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INDO-GERMAN RELATIONS

ACHIEVEMENTS & CHALLENGES IN THE 21ST CENTURY



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INTRODUCTION

The history of Indo–German relations is marked by decades of friendship and cooperation. After the Second World War, India was the first country to officially end the state of war with the still young Federal Republic of Germany (FRG), and among the first nations to recognize the newly formed state. Diplomatic relations were taken up as early as 1951, but as Cold War politics unfolded and swept around the globe, ideological differences prevented the two countries from deepening and extending their relations and cooperation beyond trade, cultural exchange, and development assistance. While Germany sought rapid integration into NATO and deepened its relations with the West, thereby becoming the frontline state between the United States and the Soviet Union in the heart of Europe; India chose to embark on its own path and Non-Alignment became the first directive of Nehru's foreign policy.

Additionally, the issue of diplomatic relations between India and the German Democratic Republic led to sharp controversies, which ended only after Germany abandoned the Hallstein-doctrine¹. India finally recognized the second German state, and set up diplomatic relations with the GDR in 1972. But despite the politics of Cold War strategies, relations in some sectors have improved and deepened over time. The German commitment within the field of

development cooperation proved to be an especially invaluable factor for producing close ties between India and Germany that were complemented by an active cultural exchange, untroubled by historical or colonial legacies. However, for a long time the economic dimension of relations played a subordinate role and cooperation with regard to security policy did not exist at all. Until the 1990s, the FRG's political interests in India remained low and the relations could best be characterized as a policy of 'benign neglect'².

With the end of the Cold War and the collapse of the Soviet Union, world politics changed dramatically. India not only lost its largest and most significant trading partner, but also its most influential supporter and ally with regard to foreign policy. For India, it became necessary to revise its foreign policy and to think about the role it wanted to play in a post-Cold War world.

The reforms of 1991 that included the liberalization of the economy, reduction of bureaucratic controls, and the opening of domestic markets, set the foundation for India's future success in a globalizing, multi-polar world. The Indian government realized that globalization was necessary to achieve and sustain economic growth and that great powers had to be sufficiently wealthy in order to act as a magnet of influence³. Relations between India and Germany began to expand and

¹ According to the Hallstein-doctrine, the recognition of the German Democratic Republic by a third state was seen as an *acte peu amical* upon which the FRG would end diplomatic relations with the respective country. This policy was abolished in 1969 in the course of the new *Ostpolitik*, established under Chancellor Brandt.

² Cp. Dietmar Rothermund, *Indien. Kultur, Geschichte, Politik, Wirtschaft, Umwelt, Ein Handbuch* [India. Culture, History, Politics, Economy, Environment: A handbook] (Munich: C.H.Beck, 1995), 474.

³ Cp. Walter Andersen, "Recent Trends in Indian Foreign Policy", *Asian Survey* 41, no. 5 (2001): 765–776.

changed rapidly in the last decade of the 20th century, as did India's position in the new world order. German foreign policy realized the new potential of India and the 'Agenda for German-Indian Partnership in the 21st Century' finally created a formal framework for the future relations between the two countries.

I A STRATEGIC PARTNERSHIP? BILATERAL RELATIONS SINCE 2000

The framework for bilateral relations between Germany and India has been delineated in the *Agenda for German-Indian Partnership in the 21st Century*⁴, which was adopted by the foreign ministers of the two countries in May 2000. This agreement was meant to give a structure to the deepening relations between the two nations that unfolded in the last decade of the 20th century. While focusing on economic, cultural, and scientific cooperation, the agenda also stipulated new fields of cooperation to address global challenges and work towards the mutual fulfilment of each other's interests. The ten-point agreement became the origin and point of reference of all future agreements between India and Germany.

In order to assess the merits and achievements in Indo-German relations over the past years, one should first look at the expectations and goals which were originally formulated by the agreement of 2000, and the following joint declarations between India and Germany in 2006 and 2007.

The first point on the agenda dealt with the improvement of bilateral political relations between the two countries by expanding meetings and dialogue between officials of both nations. The governments concluded that the exchange of visits between high-

level officials was crucial to maintain and deepen the good relationship between India and Germany. Meetings of foreign ministers on an annual basis were stipulated, and beyond that, consultations between officials at various levels were sought to be extended. Also, both governments wanted to encourage dialogue between non-governmental actors of the two countries.

Surprisingly, the second point on the agenda did not relate to economic and trade relations, but dealt with issues of security policy and disarmament. By giving high priority to this subject, a first clear step in shifting the focus of relations towards a deeper strategic partnership was made. Both governments declared their commitment to worldwide disarmament and to non-proliferation, but recognized that there existed different opinions on how to achieve these goals. Consultations on this matter should address nuclear non-proliferation and disarmament concerns more often to achieve convergence between the different positions of both countries. India and Germany stipulated to engage in confidence-building and conflict prevention and include research institutes from both sides in the dialogue on security and strategy cooperation.

With regard to economic relations, both sides declared their commitment to further deepen and strengthen the economic ties between India and Germany by opening markets, simplifying procedures, and overcoming judicial and administrative barriers of bilateral trade. Closely linked to expectations of profitable cooperation in the high technology, IT, and biotechnology sector is the realization that relations in the field of science and research have to be strengthened and deepened. Science, research and technology cooperation is the centrepiece of Indo-German relations that will shape future relations between the two countries. Thus, the exchange of academics and students from both countries was given high

⁴ A pdf-version of the agenda is available at <http://www.auswaertiges-amt.de/diplo/de/Laenderinformationen/Indien/Links/000518-AgendaStrategischePartnerschaft.pdf>. Unfortunately, there is no English version available.

priority and they both pledged to support and fund respective programs.

Points five to eight of the agreement dealt with cultural relations, the expansion of air traffic, and environmental and media policies. Both governments have agreed to deepen and expand relations and to work towards a broader and more comprehensive coverage of each other in their respective national media, as well as to cooperate on issues of environmental protection.

The significance of the last two points on the agenda, which are as important as the preceding ones, will become evident in the years to come. Both governments expressed their commitment to work together on reforming the United Nations system and showed their readiness to take on responsibility as permanent members of a restructured UN Security Council. Both governments also wanted to coordinate their policies with regard to UN agreements dealing with organized crime and terrorism, as well as work more closely together to counter these threats.

Even though the *Agenda for German-Indian Partnership in the 21st Century* remained somewhat vague about concrete measures to deepen relations, it was nevertheless a clear sign towards giving a structure and strategic dimension to the relations between India and Germany. The agenda was complemented by two joint statements of 2006⁵ and 2007⁶ with the former issued on the occasion of the Indian Prime Minister's visit to Germany and the latter, during a visit of the Federal Chancellor to India. While the overall essence of these statements remained the same, namely to further strengthen, deepen, and promote Indo-German relations in multiple fields, greater importance was attributed to the

strategic dimension of bilateral relations, with the focus shifting to some extent to matters of defence and security cooperation. Shared values, principles, and visions were identified as the main source of the long-lasting and amiable relations between the two countries, particularly so in the 2007 statement. Both governments share the belief that a "stronger partnership between India and Germany, two major democracies in Asia and Europe, enhances global cooperation and security"⁷.

But what has actually changed? What are the advancements in Indo-German relations? What have been the achievements since the adoption of the *Agenda for German-Indian Partnership in the 21st Century* besides more deliberate and promising rhetoric?

II ECONOMIC RELATIONS

In 2006, the Indo-German Chamber of Commerce (IGCC) celebrated its 50th anniversary. The fact that it has developed into the "largest foreign chamber of business in India, and by far the largest German bi-national chamber worldwide"⁸, underlines the enormous surge in bilateral trade as well as economic and business cooperation. The same year, India was the partner country of the *Hannover Fair*, the world's largest and most important technology fair, which "also signific[d] the strengthening of India's economic relations with the European Union and especially with Germany"⁹. On the occasion of the opening of the fair, Indian Prime Minister Manmohan Singh and German Federal Chancellor Angela Merkel concluded in their joint statement, that the goal of

⁷ Ibid.

⁸ Shammi Pande, "Why Germany is interested in India", *Rediff News*, 10 February 2006. Available at <http://www.rediff.com/money/2006/feb/10spec.htm>

⁹ "India invited to be partner country at Hannover Fair", *The Hindu*, 04 November 2005. Available at <http://www.hindu.com/2005/11/04/stories/2005110406721800.htm>.

⁵ Joint Statement 2006. Available at <http://meaindia.nic.in/declarestatement/2006/04/23js01.htm>.

⁶ Joint Statement 2007. Available at <http://meaindia.nic.in/pressrelease/2007/10/30js01.htm>.

doubling the trade volume¹⁰ until the end of the decade would probably be reached much earlier. One year later, during the visit of Chancellor Merkel to India in 2007, it was apparent that doubling the trade volume had already been accomplished in 2006. Therefore, a new ambitious goal was set: India and Germany agreed to work towards doubling their bilateral trade to 20 billion Euros until 2012. They are likely to achieve that goal.

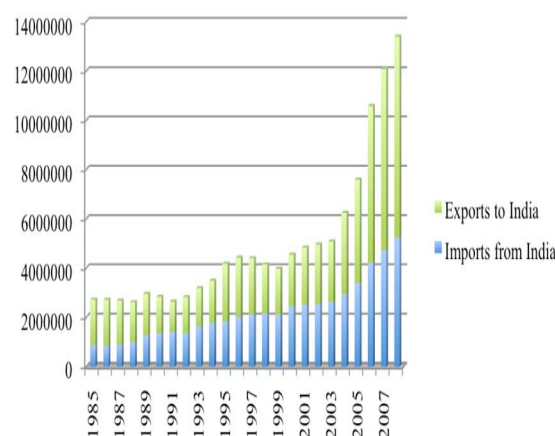
A closer look at the bilateral trade statistics (see table 1) reveals that the trade volume remained on a comparatively low level until the early 1990s. Due to India's protectionist economic policy and the system of mixed economy, economic relations between Germany and India remained far below their potential, although the economic dimension had always been a key element of bilateral relations. After the reforms of 1991 in India took effect, there occurred a clear and substantial rise in its trade volume, but still, Germany looked further east and had many more interests in expanding trade with the 'Asian Tigers'¹¹. Nevertheless, bilateral trade between India and Germany continued to expand, being disrupted only for two years in 1998 and 1999 due to the sanctions imposed on India after its nuclear tests. Starting from 2003, the trade volume has increased impressively. Growth rates have been in the double digits since trade is prospering and flourishing, and it looks like economic relations between the two have become by far more dynamic after years of stagnation. With the envisaged goal of

¹⁰ In 2004, former Federal Chancellor Gerhard Schröder paid an official visit to newly-elected Indian Prime Minister Manmohan Singh and, relying on economic experts, said that "it is realistic to double [bilateral trade] within the next five, six, seven years" (See <http://www.dw-world.de/dw/article/0,1564,1350771,00.html>).

¹¹ Cp. Christian Wagner, "Indien [India]", in *Handbuch zur Deutschen Außenpolitik* [Handbook on German Foreign Policy], ed. Siegmund Schmidt, Gunther Hellmann, and Reinhardt Wolf (Wiesbaden: VS. Verlag für Sozialwissenschaften, 2007), 576.

doubling trade to 10 billion Euros by 2010 already having been achieved in 2006, the new goal to again double trade to 20 billion Euros by 2012 may seem ambitious, but is realistic. By the end of 2008, trade had reached 13.4 billion Euros and despite the economic and financial crisis that was ravaging markets all over the world, a growth rate of 11 per cent could be retained.

Table 1
Annual trade volume between India and Germany, 1985–2008 (in thousand Euros)



A second development in bilateral trade relations between India and Germany is that while it took many years for India to reach a trade balance with Germany, the last years ushered in an asymmetric growth. While overall trade was expanding massively, India lagged behind and so the trade balance heavily shifted in favour of Germany. In 2000, Germany had a trade balance deficit towards India amounting to nearly 400 million Euros, whereas in 2008, there was a balance surplus of 2.9 billion Euros. India only ranks 27th among German trade partners¹², and while this position has improved slightly over the past years there is still a large

¹² See list of most important German trade partners in 2008, published by the German Statistical Office: <http://www.destatis.de/jetspeed/portal/cms/Sites/destatis/Internet/DE/Content/Statistiken/Aussenhandel/Handelspartner/Tabellen/Content100/RangfolgeHandelspartner.property=file.pdf>.

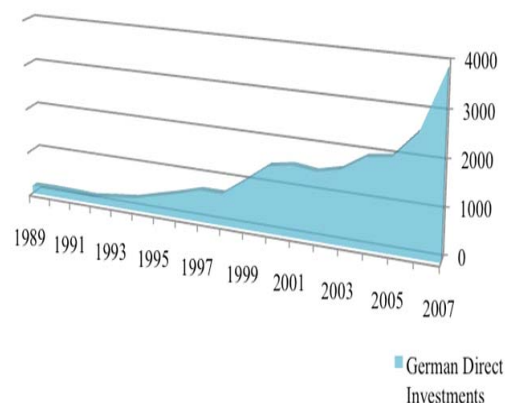
discrepancy compared to Germany's 6th place amongst Indian trade partners.

Within the field of foreign direct investments, developments show, that there has been a massive boost in German investments in India since 2005 (see table 2). This might be due to the fact that Germany was starting to lag behind other countries regarding investments in India.¹³ Nevertheless, German companies have long realized the potential of investing in India and since 1991 approximately 2700 German-Indian joint ventures have been founded¹⁴. However, Indian direct investments in Germany are still at a very low level, not only compared to German investments in India, but also Indian investments in other European countries. Yet, especially with the so-called *neue Bundesländer* (the former east German states), Germany is becoming more attractive to Indian companies, as they provide excellent and modern infrastructure, a highly educated and motivated workforce, and lucrative subsidies by the government¹⁵. Several treaties and agreements, for example, avoiding double taxation, secure investments, and an agreement on social security, further strengthened the economic and business ties between India and Germany and reduced possible obstructions to investments from both sides.

The deepening of relations and cooperation within the field of science and technology, including the extent of academic exchange by Indian and German universities, provides for future opportunities to facilitate trade and further

business cooperation especially in the fields of new and high technologies. Cooperation in Science and Research have always been a centrepiece of Indo-German relations, especially the work of the German political foundations in India such as the Konrad

Table 2
German Direct Investments in India, 1989–2007 (in million Euros)



Adenauer and Friedrich Ebert Foundations, which aim at facilitating the exchange of knowledge and fostering cooperation. Academic institutions like the Max Planck Society and the German Research Foundation are expanding their work in India and in 2007 both governments enacted the establishment of the German-Indian Center of Science, Research and Technology¹⁶, which will provide joint research projects of Indian and German scholars with funds from both governments.

Regarding German ODA flows into India, no real changes in policies are visible during the last years, even though the amounts of ODA seem to be declining in recent years. India is still the single-largest recipient of German ODA which basically focuses on the fields of infrastructure, energy efficiency, renewable energies,

¹³ Cp. Christian Wagner, "Die deutsch-indischen Beziehungen" [German-Indian relations], *Asienhaus Rundbrief*, no. 4, 2006. Available at <http://www.asienhaus.de/public/archiv/wagner-deutschland-indien.pdf>.

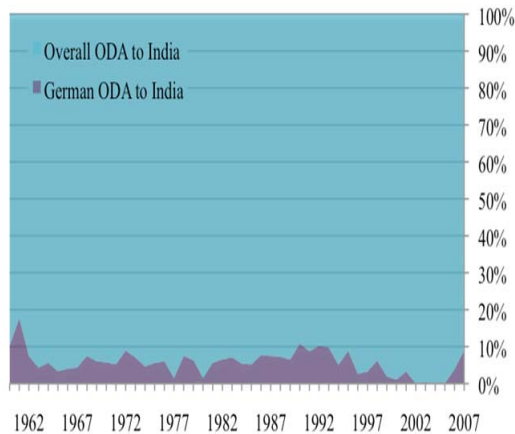
¹⁴ Cp. <http://www.auswaertiges-amt.de/diplo/de/Laenderinformationen/Indien/Bilateral.html#t3>.

¹⁵ Cp. Indo-German Chamber of Commerce, http://indien.ahk.de/fileadmin/user_upload/Dokumente/news_and_info/indian_investments_abroad_08.pdf.

¹⁶ For an encompassing overview on Indo-German cooperation in the field of science and technology, refer to the Federal Ministry of Education and Research's section on interdisciplinary cooperation with India at <http://www.bmbf.de/en/1524.php>.

and vocational training. India, while no longer classified explicitly as a developing country, still accepts ODA, but only from a small number of countries. The Government of India coordinates the projects on which it is spent, and the fact that India itself is providing ODA to developing countries reflects this. Nonetheless, German funds remain to be of significant value for India. In this field, the work of the GTZ (German Technical Cooperation) and the KfW, being present in India for decades, is invaluable for development cooperation.

Table 3
German ODA-flows to India as percentage of overall ODA to India, 1960–2007



III MILITARY, DEFENCE, AND SECURITY COOPERATION

Soon after the adoption of the *Agenda for German-Indian Partnership in the 21st Century*, a strategic dialogue between the countries was initiated in 2001. Even before the events of 9/11 shook the world, India and Germany were aware of the security threats that emanate from terrorism. Largely unnoticed by the public, this cooperation happened on a military-

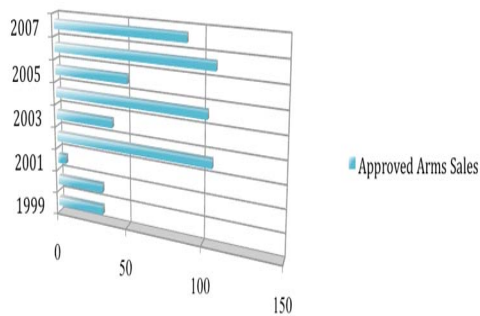
to-military basis. But while the fight against terrorism became one of the main focus areas in the foreign policy of Germany and nearly all European states after 9/11, the impact on security cooperation between India and Germany remained low. Even though military cooperation and security issues should have been a key dimension of the envisaged strategic partnership between India and Germany, not much happened in the years between 2000 and 2006. One exception might be the fact that both governments took the same stance with regard to the war in Iraq. The Indian government appreciated Germany's uncompromising stance not to send any troops to Iraq, while at some times German engagements in Afghanistan were seen critically¹⁷.

Regarding German arms sales to India, the picture that can be drawn appears to be rather inconclusive. The financial volume of approved exports of arms to India is highly volatile, but it seems that the overall trend is slightly rising (see table 4). Being constant in 1999 and 2000 and suffering a sharp decline in 2001, sales rose considerably in 2002 and reached similar high values in 2004 and 2006. The main exports since 1999 have been parts for the construction of ships and submarines for the Indian Navy, as well as technology for the respective fire control systems, sonar- and navigation systems. Parts for planes, helicopters, tanks, and other military vehicles and their respective operating systems directly follow the naval-related supplies¹⁸.

¹⁷ Christian Wagner "Indien in der Deutschen Außenpolitik" [India in German Foreign Policy], SWP-Study, 2005, p.19. Available at http://www.swp-berlin.org/common/get_document.php?asset_id=2341.

¹⁸ For more details about the specific components sold to India refer to the annual reports on arms sales, provided by Federal Ministry of Economics and Technology at <http://www.bmwi.de/BMWi/Navigation/Aussenwirtschaft/aussenwirtschaftsrecht,did=193598.html>.

Table 4
Volume of Approved German Arms Sales to India, 1999–2007 (in million Euros)



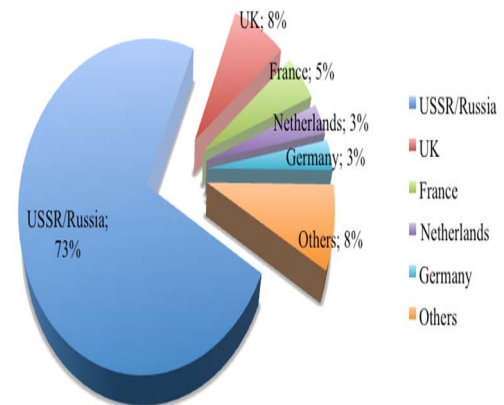
Germany is the fifth-largest exporter of arms to India, while India usually occupies between the 10th and 20th rank on the list of German arms recipients. But by far the largest trading partner in arms sales is and was Russia, providing for nearly $\frac{3}{4}$ of Indian arms imports (see table 5). Major military acquisitions from Germany included four Type-209 submarines, diesel engines for submarines and tanks, as well as a large number of Do-228 aircrafts. But while arms sales should be an essential part of military and strategic cooperation, Germany, since 2001, lost two major bids for large contracts with the Indian military¹⁹.

A new momentum in Indo-German military and strategic relations was achieved in 2006, when Federal Defence Minister Dr. Franz Josef Jung and his Indian counterpart Pranab Mukherjee, signed a new defence and security agreement between the two countries. After economic and political relations expanded considerably in the preceding years, the agreement now envisaged a deeper cooperation regarding security and defence issues, including the exchange and training of military personnel, a deepened cooperation with regard to the development of joint defence productions, a more deliberated technology transfer,

¹⁹ First, a bid on a deal for submarines was lost to France and later, a large deal for helicopters with the Eurocopter consortium, in which Germany holds large shares, was cancelled.

and the sale of German hi-tech equipment to India. The agreement also established the Indo-German High Defence Committee

Table 5
Major Suppliers of Arms to India, 1985–2008²⁰



(HDC) that convenes once a year, to discuss possible fields of cooperation between the two countries in the security and military sector. During its first meeting, in 2007, representatives agreed to an increased exchange in the fields of peacekeeping operations and disaster management amongst other issues discussed. The overdue change in military and strategic relations between India and Germany aims at broadening India's base of military suppliers and to transform relations from a mere buyer-seller agreement towards co-production, joint developments and technology transfers²¹. The new agreement on defence cooperation gave a tremendous boost to the military and strategic ties between India and Germany. Besides the annual meetings of the HDC, the ministers of defence met annually to foster and deepen

²⁰ This figure is based on the Trend Indicator Values (TIV), provided by the SIPRI database on arms transfers. Available at

http://www.sipri.org/contents/armstrad/at_db.html.

²¹ Amit Baruah, "India, Germany to hold strategic dialogue", *The Hindu*, 8 September 2006.

<http://www.thehindu.com/2006/09/08/stories/2006090809811300.htm>.

cooperation. In 2007, during Federal Chancellor Merkel's visit to India, an agreement on mutual protection of classified material was reached, thus enhancing cooperation in the intelligence sector. Especially with regard to both countries' fight against terrorism, the cooperation between their intelligence services is of great importance. On the level of military cooperation, India saw the visits of three German armed services chiefs in only two years. In the latter part of 2006 the German Navy Chief, in 2007 the German Air Chief, and in 2008 the German Army Chief visited India, meeting with high-level officers from the Indian armed forces. Meetings and cooperation in the fields of defence and security underline that Germany increasingly realizes how important India is as a source for regional stability and peace. In 2008 the first joint naval exercise between India and Germany took place off the coast of Kochi. The German naval task force participated with over 700 men in the three-day manoeuvre. The Federal German Ship F220 Hamburg, an air-defence ship, the frigate F211Köln, and the replenishment tanker FGS Berlin cooperated and trained successfully with the INS Tir and INS Krishna from the Indian Navy. This exercise is an important step towards future cooperation in joint or international naval operations²².

The security and defence dialogue between India and Germany intensified drastically in the aftermath of the Mumbai attacks in 2008. Only days after terrorists committed a massacre in Mumbai, Federal Foreign Minister Frank-Walter Steinmeier visited India for the first time. Besides the planned agenda for his meetings with Indian officials, he directly offered India help and support from German agencies in

²² Cp. http://www.marine.de/portal/a/marine/kcxml/04_Sj9SPykssy0xPLMnMz0vM0Y_QjzKLNzKO9zYLBcIB2SH6kXDRoJRUFw99X4_83FT9AP2C3IhyR0dFRQAz_uaJ/delta/base64xml/L2dJQSEvUUt3QS80SVVFLzZfMjNfUVIx?yw_contentURL=%2F01DB070000000001%2FW27DP9DX719INFODE%2Fcontent.jsp (in German language only).

investigating the crime and for future counterterrorism measures. When Federal Minister of the Interior Wolfgang Schäuble visited India in December 2008, he offered to send German intelligence officers to India²³ to help security forces in combating terrorism. In January 2009, Jörg Ziercke, Chief Commissioner of the Federal Criminal Police of Germany (BKA), visited India to discuss further exchange of information on terrorist activities and offer a new programme for the training of Indian police officers in Germany²⁴. Finally, a week later, Olaf Lindner, the chief of the German counterterrorism force GSG-9, was to visit Delhi as part of an agreement after the Mumbai attacks, that stipulated the GSG-9's help and support in training and upgrading the Indian NSG force²⁵. Years ago the NSG had been set up with the help of Germany and was thought to closely resemble the German GSG 9.

Regarding the transfer of technologies and arms, not much progress has been made. Besides sophisticated electronic equipment for ships and submarines and new surveillance technology, bilateral cooperation in military equipment and joint defence productions has not seen any significant improvement. However, Germany participated in the 2009 AERO India and presented the Eurofighter to the audience. As India wants to procure 126 Multi-Role Medium Range Combat Aircrafts (MMRCAs), Germany hopes to win the bid for the construction with the Eurofighter that is produced by EADS, a European consortium. This would be a great boost for military and defence ties between India and Germany, as only some of the fighter jets would be produced in Europe and the others would be built in India, according to

²³ Cp. <http://www2.dw-world.de/southasia/germany/1.234720.1.html>.

²⁴ Cp. http://www.dw-world.de/dw/function/0.,12356_cid_3968339,00.html?mac=de-rss-de-all-1119-rdf (in German language only).

²⁵ Cp. "Elite German police wing to train NSG", *Express India*, 20 December 2008. Available at <http://www.expressindia.com/latest-news/Elite-German-police-wing-to-train-NSG/400650/>.

Indian specifications. The transfer of technology within this project would be immense, as the Eurofighter is one of the most sophisticated and technically advanced aircrafts currently available²⁶.

Not directly linked to defence and security cooperation is the joint effort of the two countries to reform the United Nations system, more precisely, the initiative to reform the Security Council as stipulated by the G4. While the initiative for a reformed UNSC was beginning to gain support in the early 1990s with Germany and Japan advocating their admittance as permanent members of that central United Nations body; India's and Brazil's claims came up later, but still intensified the debate. After the Cold War had ended, the world faced a new order and the structure of the United Nations Security Council basically resembled the post-WWII power structure. In order to have greater leverage and exercise more influence, four countries decided to combine their efforts and thus constituted the G4. While Brazil argued that it was the largest country in size, population and economic power in South America, India was the world's second largest country in terms of population and the third largest contributor of troops to UN missions, while Germany and Japan based their claims on the fact that they were not only two of the largest economies of the world, but also the largest donors (after the US) to the UN²⁷. While the respective G4 representatives to the UN are working quite independently from their governments, official statements by Indian or German politicians always include the G4 initiative as a field of cooperation between the two nations that represents a broader joint effort to reform the UN as a whole and to put forward and engage more deliberately in multilateral initiatives

²⁶ Cp.

<http://www.luftwaffe.de/portal/a/luftwaffe/aktu/vera/2009/aero> (in German language only).

²⁷ Cp. Jonas von Freisleben, "Reform of the Security Council", *Global Policy Forum*, April 2008. Available at <http://www.globalpolicy.org/security/reform/2008/032008reform.pdf>.

and institutions. Even though the UNSC reform process gets constantly stalled by counterproposals from various sides (for example the Uniting for Consensus Group and the African Group), Federal Foreign Minister Steinmeier has repeatedly said that India and Germany "need to continue [their] close cooperation within the framework of the G4"²⁸. While not being able to create consensus amongst the UN member states on a resolution to reform the SC in 2005 and with Japan more or less dropping out of the G4 efforts in 2006, the issue remains unresolved, yet pressing. The General Assembly started new negotiations on reforms in April 2009 and it has to be seen whether a compromise can be reached. So far it is clear, that any new permanent members to the SC would have to abandon their veto rights in order to get the support of the current permanent members.

IV CONCLUSION: PROSPECTS AND CHALLENGES OF FUTURE RELATIONS

The relations between the Federal Republic of Germany and the Republic of India have undergone a substantial change within the last decade. Cold War politics, as well as the lack of development in India caused German governments to treat the world's largest democracy with indifference for many years. Even though the governments of both countries were able to avoid major diplomatic frictions, for instance, regarding India's relations with the GDR, relations remained on a very low profile and did not extend beyond development aid and cultural exchange. India on the other hand, was not very dependent on extensive relations with Germany, as the former Soviet Union dominated Indian bilateral relations to a

²⁸ Indrani Bagchi, "India, Germany are strategic partners: Walter Steinmeier", Interview with the Federal Foreign Minister, published by *The Times of India*, 20 November 2008. Available at http://timesofindia.indiatimes.com/India/India_Germany_are_strategic_partners_Walter_Steinmeier/rss/articleshow/3734785.cms.

large extent. As the world changed in the early 1990s, India reacted promptly and adapted well to the new situation, whereas Germany did not realize the opportunities vested in trade, science and technology and defence cooperation with India, and instead concentrated on the People's Republic of China.

Germany's interest in India grew towards the end of the century and the *Agenda for German-Indian Partnership in the 21st Century* finally formalized their expanding relations. Ever since, relations seem to be constantly extending, with a deepening cooperation, growing bilateral trade and more well-connected markets. From a German perspective, India has transformed from a developing nation to a great economic and political power, thus adding a new important player to the international scene. Recent efforts to strengthen military cooperation and to deepen relations in the field of defence and security have added another component to the bilateral relations between India and Germany, enriching the partnership between the two with a real strategic dimension. Towards the end of the first decade of the 21st century it seems as if Indo-German relations are finally on track and mutual cooperation in numerous fields is creating potential for the further deepening of relations.

Bilateral trade relations have seen an impressive surge due to which reaching a 20 billion trade volume by 2012 seems realistic, although its achievement will be dependent on the overall developments in the world financial markets. Achieving a growth of 11 per cent in 2008 despite the economic crisis is a good sign, but 2009 will probably show how much the economic downturn will affect bilateral trade between India and Germany. Apart from that it is necessary to work towards a more even trade balance to sustain mutual benefits, as the German surplus has grown immensely in recent years.

Regarding direct investments, Germany has made substantial progress in investing in

India, but still lags behind many other countries. Indian investments in Germany are still very low and there is probably not much potential for a real change in that, as investing in Germany is quite expensive and other European countries provide more and better opportunities. There is a real potential for business cooperation in the fields of IT and other high technologies, as Indian and German know-how could mutually reinforce each other. Carried and supported by growing efforts of cooperation in the science and technology sector, ties between scholars, professionals, and companies could provide for an innovative base of future relations. However, the lack of infrastructure in India and complicated bureaucratic procedures still hinder economic and business cooperation, even though this problem had already been realized and addressed in 2000.

Overall, within the economic sphere, developments have been encouraging and the prospects for extending cooperation and trade are promising. There exists an asymmetry between the importance of one another regarding trade and investments that will probably not vanish, but more efforts to make these relations beneficial for both sides should be made.

The strategic dimension of relations, which was missing until 2006, has been developing steadily, but is still on a very low level and mostly goes unnoticed by the public. Of course one has to be aware that there are probably not too many fields and subjects in which defence and military relations could be strengthened. However, especially after the Mumbai attacks, great efforts have been made to support Indian counterterrorism measures. With the German counterterrorism police force GSG9, sophisticated technology and cooperation between their respective intelligence services, this is a plausible area for greater engagement and cooperation. Additionally, the first joint naval exercise between India and Germany could probably pave the way for joint missions and efforts to counter piracy. With regard

to future missions in which German and Indian forces will be working together, increased dialogue between high-ranking officers from the armed forces of both countries will help build a strong foundation for successful cooperation in this area.

Regarding arms sales, future prospects are not too bright from my point of view. Although German technology and cutting-edge weapon systems are highly sophisticated, there occur two major constraints. On the one hand the existence of very restrictive regulations concerning the export of weapons from Germany naturally limit the overall trade in arms, and on the other, hi-tech weapon systems from Germany are, simply speaking, very expensive. It is much more attractive and probably economically reasonable to buy arms and weapon systems from other countries, where India can get them cheaper. How much India is willing to spend on cutting-edge weapon systems will be seen when a decision concerning the acquisition of 126 MMRCAs has been made, as the Eurofighter Typhoon is probably the most expensive of the 6 contenders. But if the deal should go to the EADS consortium, that would mean an enormous boost for cooperation in the military sector.

The prospects for future cooperation in the sphere of the United Nations and other international institutions are to some extent ambiguous. It is questionable how long the cooperation within the G4 framework can continue, as Germany at some point in time clearly has to make a decision, whether it wants to support a European seat in the UN Security Council or whether it wants to continue to pursue the goal of getting a seat on its own. But even if cooperation within the G4 does not continue, Germany will continue to be a supporter of a permanent seat for India. Regardless of the UN reform efforts there is much space to deepen and coordinate cooperation and policies with regard to international agreements and international organizations. Germany should foster the exchange of experiences regarding UN

missions and could learn from India's long experience of providing troops for these missions. Even if Germany remains apprehensive about sending its own troops abroad, cooperation regarding the training and equipment of Indian soldiers could provide a fair share of the costs that come with international missions under the UN mandate (this directly points towards the trend that blue helmet soldiers are far too often provided by countries that generally lack the financial resources to properly equip these troops).

A very sensitive field of relations between India and Germany has emerged after the conclusion of India's nuclear deal with the US. In the end, the Nuclear Suppliers Group's decision to lift the ban on trading civil nuclear technology with India was strongly supported by Germany, which chaired the NSG during the time. But before it was clear that the nuclear deal would be realized, Germany remained astonishingly silent with regard to Indian demands to lift sanctions. Germany did not openly support the Indian case until the last minute, which shows that German politicians were well aware of the controversies that came with the deal internationally. It probably also wanted to prevent the issue from becoming too prominent within the German media, as all nuclear-related issues in Germany are very sensitive and often spark huge controversies within the public and also between political parties. Having a governing grand coalition of two parties, of which one, the CDU, could be described as cautiously pro-nuclear, and the other, the SPD, as anti-nuclear by trend (having opted for the complete pullout of nuclear energy while being in the former government together with the Green Party), the question of whether to support the Indian case or not could very well have led to a severe crisis within the coalition. Now Germany is willing to sell know-how and technology to India, but that might also be subject to Germany's domestic politics. The topic did not attract much attention in the German public and media and the government argued that its decision to favour and support the Indian cause would

eventually lead India closer to the NPT. But with the upcoming elections and a growing discussion about a reversal of the pullout of nuclear energy in Germany, the topic might become more controversial again and a coalition government including the Green Party of Germany, which is strictly anti-nuclear, might cause serious difficulties.

Concluding, it is obvious, that relations between India and Germany have substantially improved and deepened in nearly all fields. What had once been a policy of 'benign neglect' turned into vital and vibrant partnership, especially the constant and frequent exchanges at the ministerial level and between heads of governments, clearly signalling India's growing importance for Germany. But I would reject Bernd Mützelberger's opinion that "Germany and India are natural partners"²⁹. This partnership has grown out of economic realities and necessities and while it is mutually beneficial for both countries and strong ties seem to be reasonable, the fact that India and Germany share common democratic norms and values is probably not sufficient to constitute a natural partnership. Germany needs India much more than the latter needs Germany. For an export-oriented nation like Germany, an economic and civilian power, it is necessary and reasonable to have good relations with the world's largest democracy, which also happens to be one of the world's most promising emerging economies.

Besides the official rhetoric, the developments in the last nine years show that Germany has finally realized India's importance, economically as well as politically, and the impressive achievements in the last few years testify to that. However, the full potential of relations has not been exploited yet, which will help open up excellent opportunities for the

future. But one downer still remains: the political relations between India and Germany may well be amiable, yet the visits and rhetoric can not take away from the fact that as yet a clear vision of how to make use of these relations and overcome the sometimes empty rhetoric of statements and agreements does not exist. With two simultaneously emerging Asian giants, Germany should take a decisive step in choosing to politically endorse India as a new world power, even if the relations with China seem to be of greater importance at the moment. The political relations between India and Germany need to be filled with ideas and clear commitments. It is time that the much heralded shared values and norms and both countries' unflinching commitment to democracy become more than just words and start to play a pivotal role in political relations, from which common policies and ideas can emanate.

²⁹ Bernd Mützelberger is Ambassador of the Federal Republic of Germany in India. He made this statement during an interview with Ramandar Sengupta in 2006. Available at <http://in.rediff.com/news/2006/apr/19inter2.htm>.