

## Indo-German Relations since the Emergence of European Union

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### Abstract:

*The history of Indo-German strategic relations is based on the concept of friendship and cooperation. India was the first country to end the state of war with post war Germany in 1951. India diplomacy played an integral part in strengthening her relations with Germany. But, the Cold War power politics and ideological differences between the two power blocks posed serious problems in their bilateral relations. While Germany opted for NATO because of the Soviet fear and India chose the policy of non-alignment as an alternative model of peace and security. Until 1990's German's political interest was not very high and at best could be seen as "policy of benign neglect." With the disintegration of the Soviet Union in 1991 was a major event as India lost an important partner in the form of the Soviet Union. Soon India reassessed its foreign and defence policies and reassessed thought about her position in the changed global environment. The 1990s was also important in the conduct of foreign policy as she was successful in implementing the market reforms. By the end of the 20<sup>th</sup> century saw not only marked change in Indo-German relations but also India maintained a significant position in the new world order. German policy makers soon realised the real potential of India and set the "Agenda for German-India Partnership in the 21<sup>st</sup> Century." This agenda was adopted by the Foreign Ministers of the two countries in May, 2000. The focus of the partnership has been on economic, science and technology and defence.*

**Key words:** Cold War power politics; policy of benign neglect; Agenda for German-India Partnership; European Union; market reforms in India; liberalization; Asia-Pacific region; global zero terrorism.

## **Introduction**

Friendship and cooperation have been the hallmark of Indo-German relations since the end of the Second World War. In fact, India was amongst the first countries to grant recognition of Federal Republic of Germany (FRG). Initially, the relations between the two countries were good but the strategic environment in Europe and great power ideological differences became a stumbling block in their bilateral relations. In terms of power politics, during the Cold War era Germany opted for NATO because of the Soviet fear and India chose the policy of non-alignment as an alternative model of peace and security. In spite of the adverse developments at international level, the relations between the two countries grew in certain sectors, particularly in the sphere of culture but not in the economic sector. Until 1990's German's political interest was not very high and at best could be seen as "policy of benign neglect".<sup>1</sup>

The disintegration of the Soviet Union in 1991 was a major event as India lost an important partner in the form of the Soviet Union. Soon India reassessed its foreign and defence policies in the changed global environment. The 1990s was also important in the conduct of foreign policy as she was successful in implementing the market reforms. Liberalisation of the economy, reduction of the bureaucratic controls and the opening of domestic market laid the solid foundation for India's future success in a multipolar world. Globalisation 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 influence."<sup>2</sup>

In the 1990s India's relations with the member states of the European Union, especially Germany, France and the

United Kingdom became cordial. Germany was important to India as the largest trading partner, second biggest supplier of technology and a central state within the fast emerging EEC, and now the European Union. Germany is the most populous country. It is the fourth largest economy in the world and contributes to 20 percent of the European Union budget. Both India and Germany share similar view on democracy and rule of law. But, both the countries differ on issues such as nuclear non-proliferation, human rights and intellectual property right. Nevertheless, India's market reforms had increased a great deal of interest both in the German officials and business world.

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### **Economic Relations**

Germany has been one of the most important beneficial partners of India for trade, investment and technology. The major reason for improving economic relations between India and Germany are as follows:

The primary reasons for doing business with India<sup>3</sup> are as follow;

- One of the largest economies in world with robust and sustainable Gross Domestic Product (GDP) and FDI growth;
- Skilled manpower availability at competitive costs;
- Rich base of mineral and agricultural resources and other raw materials thereby reducing the costs inputs;
- Sophisticated financial sector;

- Government's proven commitment to the deregulation process;
- Well balanced package of fiscal incentives ;
- Strategic location-access to the vast domestic and South Asian market;
- English is widely spoken and understood;
- Growing consumerism with increasing affluent and growing middle class.

The primary reasons for doing business with Germany<sup>4</sup> are as follow:

- Largest economy in Europe with a 22 percent share of Eurozone GDP and access to 454 million consumers. Productivity has risen by more than 30 percent in the past five years;
- World's second largest exporter – 'Made in Germany's is a seal of quality recognized around the world;
- Located in the heart of Europe and shares borders with every major economy in central Europe, providing instant access to both established markets in Western Europe and emerging markets in Central and Eastern Europe;
- Highly sophisticated infrastructure; motorways railroads and state-of-the-art telecommunications network ensure that goods and it – services are delivered quickly and dependably;
- Most innovative nation in Europe (more than 20 percent of European patents are held by Germans);
- International capital market, a liberal and stable social market and financial services are its distinct advantages;
- Over 22,000 foreign companies operate in Germany, employing in excess of 2.1 million staff, generating trillions of Euros in turnover;

- The WEF ranks Germany 3<sup>rd</sup> in its Business Competitive Index.

In the era of liberalization and globalization, the first India Prime Minister to visit Germany was Narshimha Rao. Germany was, then, the second largest official donar of concessional assistance to India. The trade with Germany stood up at a healthy DM 5 billion by the turns of 1980s against DM 2 billion at its beginning. It stood fourth for Indian export and first among the European Union countries. Earlier the heavy deficit in India's trade with Germany was reduced to 32 percent by 1990s.<sup>5</sup> Perhaps, the reasons attributed was that India's goods were still competitive low technology, low value added and high cost of industrial raw materials.

In spite of all these, Germany under India the then, Chancellor Helmut Kohl, announced that his country would "remain fully committed to India's development". He also took note of the role of modernisaton of Indian economy. Germany continued to be a major economic partner of bilateral aid to India. By this time, German aid to build India's economic structure had substantially increased to the tune of Rs 734 crore.<sup>6</sup> In 1992, it was Rs 743 crore in addition to Rs 575 crore being committed through multilateral institutions like the World Bank, IDA, Asian Development Bank, United Nations Bodies and the Economic Committee. The German concern was centred on economic cooperation as could be seen from the large business community that visited India. Thus, the stress was more on deepening of Indo-German economic ties.

Similarly, when Narsimha Rao again visited Germany a year later both the countries took the stand on a "New Asian Policy". The 'Concept of Asian', a seventeen page document, read that Asia-Pacific region would be a region for excellent future prospect in the 21<sup>st</sup> century. It pledges that an active policy towards Asia and the Pacific would be in the political and economic interest for Germany. The document refers China,

Japan and India as major powers in the region and India was looked upon as one of the countries which could be among Germany's "foremost partner's in near future. Hence, for Germany India's status was increased because it could play an important role in the Asia-Pacific region. In this sense, there was a sense of urgency of "increasing economic interlinking" between the two countries.

In the first decade of the 21<sup>st</sup> century India trade with Germany had increased immensely. This could be seen from the increase in trade relations between the two countries. In 2007-2008, the Indo-German trade stood at 12.07 billion Euro. It was increased to 17.08 percent to reach Euro 15.44 billion during 2010. In 2014 bilateral trade was valued at Euro 15.96 billion. Indian exports also grew over 21.46 percent over the same period to reach Euro 6.19 billion, while its imports were increased to 14.32 percent to reach Euro 9.25 billion. The trade surplus was about Euro 3.07 billion in favour of Germany. This could be seen from the table given below:<sup>7</sup>

**Indo-German Bilateral Trade (in Euro Billion)**

	2012	2013	2014	2015 (January-March)
<b>Total Trade</b>	17.37	16.10	15.96	4.45
<b>Indian Export</b>	6.99	6.91	7.03	1.98
<b>Indian Import</b>	10.38	9.19	8.92	-2.47
<b>Balance of Trade</b>	-3.39	-2.28	-1.89	-0.49

**Source: Federal Statistical Office, Wiesbaden**

India grew in significance as a trading partner for Germany. India was at 25<sup>th</sup> in German's global trade during 2014 accounting for about 1% of total German trade There is still a great deal of potential to be tapped. Germany faces significant challenges to sustain long term growth because of an aging work force and declining net immigration which has increased pressure on the country's social welfare system. This demands structural reforms. Compulsion in investment had reduced German economic growth to more than halve from 3.1 percent in 2011 to an annualized 1.3 percent in the first nine months of

2012. Although the pace of growth has allowed in response to 2012 bouts of the eurozone crisis, GDP had not actually contracted yet-unlike other countries in the region.<sup>8</sup> The eurozone economic crisis and financial burden have forced Germany to increase the economic activities in various parts of the world.

The efforts of the Chancellor, Angela Merkel had somewhat stabilized its economy and efforts were initiated again in 2008 and 2009 in the form of tax cuts. It increased Germany's budget deficit to 3.3 percent in 2010 but higher tax revenues and slow spending reduced the deficit to 1.7 percent in 2011, below the European Union's 3 percent limit.<sup>9</sup>

Besides these traditional sectors, in the field of IT, ITES, biotechnology, auto components, renewable energy, green technology, urban mobility and development and the entertainments industry both countries had shown considerable interest. There are several important Trade Fairs are held in Germany from time to time and Indian companies regularly take part to promote their products.

Some of the major items of export from India to Germany are garments and textile products, chemical products, leather goods, iron steel and metal goods, electronic components, electrical component, pharmaceutical products and auto components. The major German exports to India include electrical generation equipment, auto-equipment, complete fabrication plants, bearings, gear equipments, measurement and control equipment, primary chemical product, synthetic material machine tools, aircraft and iron and steel sheets etc.

Indian direct investments in Germany are encouraging and result oriented. So far the former East German states are concerned 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 government.<sup>10</sup> As Germany has a large number of technically strong small and medium sized companies, the potential for strategic acquisition by Indian companies remain

strong. A recent study by the Technical University of Hamburg-Harburg estimates the total volumes of Indian investments in Germany at over US\$4 billion. Of this, roughly \$ 2 billion was invested in 2008 (\$ 825 million in 2007), which proves that India is emerging as a major investor in foreign markets.<sup>11</sup>

The IT (FDI) sector seems to be best represented in terms of foreign direct investment. According to FDI Markets, India has initiated some 40 projects in Germany since 2003. 20 are in the software and IT sectors. Although Indian companies are spread throughout Germany, they are mainly confined in the states of North Rhine-Westphalia, Hessen, Bavaria and Baden-Wurttemberg. As a whole, Indian companies in Germany employ nearly 24,000 people, most of whom are German nationals, thereby adding to the job opportunities in Germany.<sup>12</sup>

In case of Germany, its investments in India initially were not very attractive as we see it today. From April, 2000 to September, 2012, Germany has been the eight largest investor with cumulative FDI inflows of \$ 5.05 billion. Sectors such as services, chemicals, automobiles, trading and electric equipments were main attraction for German investment. Large German companies have stepped up their existing investments and several new companies are entering the Indian markets. In the last three years all the major German automobiles giants (BMW, Daimler, MANAG, Audi, Volkswagen and Porsche) have established manufacturing facilities/assembly plants in India. A MOU was signed between General Insurance Council of India and the German Insurance Association on April 3, 2008 to promote cooperative relationship, mutual understanding and exchange views and information on matters and activities of common interest. Besides large companies, German small and medium enterprises have also showed greater interest in India. A German Centre has been set up in Gurgaon jointly by two of the German banks, viz. Bavarian Landesbank and Landesbank



Baden Wurttemberg to facilitate the activities of German small and medium enterprises in India.

To make the task more easy several agreements have been signed by India and Germany just to avoid double taxation, secure investment and to work for social security. This has further encouraged the economic ties between India and Germany. It seems that both “Germany and India are determined to further expand their economic cooperation.” The statement, titled “Shaping the Future Together”, noted that “close trade and investment relations are core dimension of bilateral partnership and of great importance for the development of both economy.”<sup>13</sup> Both the countries have also underlined the strong commitment to a successful outcome of the Indo-European Union negotiations for a ‘Free Trade Agreement’ that would generate enough jobs and growth. It, further, added that Germany and India would seek to intensify consultations within the G-20 and strengthen the G-20’s role as the premier forum for international economic cooperation. Both sides also pledge to make more strenuous efforts to achieve a consensus on trade facilitation by a balanced package of issues at the 9<sup>th</sup> WTO Ministerial Conference so as to ensure that there is still a prospect of bringing the Doha Round to a conclusion.<sup>14</sup>

### **Cooperation in Science and Technology**

There is one area, i.e., science and technology, where India and Germany had made great progress. Today, Germany is India’s second largest technology partner. Indo-German technological cooperation dates back to the late 1950s. Based on agreements signed by the countries in 1971 and 1974, the collaboration was to fund and support joint research projects, workshops, seminars and exchanges between universities and scientific organisation in India and Germany. This kind of technological cooperation was realised in April, 2006.

The jointly funded Indo-German Science and Technology Centre was inaugurated in 2008 in New Delhi with an annual contribution of Euro 1 million. The Centre is a good example of enhanced cooperation. With its High-Tech Strategy, Germany has set the course in the country for further innovative company starts-up, sustainable growth, greater international competitiveness and additional highly qualified employment. Joint research projects are one of the main pillars of Indo-German cooperation. It will enhance the “Strategic Partnership” between India and Germany to include the field of research and development.

The scientists from leading German universities are currently involved in many projects. A good example is the development of telemedicine outreach stations in rural areas where 70 percent of Indian people live in rural areas. Telemedicine will take care of the fact that the cellular phone network covers 80 percent of the country by using its technology to link people in separate locations. The University of Karlsruhe and IIT Madras are working together to develop affordable and easily operated machinery that can transmit medical data from rural healthcare centers to medical doctors in the city.

Another important development in Indo-German partnership is internet technology. The internet has become the most usable medium of worldwide communication. The Amrita University, Ettmadai, and the Technical University, Berlin are working on the project “Next Generation Secure Internet Technologies for Globally, Distributed Enterprises”. The Helmholtz Association is German largest scientific organisation that is involved in research centre in India. There is another major joint research project where German scientists are involved is “adaption of bacteria and molecular studies.” Thus, both the countries aim to develop novel strategies for vaccines and anti infectives.

Space sector is one such area where much progress has been made by India and Germany in recent years. It included the launching of two German research satellites by ISRO. India's moon mission, Chandrayan, carried an experimental payload from Germany and German scientific exports were present at the launch. On February 13, 2010, Indo-German Max Planck Centre for Computer Science and IIT Delhi was established.<sup>15</sup> Some of the projects included the Euro 1.5 billion state of the art and Multinational Facility for Anti-Proton and Ion Research (FAIR). The project was launched on October 4, 2010 in Wiesbaden. India's contribution was Euro 36 million. The government was keen to support the newly established IIT at Mandi and Himachal Pradesh. The Technical University at Stuttgart has been identified as a leading partner for this period. In addition, IIT, Chennai has signed a MOU with the German Academic Exchange Programme and a group of 19 German Technical Universities (TU9) for setting up a new Centre for Sustainability Research at IIT Chennai. Similarly, the German Chancellor Merkel visit to India on May 31, 2011 resulted in three agreements. These were; (i) MOU between ICMR and Helmholtz Association; (ii) MOU between Department of Science and Technology and the Leibniz Association, and (iii) Cooperation Agreement between Saha Institutes of Nuclear Physics, Kolkata and Deutsch Electron Synchrotron.

### **Defence Cooperation**

After the end of the Cold War, Indo-German defence cooperation became more multidimensional and diversified. This was primarily due to the new-geo-strategic environment which enabled India to improve its relations with major countries like United States of America, European Union, Russia, Japan and China. In the age of 'defence diplomacy' the role of defence cooperation becomes important in stabilising the

relation between the countries. Defence cooperation means “any arrangement between the two or more countries where the armed forces work together to achieve mutual objectives.”<sup>16</sup> Thus, it aims at (i) sharing of operational and doctrinal expertise, training and capability enhancement of one’s own military; (2) strengthening of ties and sales of weapons and military technology; and (3) creating ability to operate and enhancing maritime domain awareness.

The Indian security planners had always focussed on the promotion of such an environment where peace and security can prevail. As such it will thereby promote and safeguard its national security objective. With a defence policy concentrating towards self-defence, India is the world’s tenth biggest defence spender and third largest importer of defence hardware. India had ushered in phased liberalization into the defence industry realizing the enormous potential that domestic production could bring in through synergies and linkages.<sup>17</sup> In this phase India has created a newly reformed Defence Procurement Procedure (DPP). It is seen as a major development made by the government to encourage indigenous manufacture of defence equipment by Indian industry. Moreover, the Indian government’s also realizes the importance of participation of the private sector in defence production.

Closer scrutiny of Indian security reveals that there is a greater need to strengthen the defence cooperation with friendly countries. Shiv Shankar Menon, the then former Indian Foreign Secretary, has identified three main objectives for India’s foreign policy. These are : (i) ensuring a peaceful periphery; (ii) relations with major powers; and (iii) issues of the future, namely, food security, water energy and environment.<sup>18</sup>

After the implementation of the Agenda for German-Indian Partnership in the 21<sup>st</sup> Century, a strategic dialogue between the countries was initiated in 2001. The joint security and defence issue are also related in the overall developments

of the country at the global and regional levels. One such issue was reform in the Security Council as stipulated by G-4. In the early 1990s, Germany and Japan advocated their admission as full-fledged members of the United Nations. Later on, India and Brazil also claimed for permanent membership. After the end of Cold War, the world saw the emergence of new order and the structure of UNSC still resembled the post-World War II power system. In order to play a more active role in international politics, four countries came up with G-4 idea. Brazil's argument was based 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 contribution of troops to United Nation missions. Germany and Japan staked their claims on the basis that they were largest economics of the world and donors (after the USA) to the United Nations.<sup>19</sup> From time to time, we saw that the UNSC reforms process yielded not much result because of counterproposals from various groups. The German Federal Foreign Minister, Steinmeir, said that India and Germany "need to continue close cooperation within the framework of the G-4."<sup>20</sup>

While assessing the national security needs the question of terrorism becomes important in recent years. One cannot forget the events of 9/11 and the terror attacks on the Germany Bakery in Pune which shocked the world. It also showed the importance of free democracies standing together against the threat of terrorism. The fight against terrorism is one of the major areas in the security policy of Germany and the impact on defence cooperation has been the main concern between them as envisaged in the Indo-German Strategic Partnership. In 2007, the German Chancellor, Merkel, signed an agreement on mutual protection of classified document and enhanced cooperation in the intelligence sector. Cooperation between their intelligence service is important in the fight against terrorism.

On security issue, like the war in Iraq, both India and Germany voiced the same theme. The Indian government acknowledged the German's stand for not sending troops to Iraq. But, at certain times, German engagements in Afghanistan were seen critically by our government.<sup>21</sup> Similarly on the Kashmir issue, Germany was strongly opposed to outside mediation for resolving the issue and supported a bilateral dialogue between India and Pakistan without internationalizing the matter. Even today, Germany wants to see the resumption of the Indo-Pakistan dialogue and the acceleration of the conciliation process. Earlier in 1990s, when, the then, Foreign Minister, Dr. R. Venkaiah Naidu visited India, India raised the issue of Pakistan's acquisition of nuclear technology and materials from several countries, including Germany. The German Foreign Minister clarified that it was conscious of the matter and strongly disapproved of such private deal and that the government has taken strong action against the German firms involved in such illegal transfer of materials and technology to Pakistan.<sup>22</sup>

These events had not affected the relationship between India and Germany. But there were certain issues of global nature. One such issue was the question of India's signing the NPT. Germany wanted India to sign the treaty which would further strengthen their cooperation. But the German Chancellor, Kohl also made it clear that India's opposition to the NPT would have no impact on Indo-German relations. The issue, in his view, could have different dimensions in one region than in another and he had every reason to respect India's views.

With regard to weapons, Germany appreciated India's concern in the field of nuclear disarmament. Germany wants to draw India into NPT club and this would be the first step towards 'Global Zero', the vision of a world free of nuclear weapons. Both Germany and India have reaffirmed their commitment that they will work together for a world without nuclear weapons, for universal and non-discriminatory global

nuclear disarmament and a reduced salience of nuclear weapons in international affairs and security doctrine.<sup>23</sup>

The most important aspect of our-discussion on Indo-German relations is arms sales to India. In spite of tough competition from the industrialized countries, Germany is the fifth largest exporter of arms to India and India occupies between 10<sup>th</sup> and 20<sup>th</sup> rank on the list of German arms sales. Russia has been largest trading partner in arms sales which provides at least ¾ of India arms imports.

The financial volume of approved exports of arms to India is highly volatile, but seems that the overall trend is slightly increasing. The arms sales were constant in 1991 and 2000 and went low in 2001 and then again arms sales rose in 2002 and reached its peak in 2004 and 2006. The main export items since 1999 were parts of construction of ships and submarines for the Indian navy as well as technology for fire control systems, sonar and navigation systems. Similarly, parts for planes, helicopters, tanks and other armed vehicles directly followed the naval related supplies. <sup>24</sup>

It seems arms sales had been a major part of Indo-German strategic partnership. But, since 2001 Germany was unable to cope with other European power with regards to arms deal. As a result, Germany had lost two important contracts with the Indian government. First was a contract deal for submarines and second was a large deal for helicopter.

A new momentum in Indo-German relations grew when in 2006 both the countries strengthened military factor in their strategic dialogue. As a result, the Defence Ministers of both the countries signed a Memorandum of Understanding (MOU) which were as follows: (i) first working group focused in strategic and policy matters on military affairs; (ii) second group dealt with military cooperation between armed forces and (iii) third group covered technology, defence business cooperation and the exchange of information on arrangement procurement projects and on defence research and development

technology. The agreement also set up the Indo-German High Defence Committee that is convened once a year, to cooperate further in the security and defence sectors.

In 2007, Indo-German representative agreed to increase exchange in the field of peace keeping operations and disaster management. Both also aimed at widening India's base of military supplies and to transform relations from a "mere buyer-seller agreement towards co-production, joint development and technological transfer".<sup>25</sup>

At the military level, India invited three German armed forces chiefs. In the later part of 2006, the German naval Chief, in 2007, the German Air Chief and in 2008, the German Army Chief realized the potential of India in establishing regional and global peace and stability. In 2008, India and Germany came closer for the first time for the joint naval exercise in India's western, coast (Kochi). In these three days, Indo-German naval exercise comprising about 700 personnel from the German Task Force, including the Federal German ship F 220 Hamburg, which is an air defence ship, frigate FGS F211 Koeln and a naval support vessels FGS A1411 Berlin which is a replenishment tanker and two tanker naval vessel INS Tir and INS Krishna including 300 personnel from India participated in it. The joint exercise was a reflection of the importance of the growing Indo-German relationship in building stability and security in Asia and beyond. Expressing the success of such naval exercises, the German Task Force Commander Captain Michael Budde said "we plan to have more joint exercises with the Indian navy on a regular basis."<sup>26</sup>

In 2009, Indo-German military cooperation included some 40 different kinds of activities. One such cooperation was an Indo-German mountaineering expedition to Mount Shivling where instructors from both German Army Mountain Infantry and Indian army participated. The German members were able to gain enough experience with regard to operations at very



high altitudes, particularly if deployed in high altitude regions like Afghanistan.

But this was the positive side of Indo-German defence cooperation. We should also highlight the setbacks arising from the stiff competition from the European countries. It lost the submarines contract to the French company. Earlier in December 2007, Germany lost again the \$ 500 million helicopter deal that had been won by Euro-copter. Furthermore, the arms deal has become a complex issue for Germany as it has to face a tough competition from the Russian Kamov helicopter.

Of all European companies active in India, the European Aeronautics, Defence and Space company, for instance, combine some leading French, German and Spanish companies. Its missile branch was merged with the UK's BAE systems and Italy's Finmeccanica to form the MBDA. The Euro fighter is jointly produced by Germany, Britain, Italy and Spain. Dassault, whose Rafale has been selected in preference to the programme, is tied up with the US's Raytheon and the UK's BAE which, in turn is the manufacture of Hawk trainer aircraft sold to India and will supply Ultra Light Howitzers to India through the FMS route on account its several American acquisitions.<sup>27</sup>

## **Conclusion**

Today, when we look at Indo-German relations a notable change has occurred. Earlier, Germany's perception towards India was indifferent because of superpower politics. Thus, the relations were more confined to development and cultural exchange. Another reason was that during the Cold War period, India was not much depended on Germany as compared to the Soviet Union in terms of military weapons. The situation after 1991 had changed drastically. Its policy had forced India to relook its foreign policy priorities. Even after the changed

global power politics, Germany focused more on China than India in the field of trade, science and technology and defence cooperation.

But, Germany soon realized the potentialities of India as an emerging power. Hence, German started showing deep interests towards the end of the 20<sup>th</sup> Century. Since then, the bilateral relations had shaped well in improving their relationships. The German policy makers not only see India as an active defence partner but also see. India as an emerging economic and political power but also see. The developments of the first decade of the 21<sup>st</sup> Century indicate a positive sign where Indo-German relations could move on a right track.

But there is one area where Germany lacks, i.e, in the field of direct investment. Germany is far behind and India investments in Germany are still more low because investing in Germany is quite expensive as compared to other European countries. Moreover due to lack of infrastructure and complex bureaucratic style of working has hindered the economic and business cooperation between the two countries. But, overall, within the business ambit, there has been enough improvement and the future of Indo-German interest will be further enhanced in the future.

The defence cooperation in the 21<sup>st</sup> century, too, has been moving slowly. Joint naval exercises between India and Germany has been undertaken to tackle terrorism. Furthermore, more dialogue between high ranking officers from armed forces of both countries could promote solid foundation for successful cooperation in these areas. As already stated above the future prospect of arms sale is not good. It is so because the German high tech weapon systems are very expensive and there are other European countries who can deliver arms to India at a much cheaper cost.

Today, in spite of various setbacks, the Indo-German relations has made rapid stride. The “policy of benign neglect” had changed into a more “vibrant partnership”. A vibrant “Link

West” policy would also be effectively complemented by Narendra Modi’s “Act East” policy in improving the country’s economic, technological, defence and political position in the international arena. It indicates India’s growing importance for Germany. In spite of sharing a common democratic identity and values, it seems, Germany needs India much more than India needs Germany. Therefore, it is important both the countries foreign policies should be such that they can play a more positive role in stabilizing and improving their relations in those sectors which have been discussed above.

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