



BULLETIN

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GoIndia: Reviving Poland–India Cooperation

Patryk Kugiel

An ambitious internal reforms agenda, and the pro-active diplomacy of Narendra Modi's new government has put India in the spotlight. It is now the fastest growing major economy offering new investment and trade opportunities, which many countries want to tap into. The Indian prime minister's maiden visit to Europe points at India's growing international profile. Hence, Poland also must rethink its approach and come up with new initiatives. The GoIndia programme, to be launched next week, is a positive development, but there is a need for more comprehensive cooperation.

For almost one year after the landslide victory of the Bharatiya Janata Party (BJP), prime minister Narendra Modi's government has been implementing ambitious economic reform agenda to unlock India's potential and regain fast growth. The country's GDP rose by 7% last fiscal year, and next year it is planned to grow by more than 8% GDP. At a time when China's economy is slackening, Brazil's is stagnating, and Russia's is contracting into recession, India is already the fastest growing big economy and possible engine of world growth. As India needs foreign capital and technology, the Indian prime minister made his first trip to Europe, taking in France and Germany, from 9–13 April. This new context offers the best time for Poland to revitalise its relations with India.

Make in India. In recent months, a number of flagship projects were launched in India, such as Swachh Bharat (Clean India), Clean Ganga, Digital India, Skill India and Smart Cities. The overarching theme of the reforms is the "Make in India" campaign, which aims to transform the country into a major global hub for manufacturing, design and innovation. India is set to increase its share in global value chains to become a more export driven economy. It hopes that its manufacturing share in GDP will rise from its current 16% to 25–30% by 2025, and India's share in global trade from around 2% to 5% by 2030. The government promises to fight corruption, limit bureaucracy, delicense sectors, and loosen strict labour laws. It is pushing crucial land reform, tax reform, and changes in FDI regulations through parliament. For instance, the foreign investment limit in insurance and defence has been raised from 26% to 49%. Modi hopes that, by 2016, state taxes on goods that cross India's borders will be replaced with a national goods and services tax to create a true common market.

With a population of 1.3 billion (mostly young, with half under the age of 25), a rising middle class, and an absorptive market, India has chances to succeed. To capitalise on its demographic dividend it will, however, need to educate, train and give jobs to some 12 million young people entering the job market every year. It is assumed that about 95% of employment is now in the informal sector, and only 5% of the workforce has formal skill training. India will also need to open up its economy and become a friendlier place for foreign investors, in order to attract capital and technologies. India is now ranked at 142nd out of 189 countries on the World Bank Doing Business list, behind even Yemen, Uzbekistan and Iran, but Modi plans to reach the top 50 within two years. To improve infrastructure, another bottleneck in the economy, massive public spending is planned, including additional \$11.3 billion in next year's budget for investments in highways (industrial corridors), ports, mega power plants, airports and renewable energy projects. More funds are also planned in defence, science and education. Although the BJP government has changed the narrative about India rather than the reality thus far, and many reforms could still stall due to tough domestic opposition, India may be on the brink of a second stage of liberalisation, after the first major reforms in 1991 pushed the country into high growth.

Opportunities for Poland. The sheer size of the Indian market, massive investment plans, and an improving business climate make India one of the most important prospective markets for Polish companies seeking to operate outside the EU. This has already been recognised in Poland, as indicated by a number of high level visits to India. Only

this year, Janusz Piechociński, deputy prime minister and minister for economy, attended the Vibrant Gujarat summit (January), and Marek Sawicki, minister of agriculture, led a business delegation at the Aahar fairs in Delhi in March. In April, a new export promotion programme called GoIndia, modelled on similar programmes GoChina and GoAfrica, will be officially launched. This will provide extra funding for participation in trade fairs, promotion of Polish brands, etc.

Yet much needs to be done, as economic cooperation is still below its potential. Even though trade between Poland and India rose by 15% last year, it has barely crossed the \$2 billion mark. Moreover, Poland imports three times more than it exports to India, and the trade deficit is increasing. There are only a handful of Polish companies present on the Indian market (TZMO, Can-Pack, Bioton and Polmor), and more Indian FDIs are coming to Poland, especially the in BPO/IT sector. As India's attractiveness for foreign investors rises, competition for Polish companies will also become tougher.

The Make in India programme means firms willing to shift part of their production to India will be more successful. The most promising areas of cooperation are traditionally mining, energy and defence, but agriculture, the environment, food-processing, biotechnology and others also have good prospects. The important needs of capacity building present the opportunity for cooperation on skill training and education. The modernisation of Polish cities, thanks to EU funding, gave many companies expertise in urban development that can now be transferred to India in sectors such as water and sewage treatment, transport, housing and sustainable energy. Poland's niche may lie in low cost and easy to use technologies. Finding reliable local partners or setting up a subsidiary in India will remain the best way to increase exports to India.

Poland and India: Going beyond Economy. While economic cooperation is on the rise, the dialogue on political and strategic issues is less advanced. The Indian external minister had planned visit Warsaw in June, but the trip has been postponed, and high level visits to India are complicated by the election calendar in Poland. Modi's tour of Europe shows clearly where he sees India's priorities in the EU. Despite Poland's willingness to upgrade the relationship to a higher level, India questions the substance of a strategic partnership and its added value. Still, the opportunities for cooperation are plentiful.

At the multilateral level, both countries share several interests, ranging from climate change negotiations to countering terrorism and reform of the UN. Warsaw can more openly support India's bid for permanent membership of the UN Security Council, and count on India's vote for Poland as a non-permanent member in 2018–2019. India also expects Poland's support on accession to four nuclear control regimes (the Nuclear Suppliers Group in particular). As the biggest country among new EU Member States, Poland can play a more active role in EU–India cooperation and help to revive stalled FTA negotiations. The proposed V4–India dialogue format could also be a good platform to discuss cooperation between India and Central Europe. In addition, ongoing engagement between the U.S. and India may open the way for exploration of trilateral initiatives, especially in defence, energy or development cooperation.

Bilaterally, participation in Make in India can also have a strategic dimension. Poland, once a supplier of military equipment to India, can now participate in the modernisation of the Indian army, provided it is willing to share technology and engage in joint research and production. It can help India meet its energy demands (through the export of coal, technology for mining, and training). Tourism, education, science, and space exploration are also promising areas in which Poland can become a vital partner. For instance, it is important that Poland is included in the visa on arrival scheme, and further liberalises its own visa regime for Indian students, entrepreneurs and tourists.

Conclusions. India under Modi is likely to emerge as a major player in the multilateral world order. Economic opportunities and international significance call Poland to prioritise relations with India and launch new initiatives. The GoIndia programme comes at the right moment to complement the Make in India campaign and boost economic cooperation. This should be given adequate funding, and followed by new programmes for scientific, technology, education and civil society cooperation. Hungary, which allocates €2 million annually for the Indo–Hungarian Strategic Research Fund and has offered 200 government scholarships to Indian students, is interesting example. It is important to better understand India's needs and aims, and consider jointly where Poland can offer its expertise.

Although the recent initiative is one major step in the right direction, relations must go beyond economy in order to forge a comprehensive partnership. It is important to intensify political, security and defence dialogues, and seek complementarities on multilateral and regional issues (such as nuclear non-proliferation, climate change, and EU–India relations). Poland's open support for India's crucial aims (for example, joining the NSG and the UNSC) would send a positive signal and open the door for closer cooperation in many areas. India's size and complexity require sustained effort by different players, and better coordination of action between ministries, business, local bodies and civil society. The Polish administration can also facilitate cooperation between regions and cities to build multidimensional relationship.