

RISING INDIA, CHANGING ALLIANCES: A LOOK AT NEW FOREIGN TRADE POLICY

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ABSTRACT

The rise of India as a global economic and geopolitical powerhouse in the 21st century has significantly altered the dynamics of international relations. This paper delves into the evolving landscape of Indian foreign policy and its impact on changing alliances in the contemporary world. It explores the key factors and drivers behind India's ascent on the global stage and how its foreign policy priorities have shifted in response to these changes. The paper begins by tracing India's historical foreign policy trajectory and the ideological underpinnings that have shaped its approach to international affairs. It then examines the economic transformation of India and its role as a major player in the global market, highlighting the intersections of economic interests and foreign policy choices. The Foreign Trade Policy(2023) has been thoroughly examined. The paper also delves into India's regional and global diplomatic engagements, emphasizing its commitment to non-alignment and its evolving role as a major player in international politics. The paper concludes by assessing the prospects and potential future directions of India's foreign policy in a rapidly changing world.

Keywords: Alliances, economic transformation, foreign policy, geopolitics, global governance, multilateral organizations, rising India, strategic partnerships.

INTRODUCTION

India's foreign policy is a dynamic and multifaceted aspect of its national governance. Shaped by a combination of historical, geographical, cultural, and geopolitical factors, India's foreign policy has evolved significantly since gaining independence in 1947. This paper aims to provide a comprehensive overview of India's foreign policy, examining its key principles, priorities, challenges, and recent developments.

Historical Context

India's foreign policy has deep historical roots, with ancient trade networks and cultural

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exchanges connecting it to distant lands. However, its modern foreign policy journey began with its emergence from British colonial rule in 1947. India's first Prime Minister, Jawaharlal Nehru, played a pivotal role in shaping the country's foreign policy by advocating for the principles of non-alignment, decolonization, and peaceful coexistence. India's foreign policy is a complex and dynamic framework that guides the nation's interactions with the rest of the world. It is based on several key principles and has evolved significantly since India gained independence in 1947. In this paper, we will explore the key elements of India's foreign policy, its historical development, and its current priorities.

India's foreign policy has undergone significant shifts over the years. In the early years after independence, India pursued a policy of non-alignment, which meant that it did not align with either the Western bloc led by the United States or the Eastern bloc led by the Soviet Union during the Cold War. Non-alignment was a reflection of India's commitment to independence, sovereignty, and its desire to maintain friendly relations with all nations.

Panchsheel Principles

One of the defining moments in India's foreign policy history was the Panchsheel Agreement signed with China on April 29, 1954. These five principles of peaceful coexistence emphasized mutual respect for sovereignty and territorial integrity. However, the Sino-Indian War of 1962 significantly strained relations between the two countries.

Post-Cold War Era

The end of the Cold War in the early 1990s brought about a significant shift in India's foreign policy. India began to liberalize its economy, and its foreign policy also underwent liberalization. The country began to actively engage with the global community and sought to strengthen its economic and strategic ties with countries worldwide.

Economic Diplomacy

Economic diplomacy has become a cornerstone of India's foreign policy. The country seeks foreign direct investment, promotes trade, and actively engages in regional and international economic forums. India is a member of organizations such as the BRICS (Brazil, Russia, India, China, South Africa) and G20, and it actively participates in trade negotiations such as the Regional Comprehensive Economic Partnership (RCEP).

Strategic Partnerships

India has developed strategic partnerships with key countries, such as the United States, Russia, and Israel. These partnerships include defence cooperation, technology transfer, and joint ventures in various sectors. The U.S.-India relationship has seen significant growth in recent years, with both countries cooperating on defence, counterterrorism, and economic issues.

Regional Focus

India places significant importance on its relationships with neighboring countries. South Asian Association for Regional Cooperation (SAARC) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) are regional organizations

through which India aims to promote regional stability and economic cooperation. However, India's relationship with Pakistan has been marked by ongoing tensions and conflicts, particularly in the region of Kashmir.

Foreign Aid and Global Leadership

India has also expanded its foreign aid programs and peacekeeping efforts under the United Nations. It has played a prominent role in issues such as climate change, global health, and counterterrorism. India's foreign policy seeks to position the country as a global leader that contributes positively to global challenges.

Challenges and Future Directions

India's foreign policy faces several challenges, including managing its complex relationship with China, addressing border issues with Pakistan, and navigating the changing global power dynamics. As the world continues to evolve, India is likely to continue adapting its foreign policy to secure its interests and maintain its commitment to a multipolar world order.

After the end of the Second World War, colonies started attaining independence building nations that were either devastated by the war or the years of plunder carried out by the colonial rulers. Amongst all these newly independent nations, some chose the path of constitutional democracy, others were dictatorial or military regimes and some took time to find some sort of stability in governance. India, one of the largest colonies to gain independence, though had to experience civil disturbance and death due to the partition of the Indian sub-continent in 1947, as planned out by its colonial rulers, established one of the most stable democracies built on a constitution that has been safeguarding the rights of its people for the last 75 years and built an independent foreign policy. Looking at the then world order, the primary objectives of Indian foreign policy included safeguarding national security, promoting economic development and its national interests, and projecting India's influence on global issues. Over these 75 years since independence, India has shown significant dynamism in its foreign policy decisions, maintaining its strategic autonomy.

The first phase was from the year 1946 till 1962 which was an era of optimistic non-alignment, where India resisted dilution of its sovereignty, focused on rebuilding its economy, and guided nations in Asia and Africa for a more equitable world order. The second phase from 1962 till 1971 was a decade of realism and recovery, especially from the two wars in 1962 and 1965. India made pragmatic choices on security and political challenges despite a paucity of resources. The third phase was from 1971 till 1991, a period which witnessed greater Indian regional assertion with the creation of Bangladesh. During this period, the emergence of US-China-Pak axis seriously threatened India's prospects and the collapse of the Soviet Union and the economic crisis of 1991 compelled a re-examination of the fundamentals of both its internal and foreign policies.

The fourth phase was from 1991 till 1999, which was the period of India's focus celebrating 50 years of Indian foreign policy and on safeguarding its strategic autonomy. After the collapse of the USSR, India opened up its economy to the world which got reflected in its new diplomatic goals and strategies. During this period, India acquired nuclear weapons and also

fended off Pakistan's military adventurism. The fifth phase was from 2000 till 2013, where India gradually acquired the attributes of a balancing power. During this phase, it was able to forge the nuclear deal with the US, improve relations with the West, strengthen its ties with Russia as well as have a common understanding with China with regard to trade and climate change. The present phase is from 2014 till present which wherein India is engaged in dynamic all-round diplomacy. With a fast-growing China and an unsure US, a global economy that was recovering from the 2008 financial crisis and the fast-growing multi-polar nature of the world, India recognized that it was now entering into a world of issue-based arrangements. Within this phase, India has turned into one of the fastest growing economies of the world, which have expanded India's capacities significantly as a development partner as also responsibilities to contribute to meeting regional and global challenges. India, the world's largest democracy, is poised to become a political and economic pole in an increasingly multipolar world. As a beacon of stability and development, India has held an independent world view.

Key Principles of India's Foreign Policy

1. **Non-Alignment:** Non-alignment remains a cornerstone of India's foreign policy. It involves not aligning with any major power bloc, such as during the Cold War when India maintained a policy of non-alignment between the United States and the Soviet Union. This principle continues to guide India's stance in global politics.
2. **Sovereignty and Independence:** India emphasizes its sovereignty and independence in foreign policy matters, asserting the right to make decisions that serve its national interests without external interference.
3. **Regional Priorities:** India places significant emphasis on its immediate neighbourhood. The "Neighbourhood First" policy seeks to foster peaceful relations with neighbouring countries and enhance regional cooperation.
4. **Economic Diplomacy:** India's foreign policy has increasingly incorporated economic diplomacy, with a focus on trade and investment agreements. The "Act East" policy, for instance, seeks to deepen economic ties with Southeast Asian nations.
5. **Soft Power:** India utilizes its rich cultural heritage, including yoga, Bollywood, and traditional medicine, as tools of soft power to enhance its global image.
6. **Multilateralism:** India actively engages in international organizations such as the United Nations and BRICS (Brazil, Russia, India, China, and South Africa) to address global issues, including climate change, terrorism, and economic development.

Key Priorities and Challenges:

1. **China:** The India-China relationship is complex, marked by economic cooperation and territorial disputes. Managing this relationship remains a key challenge for Indian foreign policy.
2. **Pakistan:** India's relations with Pakistan have been fraught with tension and conflict, especially concerning the disputes in Pak-occupied Kashmir. Terrorism emanating from Pakistan continues to be a significant concern.

3. **Terrorism:** India is a victim of terrorism, with a long history of dealing with cross-border terrorism. Countering terrorism remains a priority, and India seeks international cooperation in this regard.
4. **Economic Engagement:** As India aspires to become a global economic powerhouse, expanding trade relations, attracting foreign investment, and ensuring economic growth are crucial objectives.
5. **Geopolitical Balancing:** In a changing global order, India seeks to balance its relations with major powers like the United States and Russia while maintaining its non-aligned stance.

Recent Developments

1. **Indo-U.S. Relations:** India-U.S. relations have improved significantly over the years, marked by the signing of various strategic agreements and cooperation in defence, technology, and trade.
2. **Indo-Pacific Strategy:** India's "Act East" policy is closely aligned with the Indo-Pacific strategy, aimed at promoting peace, stability, and economic development in the Indo-Pacific region.
3. **Regional Initiatives:** India has taken steps to strengthen ties with regional groupings such as BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) and the Shanghai Cooperation Organization.
4. **COVID-19 Pandemic:** India's response to the COVID-19 pandemic, including the distribution of vaccines to neighboring countries, has enhanced its global standing.

India's Foreign Trade Policy 2023 mentions that it is dynamic and has been kept open-ended to accommodate the emerging needs of the time. The policy had been under discussion for a long time and has been formulated after multiple stakeholder consultations. India's overall exports, including services and merchandise exports, has already crossed US\$ 750 billion and is expected to cross US\$ 760 billion this year.

The government emphasized the remarkable achievement in the overall export figure of crossing US\$ 760 billion in these challenging times across the world and how this has been the result of enthusiasm and encouragement pumped in by the Prime Minister. The government intends that every opportunity for export must be captured and utilised effectively. The key approach to the policy is based on these 4 pillars: (i) Incentive to Remission, (ii) Export promotion through collaboration - Exporters, States, Districts, Indian Missions, (iii) Ease of doing business, reduction in transaction cost and e-initiatives and (iv) Emerging Areas – E-Commerce Developing Districts as Export Hubs and streamlining SCOMET policy.

Foreign Trade Policy (2023) is a policy document which is based on continuity of time-tested schemes facilitating exports as well as a document which is nimble and responsive to the requirements of trade. It is based on principles of 'trust' and 'partnership' with exporters. In the FTP 2015-20, changes were done after the initial release even without announcement of a new FTP responding dynamically to the emerging situations. Hereafter, the revisions of the FTP would be done as and when required. Incorporating feedback from Trade and Industry

would also be continuous to streamline processes and update FTP, from time to time.

The FTP 2023 aims at process re-engineering and automation to facilitate ease of doing business for exporters. It also focuses on emerging areas like dual use high end technology items under SCOMET, facilitating e-commerce export, collaborating with states and districts for export promotion. The new FTP has introduced a one-time Amnesty Scheme for exporters to close the old pending authorizations and start afresh. The FTP 2023 encourages recognition of new towns through “Towns of Export Excellence Scheme” and exporters through “Status Holder Scheme”. The FTP 2023 is facilitating exports by streamlining the popular Advance Authorization and EPCG schemes, and enabling me chanting trade from India.

Process Re-Engineering and Automation

Greater faith is being reposed on exporters through automated IT systems with risk management system for various approvals in the new FTP. The policy emphasizes export promotion and development, moving away from an incentive regime to a regime which is facilitating, based on technology interface and principles of collaboration. Considering the effectiveness of some of the ongoing schemes like Advance Authorisation, EPCG etc. under FTP 2015-20, these would be continued along with substantial process re-engineering and technology enablement for facilitating the exporters. FTP 2023 codifies implementation mechanisms in a paperless, online environment, building on earlier ‘*ease of doing business*’ initiatives. Reduction in fee structures and IT-based schemes will make it easier for MSMEs and others to access export benefits.

Duty exemption schemes for export production will now be implemented through Regional Offices in a rule-based IT system environment, eliminating the need for manual interface. During the FY23-24, all processes under the Advance and EPCG Schemes, including issue, re-validation, and EO extension, will be covered in a phased manner. Cases identified under risk management framework will be scrutinized manually, while majority of the applicants are expected to be covered under the ‘automatic’ route initially.

Towns of Export Excellence

Four new towns, namely Faridabad, Mirzapur, Moradabad, and Varanasi, have been designated as Towns of Export Excellence (TEE) in addition to the existing 39 towns. The TEEs will have priority access to export promotion funds under the MAI scheme and will be able to avail Common Service Provider (CSP) benefits for export fulfilment under the EPCG Scheme. This addition is expected to boost the exports of handlooms, handicrafts, and carpets.

Recognition of Exporters

Exporter firms recognized with ‘status’ based on export performance will now be partners in capacity-building initiatives on a best-endeavour basis. Like the ‘each one teaches one’ initiative, 2-star and above status holders would be encouraged to provide trade-related training based on a model curriculum to interested individuals. This will help India build a skilled manpower pool capable of servicing a \$5 trillion economy before 2030. Status recognition norms have been re-calibrated to enable more exporting firms to achieve 4 and 5-star ratings, leading to better branding opportunities in export markets.

Promoting Eexport from the Districts

The FTP aims at building partnerships with State governments and taking forward the Districts as Export Hubs (DEH) initiative to promote exports at the district level and accelerate the development of grassroots trade ecosystem. Efforts to identify export worthy products & services and resolve concerns at the district level will be made through an institutional mechanism – State Export Promotion Committee and District Export Promotion Committee at the State and District level, respectively. District specific export action plans to be prepared for each district outlining the district specific strategy to promote export of identified products and services.

Streamlining SCOMET Policy

India is placing more emphasis on the “export control” regime as its integration with export control regime countries strengthens. There is a wider outreach and understanding of SCOMET (Special Chemicals, Organisms, Materials, Equipment and Technologies) among stakeholders, and the policy regime is being made more robust to implement international treaties and agreements entered into by India. A robust export control system in India would provide access of dual-use high end goods and technologies to Indian exporters while facilitating exports of controlled items/technologies under SCOMET from India.

Facilitating E-Commerce Exports

E-commerce exports are a promising category that requires distinct policy interventions from traditional offline trade. Various estimates suggest e-commerce export potential in the range of \$200 to \$300 billion by 2030. FTP 2023 outlines the intent and roadmap for establishing e-commerce hubs and related elements such as payment reconciliation, book-keeping, returns policy, and export entitlements. As a starting point, the consignment wise cap on E-Commerce exports through courier has been raised from Rs. 5 Lakh to Rs. 10 Lakh in the FTP 2023. Depending on the feedback of exporters, this cap will be further revised or eventually removed. Integration of Courier and Postal exports with ICEGATE will enable exporters to claim benefits under FTP. The comprehensive e-commerce policy addressing the export/import ecosystem would be elaborated soon, based on the recommendations of the working committee on e-commerce exports and inter-ministerial deliberations. Extensive outreach and training activities will be taken up to build capacity of artisans, weavers, garment manufacturers, gems and jewellery designers to on-board them on E-Commerce platforms and facilitate higher exports.

Facilitation under Export Promotion of Capital Goods (EPCG) Scheme

The EPCG Scheme, which allows import of capital goods at zero customs duty for export production, is being further rationalized. Some key changes being added are:

- Prime Minister Mega Integrated Textile Region and Apparel Parks (PM MITRA) scheme has been added as an additional scheme eligible to claim benefits under CSP (Common Service Provider) Scheme of Export Promotion capital Goods Scheme(EPCG).
- Dairy sector to be exempted from maintaining average export obligation to support dairy sector to upgrade the technology.

- Battery Electric Vehicles (BEV) of all types, Vertical Farming equipment, Wastewater Treatment and Recycling, Rainwater harvesting system and Rainwater Filters, and Green Hydrogen are added to Green Technology products – will now be eligible for reduced export obligation requirement under EPCG Scheme.

Facilitation under Advance Authorization Scheme

Advance authorisation Scheme accessed by DTA units provides duty-free import of raw materials for manufacturing export items and is placed at a similar footing to EOU and SEZ Scheme. However, the DTA unit has the flexibility to work both for domestic as well as export production. Based on interactions with industry and Export Promotion councils, certain facilitation provisions have been added in the present FTP such as:

- Special Advance Authorisation Scheme extended to export of Apparel and Clothing sector under para 4.07 of HBP on self-declaration basis to facilitate prompt execution of export orders. Norms would be fixed within fixed timeframe.
- Benefits of Self-Ratification Scheme for fixation of Input-Output Norms extended to 2 star and above status holders in addition to Authorised Economic Operators at present.

Merchandise Trade

To develop India into a merchandise trade hub, the FTP 2023 has introduced provisions for merchandise trade. Merchandise trade of restricted and prohibited items under export policy would now be possible. Merchandise trade involves shipment of goods from one foreign country to another foreign country without touching Indian ports, involving an Indian intermediary. This will be subject to compliance with RBI guidelines and won't be applicable for goods/items classified in the CITES and SCOMET list. In course of time, this will allow Indian entrepreneurs to convert certain places like GIFT city etc. into major Merchandise hubs as seen in places like Dubai, Singapore and Hong Kong.

Amnesty Scheme

Finally, the government is strongly committed to reducing litigation and fostering trust-based relationships to help alleviate the issues faced by exporters. In line with “*Vivaad se Vishwaas*” initiative, which sought to settle tax disputes amicably, the government is introducing a special one-time Amnesty Scheme under the FTP 2023 to address default on Export Obligations. This scheme is intended to provide relief to exporters who have been unable to meet their obligations under EPCG and Advance Authorizations, and who are burdened by high duty and interest costs associated with pending cases. All pending cases of the default in meeting Export Obligation (EO) of authorizations mentioned can be regularized on payment of all customs duties that were exempted in proportion to unfulfilled Export Obligation. The interest payable is capped at 100% of these exempted duties under this scheme. However, no interest is payable on the portion of Additional Customs Duty and Special Additional Customs Duty and this is likely to provide relief to exporters as interest burden will come down substantially. It is hoped that this amnesty will give these exporters a fresh start and an opportunity to come into compliance.

Marking its 75th year of Independence, India, the world's largest democracy, is poised to become a political and economic pole. As a beacon of stability and development, India

has held an independent world view and maintained its strategic autonomy in foreign policy making since independence. In these 75 years, India has consistently contributed, in no small measure, to shaping the international order. It has been a force for good and a voice of reason. Celebration of ‘Azadi ka Amrit Mahotsav’, reflects on the evolution of Indian foreign policy in the backdrop of the evolving global geo-political and geo-economics environment. Guided by traditional values and principles, India participates actively in various platforms, be it multilateral or bilateral structures, and is a voice of the developing and the vulnerable. India continues to shape the global discourse on critical issues like global warming, climate change, sustainable development, global trade, counterterrorism, pluralistic and inclusive global order that is based on the foundation of normative architecture. In recent years, as a first, India has sought to sponsor global initiatives like 135-member International Solar Alliance, Coalition of Disaster Resilient Infrastructure, Green Grids, etc. While the present-day world is faced with strife and conflicts, India as a rising power and major economy remains confident in building dynamic and constructive relations with all nations and global players, alike.

The foreign policy dynamics of a rising India are marked by a complex interplay of factors. As India continues to emerge as a significant global player, its foreign policy choices are evolving to meet the challenges and opportunities of the 21st century. This analysis has highlighted several key points:

- 1. Balancing Act:** India’s foreign policy is characterized by a delicate balancing act between traditional alliances and new partnerships. While maintaining strong ties with historical allies like the United States and Russia, India is also actively pursuing closer relationships with nations in its immediate neighbourhood and beyond, such as Japan and Australia.
- 2. Economic Diplomacy:** Economic considerations are playing an increasingly central role in India’s foreign policy. Trade and investment partnerships with various countries are driving many of India’s diplomatic initiatives. These economic ties are not only beneficial for India’s development but also contribute to its strategic leverage on the global stage.
- 3. Regional Focus:** India’s “Act East” and “Neighbourhood First” policies are indicative of its emphasis on regional cooperation and stability. By strengthening ties with its neighbouring countries, India aims to foster a peaceful and prosperous South Asian region, which is vital for its own growth and stability.
- 4. Multilateral Engagement:** India’s commitment to multilateral forums like the United Nations and BRICS reflects its aspirations for a greater global role. It seeks to reform these institutions to better represent the interests of emerging economies and make them more effective in addressing contemporary challenges.
- 5. Security Concerns:** Security issues, including border disputes and counterterrorism efforts, continue to be integral to India’s foreign policy. Managing these concerns with neighbouring countries and global partners is essential for India’s national security and stability.
- 6. Soft Power:** India’s cultural influence, through Bollywood, yoga, and its diaspora, also plays a role in shaping its foreign policy. Soft power has been leveraged to enhance India’s image and build relationships with other nations.

Considering these dynamics, India's foreign policy landscape is continually evolving. The nation's rise on the global stage brings both opportunities and challenges, requiring a pragmatic and adaptable approach. India's leaders must remain agile in navigating the shifting sands of international relations, always mindful of their country's strategic interests and values.

As the world watches the trajectory of rising India and its changing alliances, it is clear that the nation's foreign policy choices will have a profound impact not only on its own future but on the broader global order. In a world marked by uncertainty and complexity, India's foreign policy is a compelling case study of a rising power's quest for its place in the sun.

CONCLUSION

India's foreign policy in a dynamic and adaptive framework has evolved with the changing global landscape. Its commitment to non-alignment, regional engagement, economic diplomacy, and soft power has allowed India to carve a unique space in international politics. Challenges such as border disputes and regional conflicts persist, but India's foreign policy continues to adapt to address these issues while pursuing its vision of becoming a global leader. India's foreign policy has come a long way since independence. It has evolved from non-alignment to active global engagement with an emphasis on economic diplomacy, strategic partnerships, and regional cooperation. As the world undergoes further transformations, India's foreign policy will continue to adapt to meet the nation's evolving needs and global responsibilities. India's foreign policy is a complex and dynamic field that plays a crucial role in shaping the country's relationships with other nations and its standing on the global stage. Over the years, India has pursued a policy of non-alignment, seeking to balance its relationships with various global powers while promoting its own national interests. However, in recent times, there has been a noticeable shift towards a more assertive and pragmatic foreign policy, as India aims to secure its place as a major global player.

The country's foreign policy objectives encompass economic growth, national security, diplomatic influence, and regional stability. As India continues to grow economically and militarily, its foreign policy will evolve to reflect these changing realities. It will be imperative for Indian policymakers to strike a delicate balance between building stronger ties with traditional allies and forging new partnerships to ensure long-term security and prosperity. In the coming years, India must remain adaptable and open to diplomatic dialogue, especially in regions with historical conflicts such as South Asia. Furthermore, enhancing soft power through cultural diplomacy and strengthening international institutions will be crucial for India's role in shaping global governance. Overall, India's foreign policy landscape is evolving, and it will be fascinating to observe how it adapts to the rapidly changing global order. With its rich history, diverse culture, and growing influence, India is poised to be a key player in shaping the course of international relations in the 21st century.