

# BULLETIN

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## India's Growing Role in the Changing World Order

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*Last year's procession of world leaders to India underlines the country's ascendance on the international stage as one of the emerging centres in an evolving world order. Being one of the fastest growing economies and a largest democracy, India is perceived as a natural partner of both the U.S. and the EU. Strengthening cooperation with India may be necessary when tackling major global challenges and assuring the stabilization of the international system. The rising role of India is also a clear signal for Poland to dedicate more attention to forging closer bilateral relations.*

**India's Rising Significance.** The visit of Russian President Dmitry Medvedev to New Delhi on 21-22 December 2010 was the latest in a series of high-level state visits to India in the last six months. Before him, official visits to India had been paid by British Prime Minister David Cameron (28-29 July), American President Barack Obama (6-9 November), French President Nicolas Sarkozy (4-7 December) and Chinese Prime Minister Wen Jiabao (15-17 December). A number of new initiatives was launched during these interactions and the total value of secured contracts exceeded USD 50 billion. Moreover, Indian Prime Minister Manmohan Singh attended the 11<sup>th</sup> EU-India Summit in Brussels on 10 December, and then the next day held a summit with German Chancellor Angela Merkel in Berlin.

These events are more examples of the growing political significance of India on the world stage. In recent years, India managed to build close relations with all major powers, became an active member of many multilateral forums, such as the G-20, BRIC (Brazil-Russia-India-China) and IBSA (India-Brazil-South Africa), and started to play a more important role in climate change talks and WTO negotiations. On 1 January 2011, India started its two-year tenure as a non-permanent member of the UN Security Council. Its bid for the post was supported by 187 countries in elections by the General Assembly in October last year (in contrast to the 42 votes it received in 1996), which is probably the most vivid proof of its improved international status. With the official backing of all permanent UN SC members except China, India can be expected to push hard for UN reform in order to achieve a permanent seat on the council and confirm its "emerged" status as a global power.

Moreover, India is one of the fastest-developing world economies, averaging a GDP growth rate of 8% during the last six years. Contrary to the experiences of the majority of OECD countries, India was not hit severely by the global economic crisis. Its economic growth declined slightly to 6.4% in 2008 and 5.7% in 2009 but reversed to a provisional rate of 9.7% last year. According to some projections, India may become the third-largest economy in the world before 2030 and the size of its consumer market will reach nearly 600 million people by 2025. Furthermore, prospects of huge investments in infrastructure, energy, defence and social development make India a very attractive investment destination for many Western companies. All these factors contributed to the recent "rediscovery" of India and the transformation of its relations with both the U.S. and the EU.

**Historic Turnaround in U.S.-India Relations.** The new era of Indo-U.S. relations, after decades of estrangement, can be traced back to a visit by U.S. President Bill Clinton to India in March 2000. The last 10 years have witnessed a gradual strengthening and broadening of the "strategic partnership" between the world's largest democracies. Bilateral trade increased from USD 14 billion to nearly USD 40 billion. A landmark nuclear deal signed in 2008 and U.S. support for India's permanent membership in the UN Security Council in 2010 brought relations to their highest point in history.

On one hand, the U.S. decided to help India's rise, as America sees it, to act as a strategic counterweight to China, a potentially stabilizing force in South Asia, an important player in the war against religious extremists and a valuable economic partner. India, on the other hand, needs U.S. help to accelerate its political and economic ascendance. Even though there is still a significant trust deficit between both partners whose views differ on a number of issues (i.e., policy on Pakistan and trade negotiations), there is a bipartisan and long-term commitment in both capitals to further transform their natural partnership into "one of the defining relationships of the 21<sup>st</sup> century."

**Growing Attractiveness for the EU.** With trade turnover hitting EUR 53 billion in 2009, the EU is India's largest trading partner while India ranks 9<sup>th</sup> on the EU list. Since the year 2000, India and the EU hold annual summits in an effort to expand the relationship beyond merely economic realms to also cover cooperation on political and global issues, and initiated a formal strategic partnership in 2004. Both sides consider that a free trade agreement, in negotiation since June 2007, eventually will give a new boost to economic cooperation and reinforce the partnership. Among the most difficult areas to agree on are chapters on public procurements and sustainable development. Although India and the EU expressed hope at the last summit in Brussels that negotiations would conclude "in the spring of 2011," it could be further delayed until fall, during the Polish Presidency of the EU Council.

Both the EU and India are multicultural political entities committed to the values of democracy and the rule of law who acknowledge the precedence of international law and the need of effective multilateralism. Still, due to developmental differences and the organizational weakness of the EU, the potential of this partnership remains untapped and India often prefers to engage more actively in bilateral cooperation with particular EU Member States. Three of the "older" EU countries have established strategic partnerships with India: France in 1998, Germany in 2001 and the United Kingdom in 2004. In contrast, none of the 12 new Member States have managed thus far to develop that kind of partnership with India.

**Conclusions.** The growing international role of India is yet another signal of the evolution of the world order and a gradual, but probably inevitable, shift of power and wealth from the Euro-Atlantic area to the Asia-Pacific arena. If rising India will act as a "responsible stakeholder" of the international system depends to a large extent on the way with which it will be engaged by the West, particularly by accommodating its aspirations to play a bigger role in the institutions of global governance, such as the UN, IMF or World Bank. However, due to its democratic system, economic pragmatism and a similar perception of threats, India can be seen as a natural partner for both the EU and the U.S. in the decades ahead.

The partnership will not be free from tensions since India and its more developed partners differ on a number of issues (humanitarian intervention, WTO negotiations, climate change responsibilities and so forth) and a more assertive India will pursue decisively its own interests to underline its autonomy in the international arena. Nevertheless, strengthened cooperation with India will be crucial in tackling global challenges, such as terrorism, piracy, destabilization of Afghanistan, non-proliferation, climate change, etc. Similarly, Indian insistence on internal economic development and the lifting out of poverty of millions of its citizen in the long term will well serve Western interests and the global economy.

Poland, which was one of India's closest friends and trading partners during the Cold War, subsequently has put a low profile on bilateral relations over the last two decades, but it must not now miss this historic moment. Apart from deepening economic cooperation (i.e. in mining, energy and military equipment, green technology, energy efficiency, research and development and IT), Poland also should engage India on political and strategic terms. The recent visit by Prime Minister Donald Tusk to India in September 2010 was in this regard an important step in a right direction. In order to not lose momentum, sound initiatives and the further institutionalization of dialogue need to follow. Moreover, the incoming Polish Presidency of the EU Council offers the rare opportunity to raise the visibility of Poland in India and present it as an important leader in the region. India might be seen as Poland's major partner in Asia, and Poland has the chance to become India's first strategic partner in Central Europe.