

## ***Needed a clear trade strategy***

---

### **1) PYQs linkage:**

- a) Economic interest has emerged as the main component of India's foreign policy. Discuss the statement in the light of India's initiative to improve relations with China, Japan, and the Central Asian republics. 15 (2015)
- b) Do you agree with the view that the India foreign policy is increasingly being shaped by the Neoliberal outlook? Elaborate. 10(2018)
- c) "India's current foreign policy marks significant qualitative shifts from that of the previous regimes." Discuss. 10(2018)
- d) Critically examine the major factors responsible for a turnaround in the trajectory of India's foreign policy in the post-cold war period. 15 (2024)
- e) Would you concur with the view that of late, India's foreign policy has been in a transition mode from Nehruvianism to Neo Liberalism? Support your answer with the help of suitable examples. 20(2024)

## 2) Theory application: liberal and Neo liberal theory of international relations

**Liberal theory:** Immanuel Kant's view: (spirit of commerce) peace between democracies is strengthened through economic cooperation and interdependence. (Key component of Democratic peace Theory Michel Doyle). Kant argues that it is possible to encourage 'the spirit of commerce': mutual and reciprocal gain for those involved in international economic and exchange.

Richard Cobden's views: Free trade could create a more peaceful world order – a core idea of 19<sup>th</sup> century liberalism. Trade brings mutual gains to all players irrespective of their size or nature of their economies.

**Neoliberal theory:** ( cooperation is not automatic, but requires planning and negotiation—Robert Keohane)

"Complex interdependence": Robert Keohane and Joseph Nye:

- Military force less useful. Economic and institutional instruments more useful.
- Military security less important. Welfare issues increasingly important. Realists argument: any issue can become a matter of life and death in anarchic world.  
Neo Liberal's response: a large number of issues on the international agenda are important bread and butter items. ( welfare becoming the primary goal and concern of states.)

Trading states (Richard Rosecrance): Japan and Germany chose trading option for the process of modernization.

A high division of labour in the international economy increases interdependence between states and discourages and reduces the violent conflicts.

**3) Concepts and keywords:** Tariff war, global supply chains, competitiveness of exports, greater market access, integration, global production system, manufacturing powerhouse, rare earth minerals.

**4) Important facts:**

- i. In 2019, India chose not to be part of RCEP (Regional comprehensive Economic partnership).
- ii. India's trade deficit with China-- \$99.2 billion
- iii. Apple have more than 20 component suppliers in India (slightly improved from 14 suppliers in 2023)

**5) Brief analysis and key points from the news or editorial:**

(This affirms the **neo liberal approach** to international relations, where **trade related interdependence** has been given prime importance while managing international affairs.)

**A. Advantages of trade agreements:**

- Integration into global supply chains
- Boosting exports (improving the competitiveness of exports)
- Catalyse economic growth
- Greater market access (lowered trade tariffs)
- Potential to emerge as a major production hub

**B. Challenges related to trade agreements:**

- Low integration with supply chains that run through south Asia and ASEAN region
- Non- participation in major trade agreements like RCEP and CPTPP due to Chinese presence
- Requirements of rare earth materials and dependence of China for their availability.

**C. What needs to be done:**

- Stable trade relations
- Smooth working of supply chains
- Seamless movement of components/personnel from other countries
- Promoting investments with clear trade strategy.