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. 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.

The framework for bilateral relations between Germany and India has been delineated in **the Agenda for German Indian Partnership in the 21stCentury**, which was adopted by the foreign ministers of the two countries in May 2000. The ten-point agreement became the origin and point of reference of all future agreements between India and Germany.

The agenda was complemented by two joint statements of 2006 and 2007 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.

Science, research and technology cooperation is the centre-piece of Indo-German relations. Thus, the exchange of academics and students from both countries was given high priority and they both pledged to support and fund respective programs. Cooperation in trade, investment, education is very significant.

High Level Visits:

* Chancellor Merkel visited India on May 31, 2011 to co-chair the first Indo-German Intergovernmental Consultations (IGC).
* Prime Minister Shri Manmohan Singh had visited Berlin on December 11, 2010
* Former President of the Federal Republic of Germany, Dr Horst Koehler visited India on a state visit from February 1-7, 2010.

**Strategic partnership:**

India and Germany have a strategic partnership since 2001, which has been further strengthened with the first Intergovernmental Consultations (IGC) held in May 2011. India is the first country in Asia (besides Israel,) and the only country outside Europe to have Intergovernmental Consultations with Germany.

Institutionalized arrangements: Strategic Dialogue, Foreign Office Consultations, Joint Commission on Industrial and Economic Cooperation, Defense Committee Dialogue and a Joint Working Group on Counter- Terrorism

**Bilateral trade:**

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.

Germany is India’s largest trading partner in Europe, Euro 15.44 billion during 2010. The trade surplus is in favour of Germany of about Euro 3.07 billion. Both countries are confident that the target of achieving bilateral trade of Euro 20 billion by 2012 can be met.

While major items of exports from India to Germany are cotton and textile products, leather and leather products, chemicals & pharmaceuticals, metal products and automobile components, the key imports in India from Germany include machinery, electro-technical goods, aircrafts, metal goods, chemicals, measurement and control systems, synthetic materials etc.

Investment:

German investments in India have shown a steep increase in the past three years. Germany was the 8th largest investor in India, with cumulative FDI from Germany during the period August 1991 to February 2011 amounting to US$ 3.83 billion. Sectors such as services, chemicals, automobiles, trading and electric equipment were main sectors for German investment.

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 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. Indian investment in Germany has also increased in recent years. The IT sector continues to be the best represented in terms of foreign direct investment. Indian companies either acquiring firms or starting their own subsidiaries in Germany include Ranbaxy, Samtel, NIIT, Wockhardt, Graphite India Limited, Megasoft, Torrent Pharmaceutical, Dr. Reddy's Laboratories, Tata Auto Component Systems, Mahindra & Mahindra etc

**Cooperation in Science & Technology**: (IndoGerman Joint Working Group on S&T)

* The jointly funded **Indo-German Science & Technology Centre** was inaugurated in September 2008 which will provide joint research projects of Indian and German scholars with funds from both governments.
* Space Cooperation:

1. Launch of two German research satellites by ISRO
2. Chandrayaan, carried an experimental payload from Germany
3. Indo-German Max Planck Centre for Computer Sciences at IIT Delhi on February 3, 2010
4. Indian cooperation in estb of Euro 1.5 billion state-of-the-art multinational Facility for Anti-proton & Ion Research (FAIR)(not yet estb)
5. IITM, IIT Mandi

* Growing bilateral Energy cooperation (CDM projects)
* Joint research in global remote sensing satellite IRS P3, biosensors in clinical application, high temp superconducting magnets

MILITARY, DEFENCE, AND SECURITY COOPERATION: Mostly 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. Regarding German arms sales to India, 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. 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.
* Defence Cooperation Agreement, 2006. The new agreement on defence cooperation gave a tremendous boost to the military and strategic ties between India and Germany.In 2008 the first joint naval exercise between India and Germany took place off the coast of Kochi.
* 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.
* G4
* DAAD program of funding young scientists

Indian Diaspora:

There are about 68,000 Indians in Germany. The Indian diaspora mainly comprises of technocrats, small time businessmen/traders and nurses.

India is still the single-largest recipient of German ODA which basically focuses on the fields of infrastructure, energy efficiency, renewable energies, cooperation in the field of science and technology, and vocational training.

Chancellor Merkel was awarded the Jawaharlal Nehru Award for International Understanding for the year 2009

Negative Aspects:

1. Difference of opinion on CC, global warming(GHG emissions), Doha developmental agenda
2. Low political and economic engagement
3. Anti dumping regulations on Indian exports
4. Germany’s specialization in banking and insurance, sectors in which India restricts foreign ownership
5. 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.

Potential and way fwd:

1. IT, BT, health, pharma, value addition and diversification (complimentary nature of trade)
2. Potential for Energy coop; Civil nuclear, coal and gas (Merkel’s visit: Indo German Energy Forum)
3. India an attractive retail market
4. German Companies are major employment generators in India
5. 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 in the strategic dimension.
6. G4
7. A very sensitive field of relations between India and Germany has emerged after the conclusion of India’s nuclear deal with the US. Now Germany is willing to sell know-how and technology to India, but that might also be subject to Germany’s domestic politics.

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.