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*A Report of the CSIS Project on Prosperity and Development*

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# Private-Sector Development in India's Foreign Policy

John Schaus[1]

The election of Narendra Modi as prime minister of India in 2014 kindled foreign interest in the prospects of a revitalized and rapidly growing Indian economy. Against a dominant view of India as a developing economy and its potential as a destination for significant investment opportunities, there is a parallel story, which may be as significant for India's emergence on the world stage as an economic power. Over the past 15 years, India's private sector has been gradually looking beyond India's borders to invest in companies and projects around the world. Increasingly, India is becoming a large source of foreign direct investment in both the developed and the developing world. As global competition for resources increases, having a clear understanding of India's approach to foreign investment—whether purely commercial, driven by government-directed national interests, or some third option—will be important in providing U.S. policymakers a clear understanding of India's actions, for identifying opportunities for U.S.-India cooperation, and where the United States may seek to learn from or influence India's efforts.

This paper examines India's foreign investment efforts over the past 15 years, including those supported by development assistance, with a particular focus on whether—and if so, how—government policies and practices have spurred specific private-sector investment in targeted countries. Additionally, it examines how India's development assistance to Kenya has impacted India's political, economic, security, or cultural leverage within Kenya.

## India's Role in the Global Economy

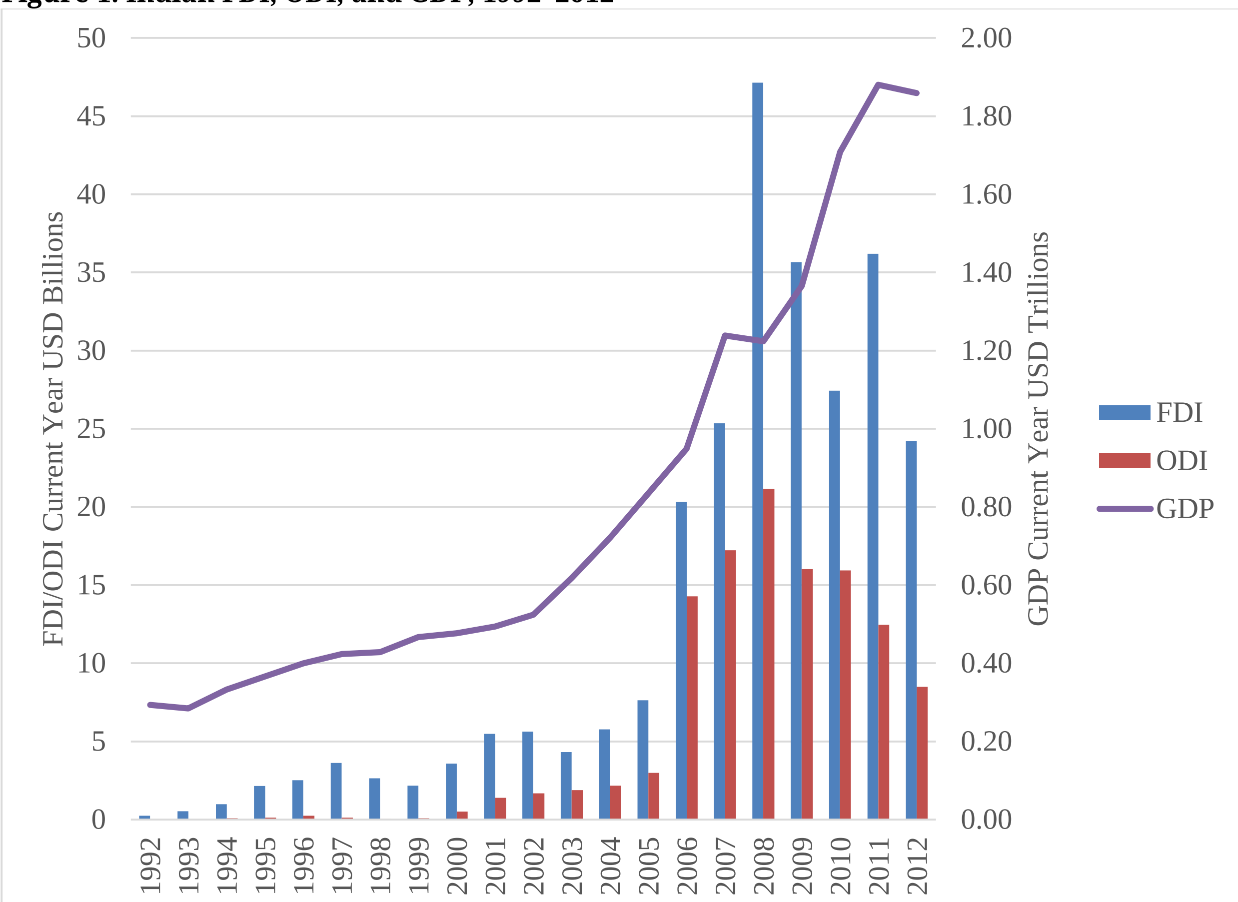
Over the past decade, India's economy has grown at an annual rate of 7.5 percent, resulting in an economy that is 93 percent larger in 2013–2014 than it was in 2004–2005. That same time period has seen Indian firms take leading positions in several global sectors, including Tata Motors acquiring automaker Jaguar-Volvo in 2008. India's economic growth has occurred in tandem with liberalization of India's policy on both foreign direct investment within India, and on Indian foreign direct investment in foreign countries.

Since 1992, India's policy on outbound foreign direct investment (called ODI in India to differentiate it from inbound foreign direct investment, FDI) has gone through several evolutions.[2] Growth in India's ODI, along with its FDI and GDP, from 1992 to 2012 is

[1] John Schaus is a fellow in the International Security Program at CSIS.
[2] Shri H. R. Khan, deputy governor of the Reserve Bank of India (address at Bombay Chamber of Commerce & Industry, Mumbai, March 2, 2012).

presented in Figure 1.[3] Prior to 1992, India allowed only a minimal level of overseas investment. Beginning in 1992, India opened the door to overseas investment, but under tight controls, in terms of both the application process and the authorized level. There was a ceiling of $2 million, along with the requirement to repatriate any dividends to India. The policy was liberalized in 1995, creating a "fast track" window for outflows below $4 million, with intended ODI outlays subject to a more stringent government review that included considerations of overall balance-of-payment concerns.

**Figure 1: Indian FDI, ODI, and GDP, 1992–2012**




The regulation of ODI began to change rapidly in 2002, when the investment ceiling was raised to $100 million. It was eliminated altogether in 2003, subject to restrictions on investments based on percent of net assets. The limitations on net assets began at 100 percent of net assets in 2003 and have since been gradually increased to 400 percent of net assets, except where the investments are made entirely from foreign accounts of the investor, or when the investment is in the energy or natural resource sectors.

[3] Data drawn from the United Nations Conference on Trade and Development (UNCTAD) Division on Investment and Enterprise, "Inward and outward foreign direct investment flows, annual, 1970–2013," UNCTADstat, December 2014, http://unctad.org/en/Pages/Statistics.aspx; and World Bank, "The World at a Glance: GDP (current US$)," World Development Indicators, December 16, 2014, http://data.worldbank.org.

Official figures of overseas investment released by the Reserve Bank of India provide, at best, a topline picture of India's ODI and FDI flows. The Reserve Bank's data includes only initial foreign destination of funds, not the final destination. Many Indian firms conduct ODI through intermediary countries, most often Mauritius, Singapore, and the Netherlands. The practice is largely attributed to a combination of advantages in capital gains tax; the comparative ease of raising capital from foreign markets; and utilizing existing special purpose vehicles (SPVs) established to raise funds from the international financial market.

## India's Development Assistance

A provider of development assistance since the 1940s, according to the Asia Foundation, India's development assistance has grown sevenfold between 2000 and 2015.[4] Unlike many other countries providing development assistance, India does not have a specific budget account or line item in the central government's budget that identifies development assistance money. Rather, development assistance is provided through a range of ministries, including the Ministry of External Affairs, the Ministry of Finance, and even the Ministry of Power in the case of hydroelectric projects in Bhutan.

In addition, India does not follow a consistent definition when developing plans for or providing development assistance to projects abroad. For example, the Indian Oil and Natural Gas Company (ONGC) invested $10 million in Nigeria to build a railroad. Under the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) definition of development assistance, the spinoff benefits of this effort would qualify as development assistance. However, these benefits are not captured in Indian figures.[5]

India did not have a central office responsible for development assistance until 2012, when it established the Development Partner Administration Division within the Ministry of External Affairs, headed by individuals roughly the equivalent of deputy assistant secretaries in the U.S. government executive branch. To date, the office has not provided a policy document identifying priorities for India's development assistance, nor does it control the development assistance budget overall. Instead, the division is subdivided into three units: unit one, with responsibility for lines of credit and for grants in East, South, and West Africa, and grant assistance to Bangladesh and Sri Lanka Housing; unit two, which is responsible for administering the Indian Technical and Economic Cooperation (ITEC) program, and grant assistance in Southeast Asia, Central Asia, West Asia, and Latin America, and for humanitarian assistance and disaster relief support; and unit three, which is responsible for grant assistance in Afghanistan, the Maldives, Myanmar, Nepal, and Sri Lanka.

[4] Rani D. Mullen, "5 Predictions for India's Development Cooperation under New Government," *In Asia*, May 28, 2014, http://asiafoundation.org/in-asia/2014/05/28/5-predictions-for-indias-development-cooperation-under-new-government/.
[5] Subhash Agrawal, "Emerging Donors in International Development Assistance: The India Case," International Development Research Center, December 2007, http://web.idrc.ca/uploads/user-S/12441474461Case_of_India.pdf.

Without a single statement of government policy regarding development assistance, analysts have inferred India's priorities regarding development. India utilizes development assistance to further specific Indian foreign policy objectives, specifically to[6]:

- Open up new markets for Indian companies;
- Guarantee energy security;
- Strengthen India's negotiating position in international forums;
- Further diversify the country's alliance and partner structure; and
- Strengthen regional security, suppress separationist movements and terrorist activities in South Asia, and thereby also guarantee the security of the nation itself.

From these we can see that India's development goals do not exactly align with the OECD DAC definition of development aid as "administered with the promotion of the economic development and welfare of developing countries as its main objective; and b) is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent)."[7] Instead, Indian development goals are based on mutual benefit under India's concept of South-South cooperation. As a result, much of India's interaction with other countries more closely resembles trade promotion than it does OECD DAC-style development assistance.

Beginning in 2003, India established a policy of not accepting foreign assistance that was "tied," in which the assistance carried with it requirements to use the funding to secure goods or services from firms in the donor country. Several scholars have noted that despite being unwilling to accept tied assistance, India regularly utilizes tied aid to advance both national and commercial interests in foreign countries.[8]

## India's Foreign Trade Policy

Lines of Credit blur the line between what is development assistance and what is trade or trade promotion. In practice, India is less interested in the definition of the assistance it provides than the outcomes that support achieves. India's 2009–2014 foreign trade policy offers the following statement on the use of policy to promote India's trade and exchange with emerging markets in Asia, Latin America, Africa, Oceania, and the Commonwealth of Independent States (CIS) countries:

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[6] Matthias Jobelius, "New Powers for Global Change? Challenges for the International Development Cooperation: The Case of India," Friedrich Ebert Stiftung, March 2007, http://library.fes.de/pdf-files/iez/global/04718.pdf.
[7] Organization for Economic Cooperation and Development (OECD), "Official development assistance—definition and coverage," http://www.oecd.org/dac/stats/officialdevelopmentassistancedefinitionandcoverage.htm#Definition.
[8] Rani Mullen estimated that 70 percent of Indian assistance is tied to the purchase of Indian goods and services. Mullen, "5 Predictions for India's Development Cooperation under New Government."

> It is important to take an initiative to diversify our export markets and offset the inherent disadvantage for our exporters in emerging markets of Africa, Latin America, Oceania and CIS countries such as credit risks, higher trade costs, etc., through appropriate policy instruments.[9]

In addition to the overall direction, the foreign trade policy highlights the continued priority on the Look East Policy, and on India's efforts to expand trade under the then-recently concluded trade agreement with the Mercosur (Southern Common Market) countries.

As discussed in the previous section, India's development assistance is frequently tied to requirements for "buy India" provisions that ultimately benefit Indian firms—either through purchases of goods or services made in India or by providing Indian firms market access abroad. India's foreign trade policy is focused on enhancing India's position in South Asia and on sub-Saharan Africa, and as a somewhat lower priority, enhancing India's position in Southeast Asia.

Focusing on India's trade with Africa, there has been sizable growth in the India-Africa trade relationship since 2000. In that year, total trade between India and Africa totaled $4.4 billion. By 2013, two-way trade had grown to $72 billion. India's exports to Africa totaled $24 billion in 2011–2012. Approximately $304 million in lines of credit administered by the Export-Import Bank of India were issued for use in Africa in 2004–2005 (32 percent of the total for that year), growing to 53 percent in 2011–2012, for an estimated $4.3 billion. The commercial focus for India in Africa has been consistent over the past decade. During the period 2005–2012, Africa has received more than 50 percent of the total lines of credit issued by India.[10]

In addition to the direct support in the form of lines of credit, the Indian government has partnered with Indian civil society—the Confederation of Indian Industry—to host an annual Conclave on India-Africa Project Partnership since 2005. The conclave is roughly a country-to-country trade show. Senior leadership from several African countries' governments attended, as well as senior figures from the government of India. The organizers highlight that the value of business-to-business commercial opportunities discussed have grown from $6 billion in 2005 to $85 billion in 2014.[11] While no data exists on how many of the commercial opportunities discussed were realized, the scale of the conference with over 500 attendees from 45 African countries, and the growing value of the deals discussed provides a snapshot of the growing interest in India-Africa trade.

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[9] Indian Ministry of Commerce and Industry, *Foreign Trade Policy of India: 27th August 2009–31st March 2014* (New Delhi: Indian Department of Commerce, August 2009), vii, http://dgft.gov.in/exim/2000/policy/ftp-plcontent0910.pdf.

[10] Persis Taraporevala and Rani Mullen, "India-Africa Brief," Indian Development Cooperation Research (IDCR), August 5, 2013, http://idcr.cprindia.org/blog/india-africa-brief.

[11] Confederation of Indian Industry (CII) and Export-Import Bank of India, "10th CII-Exim Bank Conclave on India-Africa Project Partnership: Report: Key Assertions & Recommendations," http://www.ciiafricaconclave.com/NewUsefulLinks.aspx.

## Case Study: Kenya

While Kenya-India ties date back several centuries, to a time when Indian traders traveled the east coast of Africa, their ties in the modern era are more closely connected through common history as parts of the British Empire and as Commonwealth countries. Kenya is home to an Indian diaspora community of approximately 100,000 people, who largely trace their family arrivals to Kenya as labor imported to work on the construction or operation of the Uganda Railroad at the end of the nineteenth century.

Kenya, a country of approximately 45 million people, is the largest economy in the East African Community and a major transit point for goods and resources to reach international market from land-locked countries Uganda, Rwanda, and possibly South Sudan in the future. Kenya's role as a transportation hub has grown in importance since oil and gas reserves were discovered in Uganda, and since South Sudan's independence from Sudan.

Kenya's GDP was estimated at $55.24 billion in 2013, or $1,245 per capita. In 2013, it received official development assistance (ODA) totaling $3.2 billion,[12] or approximately 5.7 percent of GDP. The ODA Kenya received is tallied only from OECD countries, or organizations that provide specific ODA reporting information.

India's assistance to Kenya is in the form of loans, credit, and in-kind assistance. Several examples of Indian lines of credit to Kenya include: a $61 million line of credit from the Exim Bank of India to Kenya for the power sector in 2010; an unspecified amount was provided to Kenya in 2009 as part of India's "Pan African e-Network Project" that seeks to provide Internet access across the African continent; and in 2011, India offered $8 million in support to countries in the Horn of Africa impacted by famine and drought, with the funds administered through the World Food Programme.[13]

The relatively low level of development assistance from India to Kenya is mitigated by a robust and growing trade relationship. Total trade between India and Kenya in 2012–2013 was $3.87 billion, with $3.77 billion of that being Indian exports to Kenya. The relative sizes of the economies, combined with a value disparity between the export goods, largely accounts for the trade imbalance.

Table 1 summarizes Indian ODI in, and exports to, Kenya since 2001. Clearly evident in the data is the rapid expansion of Indian trade with Kenya, with a compound annual growth rate of 29 percent. Kenya's exports to India, however, have grown significantly slower, with a compound annual growth rate of slightly more than 12 percent. This data suggests that India's development policy—at least in Kenya—is consistent with its overall policy of promoting development through trade rather than through development assistance. The

[12] World Bank Development Indicators, http://data.worldbank.org/indicator/DT.ODA.ALLD.CD.
[13] Indian Ministry of External Affairs, "India-Kenya Relations," July 2013, http://www.mea.gov.in/Portal/ForeignRelation/India-Kenya_Relations.pdf.

relative rates of change also indicatively corroborate India's policy priorities of promoting its own industry and exports through its overseas trade efforts.

**Table 1: Indian Overseas Direct Investment in, and Exports to, Kenya**[14]

| | ODI to Kenya (US$, Millions) | Indian Exports to Kenya (US$, Millions) | Imports from Kenya | ODI Change, Year on Year | Export change, Year on Year | Import Change, Year on Year |
|---|---|---|---|---|---|---|
| FY2002 | 0.41 | 156.01 | 31.94 | n/a | n/a | n/a |
| FY2003 | 0.68 | 203.59 | 33.55 | 40% | 23% | 5% |
| FY2004 | 0.02 | 229.48 | 41.93 | -3,300% | 11% | 20% |
| FY2005 | 0.19 | 426.64 | 46.73 | 89% | 46% | 10% |
| FY2006 | 0.47 | 576.54 | 48.52 | 60% | 26% | 4% |
| FY2007 | 0.2 | 1,309.22 | 56.46 | -135% | 56% | 14% |
| FY2008 | 133.74 | 1,584.63 | 86.64 | 100% | 17% | 35% |
| FY2009 | 0.9 | 1,362.10 | 82.17 | -14,760% | -16% | -5% |
| FY2010 | 0.54 | 1,452.00 | 78.93 | -67% | 6% | -4% |
| FY2011 | 0.61 | 2,182.01 | 123.98 | 11% | 33% | 36% |
| FY2012 | 1.8 | 2,277.46 | 113.39 | 66% | 4% | -9% |
| FY2013 | n/a | 3,770.34 | 105.95 | n/a | 40% | -7% |
| FY2014 | n/a | 3,882.15 | 126.63 | n/a | 3% | 16% |

From 2002 to 2012, the reported data for Indian ODI to Kenya averaged roughly $12 million per year with a median value of $540,000. This discrepancy is the result of the surge reported in 2008, reflecting a $133 million investment.[15] The 2008 number is more likely indicative of the true scale of Indian ODI to Kenya, though it is possible even that figure undervalues the full magnitude of ODI activity.

Underreporting seems likely because Indian firms route the vast majority of overseas investment through international finance centers, seeking out favorable tax or regulatory climates. One of the largest hubs for this activity is Mauritius, accounting for 16 percent of total Indian ODI during the period 2004–2012. In monetary terms, this was $19 billion from a total of $119 billion.[16] Other popular intermediary destinations include Singapore, the Netherlands, and the United Kingdom.

The anomalous 2008 ODI data was the result of Interlabels Industries, an Indian firm, entering into a joint venture with Rodwell Press, a Kenyan firm, without the standard use of an international financial center as intermediary. The joint venture was valued at $120

[14] ODI data drawn from Export-Import Bank of India, *Outward Direct Investment from India: Trends, Objectives and Policy Perspectives*, Occasional Paper No. 165 (Mumbai: Export-Import Bank of India, May 2014), 103, http://www.eximbankindia.in/sites/default/files/Full%20OP/ODI%20OP.pdf. Trade data drawn from Indian Ministry of Commerce & Industry, "Export Import Databank, Version 7.2," http://commerce.nic.in/eidb/default.asp.
[15] UNCTAD Division on Investment and Enterprise, "Inward and outward foreign direct investment flows, annual, 1970–2013."
[16] Export-Import Bank of India, *Outward Direct Investment from India*.

million and appeared in the Reserve Bank of India's (RBI) January 2008 ODI report.[17] The argument that the 2008 data is a more accurate representation of Indian ODI in Kenya is further supported by an analysis of highly publicized acquisitions by Indian corporations of firms with substantial African assets. For example, in 2010 the Indian telecommunications firm Bharti Airtel acquired all African operations of Zain, a Kuwaiti firm, for $10.7 billion. While this deal was an Indian firm investing in Africa, it is recorded in the RBI database as $5.4 billion to Bharti's Netherlands subsidiary and $5.4 billion to Bharti's Singapore subsidiary.[18]

This fiscal data make it difficult to track Indian investments to nearly any final destination country, including Kenya. A recent World Trade Organization (WTO) report on the issue concludes with this finding, providing an estimate of cumulative Indian ODI to Africa of over $35 billion.[19] Given these data points, it seems safe to assume that Indian investments in Kenya more closely resemble values in the millions of dollars per annum rather than the thousands of dollars per annum reported in UNCTAD data.

India's reported spike in investment in 2008 coincided with the first ever India-Africa Forum Summit, held in the spring of 2008 in Delhi, which included numerous heads of state, and sought to promote trade between India and countries within Africa. In the opening address to the forum, the then-prime minister, Manmohan Singh, highlighted what amounts to a development agenda led by the private sector, and indicated the government of India's primary vehicle for promoting that agenda: "Our cooperation must actively co-opt trade and industry in the processes of growth and development in Africa. Over the last few years, India has acquired considerable experience in undertaking projects in different countries in Africa through extension of concessional lines of credit by the EXIM Bank of India." Additionally, he announced that India would provide preferential market access to 34 African countries on 94 percent of India's tariff lines, essentially opening the door for broader trade access to India as an export market.[20] Much of India's preferential trade standings, including the Duty Free Tariff Preference for Least Developed Countries (DFTPI-LDC), are not available to Kenya because of its relatively high GDP. Despite this, India's trade with Kenya has grown at a compound annual growth rate of 29 percent per year for over a decade.

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[17] Data compiled from multiple entries on the RBI website. See Reserve Bank of India, "Data on Overseas Investment," http://www.rbi.org.in/scripts/Data_Overseas_Investment.aspx.
[18] Ibid.
[19] World Trade Organization (WTO) and Confederation of Indian Industry (CII), *India-Africa: South-South Trade and Investment for Development* (Geneva: WTO, 2013), 49, http://www.wto.org/english/tratop_e/devel_e/a4t_e/global_review13prog_e/india_africa_report.pdf.
[20] Manmohan Singh, Address to the first India-Africa Forum Summit, April 8, 2008, http://pib.nic.in/newsite/erelease.aspx?relid=37177.

## Commerce as a Foreign Policy Lever: National Interests beyond Trade

In addition to expanding trade for Indian firms abroad, and for access by Indian consumers to competitive goods, India uses its foreign trade and assistance as a tool to achieve other ends. The first, and most candid, is Indian Technical and Economic Training (ITEC) and its sister program the Special Commonwealth Assistance for Africa Program (SCAAP), and related programs. Under these programs, and SCAAP in particular, India provides course slots and scholarships for citizens of African countries to attend India-based training for civil servants and civil society. Peter Kragelund describes the calculus India uses to allocate the assistance this way:

> India provides [to] all African countries that maintain diplomatic relations with it a certain amount of SCAAP units that may be converted into aid. . . . The number of units allocated to each recipient varies according to the economic and political importance of the country for India. Hence, economically unimportant countries with a small or no Indian minority receive only a few units, while economically important countries with a large Indian population receive 50 units each.[21]

The ITEC/SCAAP program serves as a soft way to introduce foreigners to India and is an effort to build a global cadre of pro-India personnel throughout governments and countries around the world. Much like with the International Military Education and Training curricula run by the United States, it is difficult to draw a direct connection between course attendance and future policy outcomes.

In addition to efforts such as ITEC to build a corps of pro-India personnel around the world, there is growing consensus among observers that India is willing to utilize its foreign policy to secure developing countries' support for India as a global leader. This includes both India assuming the role of de facto spokesperson for developing countries and securing support from countries for India's bid to assume a permanent seat on the United Nations Security Council.

## Assessing the Benefits to India

Considering the above factors, we can attempt to develop a picture of the benefits to India's objectives in diplomatic, economic, security, and development of its private-sector support to Kenya, at local, national, regional, and global levels. This section examines benefits to India and various levels considering each policy area.

[21] Peter Kragelund, "The Return of Non-DAC Donors to Africa: New Prospects for African Development?," *Development Policy Review*, 2008, 26 (5):555–84.

## Development Benefits

India's development objectives in Kenya seem limited. Without any formal development assistance to Kenya, India limits its noncommercial interaction with Kenya to making available training and education to Kenyan officials through the ITEC/SCAAP programs. Through the "soft" development mechanism of SCAAP, India derives the benefits of a robust network of contacts in foreign governments.

> [B]y providing training bureaucrats and technocrats from many developing countries, India created a couple of generations of policy makers and policy influencers who have been trained in India and have had positive views of India. This in turn has helped India forge even closer ties with the countries. For example, India since the 1950s, has annually provided scholarships for students from Kenya to study in India as well as about 50 ITEC-funded training for bureaucrats.[22]

The number of scholarships available to Kenya increased from 50 to 100 in 2012–2013, further enhancing India's opportunity to connect with Kenyan officials and expand its network within Kenya.[23] This network within Kenya should provide India with an advantage, if not of access, at least of familiarity, with officials as they rise through positions of increasing responsibility and particularly as India pursues regional or global policy objectives. These areas would likely include Indian interests in trade and investment not only with Kenya, but with other countries in the East African Community whose goods would transship through Kenya.

## Economic Benefits

As discussed through much of this paper, India's primary avenue for development engagement with other countries is through trade, either direct commercial transactions, or through government-enhanced opportunities. In the case of Kenya, these are supported, nearly universally, through lines of credit administered by the Exim Bank of India.

India's benefits from its trade relationship with Kenya are clear, with bilateral trade rising at a compound annual growth rate of 29 percent from 2002 to 2014, shown earlier in Table 1. While the specific data on government policies remains opaque, the existing data does permit a reasonable inference that India's emphasis on Africa generally has contributed to the growing trade relations—and the benefits to India of access to Kenya as a market. Figure 2, from the Indian Development Cooperation Research, shows the growth in the use of lines of credit by India, both globally and specifically to Africa, where the value of lines of credit to Africa rose from $305 million in 2004 to $4.33 billion in 2012.

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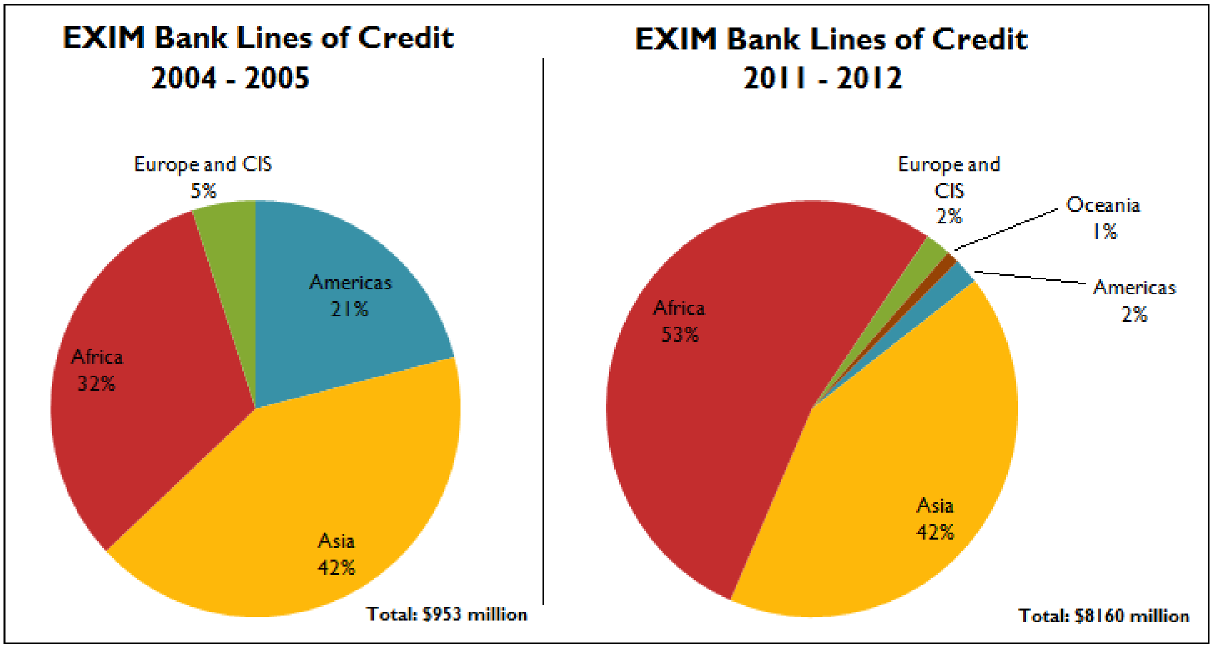
[22] Rani D. Mullen, "India's Development Assistance: Will It Change the Global Development Finance Paradigm?" (paper prepared for workshop on Innovation in Governance of Development Finance, New York University School of Law, April 8–9, 2013), http://www.iilj.org/newsandevents/documents/mullen.pdf. Citing the High Commission of India in Nairobi's 2012 Statement.

[23] High Commission of India [Nairobi, Kenya], "India-Kenya Relations," January 2014, http://www.hcinairobi.co.ke/india-kenya-overview.

**Figure 2: Export Import Bank Lines of Credit, 2004–2005 and 2011–2012**[24]




## Security

India does not derive significant hard security benefit from its private-sector development initiatives in Kenya. India's leading security concerns in East Africa are the risks of piracy and pirate basing from ungoverned areas within Somalia, and the possibility of terrorist training or basing in East Africa. However, as India does not have military bases, and only limited military exchange with the Kenyan armed forces, there is little specific benefit for India to realize. Similarly, India has not significantly utilized its private-sector development agenda to influence relations between Kenya and Pakistan or Kenya and China.

## Diplomacy

The diplomatic benefits of India's private-sector development efforts are global. Long the driving force of the nonaligned movement, India has begun to shape a different role for itself in the international community. India's efforts include mounting a sustained campaign for a seat on an as-yet-to-be-expanded UN Security Council, creating a larger role for itself in multilateral diplomatic forums, and enhancing India's influence in international financial institutions, as occurred in 2010 when the World Bank offered expanded

[24] Charts adapted from Taraporevala and Mullen, "India-Africa Brief." Preliminary Calculations by the Indian Development Cooperation Research Group at the Centre for Policy Research based on Export-Import Bank of India Annual Report 2003–04, 27, http://www.eximbankindia.in/sites/default/files/anr2004.pdf; and Export-Import Bank of India Annual Report 2011–12, 49, http://www.eximbankindia.in/sites/default/files/anr-12.pdf.

shareholder roles for several countries, with India becoming the seventh-largest shareholder—and thus voting member—of the Bank.[25]

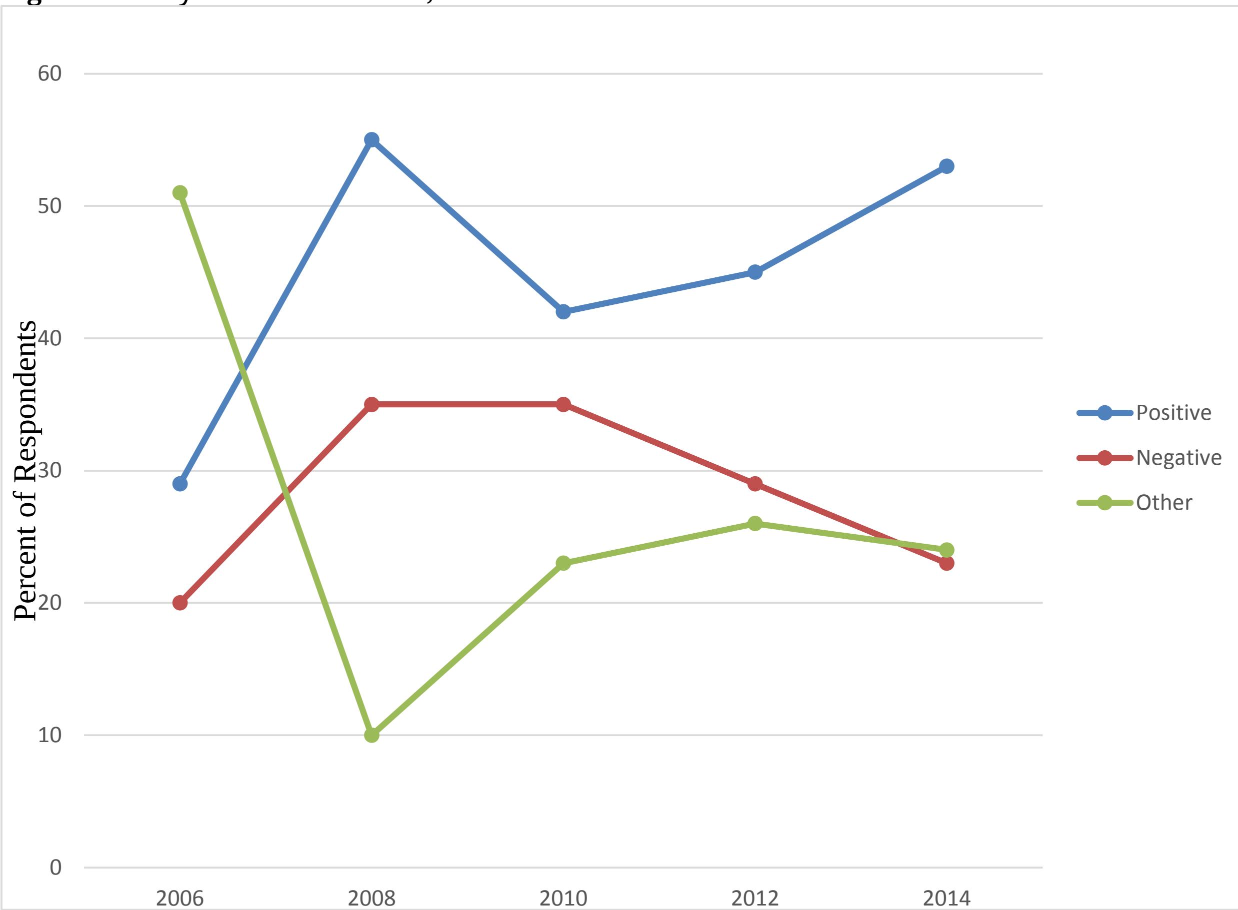
## General Benefit

The BBC World Service conducts a global poll every two years, assessing views of various countries. For each poll in the past eight years, Kenyans have been asked their views of India (see Figure 3). Respondents from Kenya show a positive trajectory for views of India, with attitudes toward India generally improving over the past eight years. The poll offers no assessment of the drivers of the change. However, there are two elements worth noting that likely contributed to the increase in positive views.

The first is a more prominent role for India within Kenya's national economy—including through the above-discussed acquisition and operation of a major mobile phone company in 2005. Second, and exogenous to India's policy, is the possible impact on Kenyans' attitudes of the Westgate Mall attack in 2013, where militants attacked a mall in a Nairobi neighborhood, killing at least 67 people and wounding 175. Members of Kenya's Indian diaspora and expatriate communities were impacted by the attack, including the death of an eight-year-old boy of Indian decent. The Indian community also immediately began to offer support and assistance to those impacted by the attack.[26]

[25] Sewell Chan, "Poorer Nations Get Larger Role in World Bank," *New York Times*, April 25, 2010, http://www.nytimes.com/2010/04/26/business/26bank.html.
[26] Joanna Sugden, "Indian Community's Role in Mall Rescue," *India Realtime* (blog), *Wall Street Journal*, September 26, 2013, http://blogs.wsj.com/indiarealtime/2013/09/26/indian-origin-communitys-role-in-mall-rescue/.

**Figure 3: Kenyan Views of India, 2006–2014**[27]




# Conclusion

India, the world's second-largest country by population, fifth-largest by geography, and largest democracy, has been charting its own foreign policy course since it declared independence in 1947. Its history in leveraging the expertise of the private sector to achieve development goals is in keeping with this tradition. While eschewing existing definitions of "donor" and "recipient," India has pursued a trade-based development agenda rooted in what India views as mutual benefit. India's private-sector-led approach is also consistent with India's objectives of enhancing its domestic economy through rapid expansion of trade.[28]

[27] BBC World Service Poll, conducted by GlobeScan, Inc. and the Program on International Policy Attitudes (PIPA) at the University of Maryland: 2006, 2008, 2010, 2012, 2014. The 2014 edition is available at http://downloads.bbc.co.uk/mediacentre/country-rating-poll.pdf. "Other" includes combination of responses: Depends, Neither/Neutral, and Don't Know or Not Applicable.
[28] Indian Ministry of Commerce and Industry, *Foreign Trade Policy of India: 27th August 2009–31st March 2014*, vi.

India’s enduring security concerns are rooted in the long-standing tensions with Pakistan, and the border disputes and rivalry with China. Despite these concerns, India has not shown significant use of economic levers to influence other countries’ relations with China or with Pakistan.

Continued growth in the Indian economy, coupled with Prime Minister Modi’s renewed emphasis on streamlining the bureaucracy and utilizing policy to contribute to private-sector growth, India’s emphasis on development led by the private sector can be expected to continue.

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