home too, his political authority is largely unchallenged. Public opinion polls from India point to support for his efforts in improving India's global image and stature⁴⁸.

Modi's challenge will be to maintain the momentum he has generated and ensure translation of positive sentiments into tangible assets facilitating India's economic growth. The challenge is formidable. Several global businesses have committed to 'Make in India', either through new investments, or expansion of existing capacities. These include leading multinational corporations such as Airbus, Boeing, BMW, Hitachi, Huawei, Samsung, Mercedes-Benz and Volkswagen. More commitments are in the pipeline. While the investors appear confident about the prospects of returns from their investments in the Indian market, apprehensions remain over problems faced by foreign investors in India. These include concerns over taxes, intellectual property rules and doing business conditions.

Modi has been trying to persuade investors by personally assuring improvements in regulatory and business conditions, like he did at the Indo-German Business Summit at Hanover in Germany last

48. 43 percent respondents rated Modi's foreign policy 'good' and 25 percent 'very good' in an opinion poll conducted in 8 major Indian cities for evaluating Modi's first year in office. *The Times of India*, 16 May 2015; <<http://timesofindia.indiatimes.com/what-India-thinks-of-the-modi-government/listshow/47305668.cms>>. Accessed on 22 May 2015.

April⁴⁹. While this would help matters in the short run, beyond a point in time, investors would be looking out for specific changes in policies and procedures and may not be convinced by Modi's charisma and guarantee any more.

It is important for Modi to ensure that improvements take place as rapidly as he has assured them to be. Unfortunately, he may not be in complete control of the situation in this regard as changes pertaining to doing business conditions need to be carried out mostly by state governments. What he could do in Gujarat, as Chief Minister, is not possible to be replicated as the Prime Minister of India given that individual states have their own governments, institutions and paces of reforms. The BJP is not in power in several major states (e.g. Uttar Pradesh, Bihar, Kerala, West Bengal, Tamil Nadu) and Modi's political writ would not run in these. As an ex-Chief Minister, nobody understands better than Modi the importance of states in influencing the quality of doing business in the country. He has been urging states to collaborate constructively in a framework of cooperative federalism and compete with each other for inviting foreign funds. The success of the strategy will depend on his ability to convince state Chief Ministers, particularly those from other political parties.

Modi is also handicapped by the political arithmetic in the Parliament, where notwithstanding the NDA's electoral majority in the Lower House, it is in a minority in the Upper House. The imbalance is manifesting in the difficulties faced by the NDA government in passing several important legislations, most notably amendments it wishes to introduce in the land acquisition legislation passed by the UPA government earlier. The ease with which land can be obtained for industrial use is a major determinant of investor perceptions about India. Doubts over the Modi government's ability to change the legislation enacted by the UPA, widely criticized for being anti-industry, are already beginning to surface. There are also concerns over whether India will shift to a tax regime with excessive focus on retrospective action⁵⁰.

49. "PM Narendra Modi lures German business honchos; hard-sells 'Make in India' programme", *The Economic Times*, 14 April 2015; <http://articles.economictimes.indiatimes.com/2015-04-14/news/61142530_1_siemens-india-prime-minister-narendra-modi-hannover-fair>. Accessed on 20 May 2015.

50. The Modi Government is trying to amend some provisions of the Land Acquisition, Resettlement and Rehabilitation Act of 2013 passed by the Congress-led UPA government, which have been heavily criticized by industry. Foremost among these are provisions relating to mandatory consent of 80 percent of owners and carrying out social impact assessment (SIA) for land being acquired for specific activities like national security, defence, rural infrastructure, industrial corridors and housing. It has not yet been successful in carrying out the amendments. Investors have also expressed concern over possible retrospective tax measures through General Anti Avoidance Rules (GARR) and imposition of a Minimum Alternate Tax (MAT) on Foreign Institutional Investors (FIIs).

On nuclear cooperation agreements as well, notwithstanding the diplomatic breakthroughs with the US, Canada and Australia, doubts remain over conditions that foreign nuclear material suppliers will have to eventually oblige with. While Canada and the US have given up demands for tracking nuclear use of material exported, Australia is yet to do so⁵¹. Furthermore, the decision to build an insurance pool in the country for providing cover against possible accidents is yet to reach its desired corpus of Rs 1500 crore (approximately US\$235 million)⁵². This would delay operationalization of commercial contracts in nuclear energy.

The Indian Diaspora has been an unflinching source of support for Modi and the BJP. Modi's efforts to utilize the Diaspora for favorably influencing policies of their host countries towards India and involving them in domestic economic programmes is similar to the Chinese efforts to engage its Diaspora. It might pay off given that the Diaspora has been a committed stakeholder in Modi's leadership and the BJP's political ascendancy. But Modi must be cautious in not rubbing the Diaspora the wrong way. His remarks at Seoul, in May 2015, on Indians living abroad being earlier 'ashamed of being born in India' and coming back to reconnect with the country after the BJP's victory in the last elections, have been widely criticized⁵³. Modi needs to be careful about overdoing the spell he has been casting on his foreign audiences, including the Diaspora, by avoiding disparaging remarks that might be counterproductive.

Modi's external engagement strategy has been characterized by a strong push on deliverables. This is typical of Modi's personality and image of a 'doer'. In some respects, however, delivery might prove more challenging than Modi would have bargained for notwithstanding his personal commitment. His focus on trade and commerce in his foreign visits and the objective of rejuvenating bilateral economic relationships has led him to commit early conclusion of India's pending free trade agreements (FTA) with Australia, Canada and the European Union⁵⁴. Early conclusions are

51. India is unwilling to agree to demands for further tracking of nuclear material by individual suppliers over and above the safeguards prescribed in the guidelines of the International Atomic Energy Agency (IAEA). See Jaideep A. Prabhu, "India's nuclear deal with Australia running into turbulence over nuclear safeguards", *Firstpost*, 31 March; <www.firstpost.com/world/indias-nuclear-deal-australia-running-turbulence-fuel-safeguards-2180599.html>. Accessed on 21 May 2015.

52. "Nuclear insurance pool: Foreign firms interested to pitch in, says GIC", *Economic Times*, 17 May 2015; <<http://economictimes.indiatimes.com/wealth/insurance/nuclear-insurance-pool-foreign-firms-interested-to-pitch-in-says-gic/articleshow/47318766.cms>>. Accessed on 21 May 2015.

53. "Modi panned for 'ashamed of being born Indian' remark", *Mint*, 20 May 2015; <www.livemint.com/Politics/zU0Hd9RA9UqbGuR31XPCYN/Modi-panned-for-ashamed-of-being-born-Indian-remark.html>. Accessed on 21 May 2015.

54. The FTAs with Canada and Australia are to be concluded by September and December 2015 respectively. While no firm deadline is set for the India-EU FTA, it is also poised for early conclusion.

difficult given the substantive differences between the Indian trade negotiators and their counterparts on various issues. Quick finish of these deals, notwithstanding the differences, might require sensitive matters to be sorted out by Modi and his counterpart Heads of States, where he will need to carefully develop the *quid pro quo* and concede ground on some issues while extracting commitments on others.

Foreign trade negotiations, particularly in pending and upcoming FTAs and RTAs, would be an important determinant of Modi's ability to translate words into action. Unfortunately, the strategy of his government in this regard is not yet clear. The Foreign Trade Policy (2015-2020) notes the growth of mega trade agreements like the TPP, TTIP (Transatlantic Trade and Investment Partnership) and RCEP as significant developments and the need for India to understand the emerging challenges. However, it stops short of spelling out specific negotiating strategies, even for the RCEP, which India is negotiating, except for mentioning that it will work on quick conclusion of the RCEP while taking note of interests of domestic business and industry⁵⁵. It is therefore not clear whether India would adopt a more flexible approach to RCEP negotiations. Similarly, on trade and investment negotiations with the EU, the FTP, while pointing out that India's offers to the EU have been its most liberal among all trading partners, does not give any clear indication of how it plans to resolve the outstanding issues⁵⁶. The danger of trade policy remaining inadequate for realizing the economic vision of India implicit in Modi's foreign policy continues to remain.

The positive sentiments of the rest of the world (including the Diaspora) for Modi as a leader can stop short of manifesting into what Modi is aiming for – investments, technology and stakeholder commitment in domestic economic programmes – if the international community begins perceiving a disconnect between his promises and his ability to deliver. Over time, this might also reflect negatively on impressions regarding Modi's ability to transform Indian institutions and policies. Much of the success of the economic objectives of Modi's foreign policy depends on his capability to implement domestic reforms and infuse the robustness and vigour of his external engagement in domestic institutions, including the bureaucracy, state governments and other government agencies.

55. Department of Commerce, Ministry of Commerce and Industry, Government of India, Foreign Trade Policy Statement, April 2015, pp. 18-19; <<http://dgft.gov.in/exim/2000/FTPstatement2015.pdf>>. Accessed on 14 June 2015.

56. *Ibid.*

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