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GUESS PAPER SERIES

SESSION -1

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Topics Covered – a) SOUTH-EAST ASIA

b) Automobile Industry

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Q1) What is the significance of South-East Asia?

Introduction

Importance of South East Asia in India's Foreign Policy Framework

The affairs of South East Asia are bound to evoke manifold interest in the Indian mind. That interest has its spring not only in the geographical contiguity of this country to the vast area covered by that designation, but to many other deeper reasons. It is not without significance that South East Asia has traditionally been called as Further India. If Indians lovingly and adoringly call their country motherland, on the same analogy South East Asia is entitled to be regarded by them as their bigger family, of which the component units are her intimate kith and kin. Religiously, culturally, racially, politically and militarily, India is bound with South East Asia by many a tie.' India's links with South East Asia reached back into history and legend. All over South East Asia one finds numerous symbols of these ancient ties. Indian philosophy, culture, religion, Buddhism, art and architecture, languages, all these left an abiding impact on many countries of South East Asia. Indeed Indian and Chinese cultural influences met in the outer reaches of South East Asia and you have the interesting phenomenon of Vietnam falling under the sway of Chinese cultural influence in its political

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institutions, code of ethics and language, but Cambodia coming wholly under India's cultural influence. This influence was also evident in Thailand, Malaya and parts of Indonesia. These ancient bonds became alive and were reinforced by the emergence of these countries as modern nations. India from the very beginning felt the need of developing intimate relations with the South East Asia and to prevent the domination of the region by the communist or Western powers. India particularly looked at the armed struggles in the region as a positive threat to her stability and emphasised the need of keeping the Malaysia and other countries of South East Asia free from the influence of the Super Powers. India's relations with South East Asia are of abiding importance to her. Next to South Asia, India has vital stakes in South East Asia whose independence and security are bound up with her own. As Jawaharlal Nehru pointed out, India was the gateway to both West and South East Asia and, therefore, inevitably came into the picture. The independence and security of South East Asia served to strengthen India's own independence and security and any serious setback there constituted a potential threat to India too. It was with this understanding that India played an active role in mobilizing opinion against the then Dutch Government's effort at reimposition of colonial rule in Indonesia in 1948 and the active interest taken by India in various phases of the struggle in Indo-China. There was yet another dimension to India's relation with South East Asia - the presence of Indian communities in sizeable numbers. There was a large concentration in Malaysia : merchants, traders and labour drafted by the British during its imperial rule over India as well as in many other parts of the region, almost 15 per cent of the population of Malaysia, holding a precarious balance between the Malay and the Chinese. There was a somewhat smaller, but not insignificant, presence in

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Singapore, Thailand and Indonesia. This had an undoubted impact on India's relations with these countries."* Southeast Asia's importance to India in terms of its foreign policy objectives and its strategic interests or the importance that India has, for the security environment of Southeast Asia, is profoundly based on its broad foreign policy framework and its overall strategic perspective. This is extremely important because, to evaluate the type and amount of capabilities that India is likely to devote to the protection and furtherance of its interests in the region. It is imperative to take the entire range of India's interests in South East Asia under consideration. The basic framework of Indian foreign policy that can be distilled from its actions in world affairs during the fifty years of its independence comprises the following major elements: (a) A world-view shaped both by the movement for national independence and by the nationalist leaders' perception of India's past and their aspirations for its future; (b) The coincidence of the emergence of a bipolar world following the Second World War, with India's emergence as an independent actor on the world scene; (c) The threats to , and the problems for, India's security that emerged directly from the partition of the British Indian empire and, therefore, the disruption of India's strategic unity that had been accepted as a given fact during the period of the Raj; (d) The emergence of China as a major Asian actor following the Communist victory of 1949, two years after India's independence, and China's annexation of Tibet the following year (1950) thus bringing Chinese presence and power in direct contact with India on the latter's northern and northeastern borders; (e) The need for fruitful economic interaction with the rest of the world in terms of trade, aid, and investment, which was considered crucial for India's developmental goals. The

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enmeshing of these fundamental concerns in various forms and at different times has, by and large, determined the broad contours of Indian foreign policy, including its policy towards Southeast Asia as a whole and towards the individual countries that comprise this region. It is, therefore, important for us to examine the major consequences for Indian foreign policy that have emerged out of the interplay of these variables over a period of time. Southeast Asia has been important for Indian foreign policy for a number of reasons: First, the nationalist leadership, i.e. the first generation of India's post-independence leaders, had perceived the anti-colonial struggles in Southeast Asia as indivisible from their own fight for freedom from colonial subjugation. The Indonesian and Vietnamese freedom struggles, especially the former, had been followed with great sympathy by the politically conscious Indian public during the last years of the British Raj. The congress leadership, with Jawaharlal Nehru as its foremost articulator on international issues, was convinced that the future of India was indivisible from the future of Asia, and particularly of Southeast Asia. It was no coincidence, therefore, that even before the formal dawn of independence, the interim Indian government organized an Asian Relations' Conference in March 1947, and independent India performed its first high-profile act in international affairs by convening the Conference on Indonesia attended by fifteen nations in January 1949. Second, the strategic importance of Southeast Asia to India was evident to India's prospective policy-makers and strategic thinkers even before the transfer of power from British to Indian hands. The events of the Second World War, especially the dramatic Japanese sweep through archipelagic and mainland Southeast Asia in a remarkably short time, had driven home the lesson to India's nationalist elite that India's eastern flank and the seaward approaches to the subcontinent were as important for India's defence as the land boundaries of the

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northwest and the north which had been the traditional concerns of strategists during the days of the British Raj. The latter attitude was understandable in the context of the British Indian empire because Britain was the unchallenged master of the seas around the subcontinent until the Japanese drive into Southeast Asia; however, it had to change under the dual impact of the Second World War and the withdrawal of British power from India. The events of the war also increased Indian awareness of, and concern with, maritime strategy and the great importance of the Indian Ocean to the defence of the Indian peninsula. The lesson that India had lost its independence to European colonists because of the latter's control of the sea was relearnt by the Indian nationalist elite as a result of the experiences of the Second World War. In this sense, the strategic importance of Southeast Asia to India was enhanced in Indian perceptions, especially since it commanded the choke-points from which hostile naval forces could enter the Indian Ocean, particularly the Bay of Bengal. This point can be better understood in light of the fact that India's island territories in the Bay of Bengal lie barely 90 miles from the Straits of Malacca. The third reason why Southeast Asia has been important for Indian foreign policy, is that the emergence of China as a major power in Asia bordering both India and Southeast Asia added another important dimension to Southeast Asia's strategic importance for India. From hindsight it becomes clear that, even during the heyday of Sino-Indian friendship in the mid-1950s, the Indians were both uneasy about the long-term prospects of the Sino-Indian relationship as well as aware of the importance of Southeast Asia, especially its non-Communist component, as a source of potential alliances against presumed Chinese expansionism. The Indian sense of unease was increased by the Chinese Premier's masterly performance in April 1955 at the First Afro-Asian Conference in Bandung, especially his conciliatory approach

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towards Western-aligned Pakistan. This Jawaharlal Nehru and his advisers considered an exercise in 'one-upmanship' at India's expense, particularly in the context of the fact that India had worked hard to overcome the apprehensions of several Asian countries regarding China's participation in that meeting. It is important to note that India's first official endorsement of ASEAN followed the Kuala Lumpur Declaration on ZOPFAN and the disbanding of SEATO. New Delhi apparently came to the conclusion that, with these two events, the foreign policy approaches of the ASEAN countries had shifted closer to India's traditional non-aligned stance on international affairs. Forth, the presence of people of Indian origin in Southeast Asian countries, principally in Burma, Malaysia, and Singapore, also formed an input, although a relatively minor one compared to the political-strategic factors mentioned above, into Indian policy towards the region. Fifth, economic relations with Southeast Asia formed an important, although secondary, component of India's overall pattern of economic transactions with the outside world. A pattern of interdependence based on mutual needs of different primary commodities with which India and the various countries of Southeast Asia were endowed, coupled with easy access to each others' markets, formed the bedrock on which this superstructure of economic relations was constructed. Immediately after Indian independence, the Southeast Asian region, taken as a whole, ranked third, after the United Kingdom and the United States, in terms of India's foreign trade.[^] India's relations with Malaysia has always been close and cordial, a relations which stems from the long historic links between our two peoples and India's inspiring leadership among the new nations in Asia and Africa, provided to support these nation in their struggle for freedom. No less important is the fact that a sizeable section of Malaysians are of Indian origin, coming from various parts of the great sub-continent and bringing with

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them are invaluable contribution to the economic and cultural life of Malaysia. Malaysians recognize their age-old cultural ties with India. The presence of a sizable number of persons of Indian origin (1.56 million approximately out of the total population of 22 million) in the fabric of their nation, is itself an evidence of this. There is, however, an occasional tendency to downplay the links, particularly of the pre-Islamic era, on account of the strong overlay of Islam on the Malay identity and the compulsion to project an independent cultural persona for the Malay Archipelago. The strong influence of India cannot however be denied, in view of the fact that it permeates the social mores of the nation, the etymology of the language, common family traditions as well as the rituals of royalty. An estimated 25,000- 30,000 Malaysians, (mostly of Indian origin) have studied and continue to study, in Indian Universities.' In the commercial front India and Malaysia have had longstanding commercial links dating to the pre-Christian era. It was probably an Indian ship, that brought an Attic vase of the 5th century BC to Kedah. In the remarkable transformation of Malaysia from forest and swamp, into one of the richest and best developed countries of Asia, Indian capital and labour has contributed as much as the Chinese and British effort. Malaya's rubber wealth, called the "life blood" of its economy, was created by Indian labour. In "The Malays: A Cultural History" (1944), Sir Richard Winsted writes that "India found the Malay Q a peasant of the Stone Age and left him a citizen of the world".

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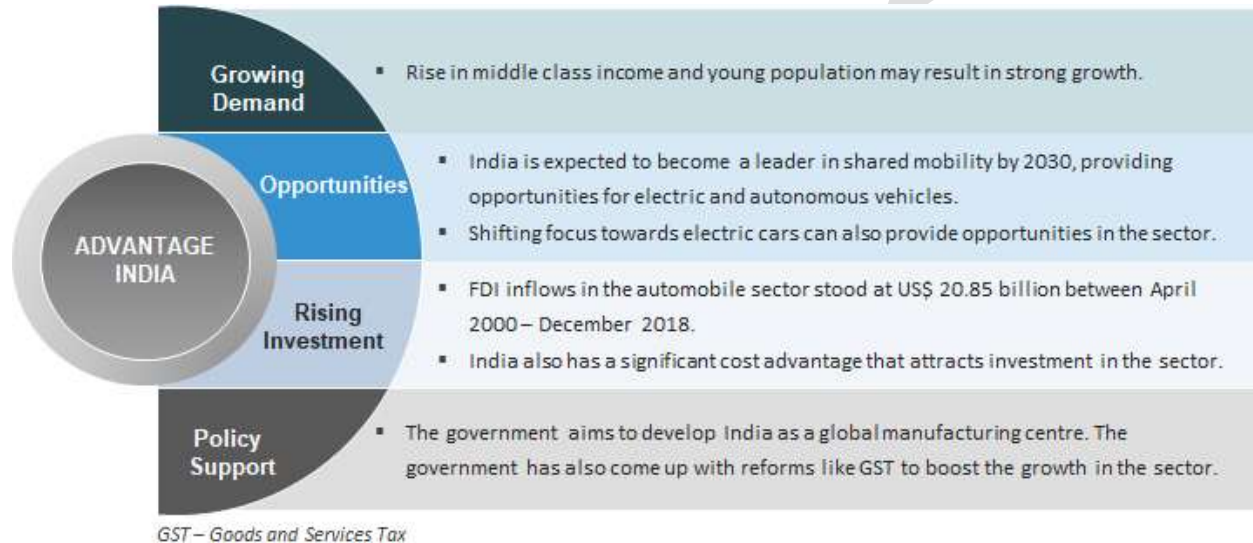
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Q2) What are the factors associated with the location of automobile segment in our country? Inspite it is the prime sector under Make In India , the growth prospect has been declining ? Elaborate.



Introduction

The Indian auto industry became the 4th largest in the world with sales increasing 9.5 per cent year-on-year to 4.02 million units (excluding two wheelers) in 2017. It was the 7th largest manufacturer of commercial vehicles in 2018.

The Two Wheelers segment dominates the market in terms of volume owing to a growing middle class and a young population. Moreover, the growing interest of the companies in exploring the rural markets further aided the growth of the sector.

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India is also a prominent auto exporter and has strong export growth expectations for the near future. Automobile exports grew 14.5 per cent during FY 2019. It is expected to grow at a CAGR of 3.05 per cent during 2016-2026. In addition, several initiatives by the Government of India and the major automobile players in the Indian market are expected to make India a leader in the two-wheeler and four wheeler market in the world by 2020.

Market Size

Overall domestic automobiles sales increased at 6.71 per cent CAGR between FY13-19 with 26.27 million vehicles getting sold in FY19 .Domestic automobile production increased at 6.96 per cent CAGR between FY13-19 with 30.92 million vehicles manufactured in the country in FY19

In FY19, year-on-year growth in domestic sales among all the categories was recorded in commercial vehicles at 17.55 per cent followed by 10.27 per cent year-on-year growth in the sales of three-wheelers.

Premium motorbike sales in India crossed one million units in FY18. During January-September 2018, BMW registered a growth of 11 per cent year-on-year in its sales in India at 7,915 units. Mercedes Benz ranked first in sales satisfaction in the luxury vehicles segment according to J D Power 2018 India sales satisfaction index (luxury).

Sales of electric two-wheelers are estimated to have crossed 55,000 vehicles in 2017-18.

Investments

In order to keep up with the growing demand, several auto makers have started investing heavily in various segments of the industry during the last few months.

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The industry has attracted Foreign Direct Investment (FDI) worth US\$ 21.38 billion during the period April 2000 to March 2019, according to data released by Department for Promotion of Industry and Internal Trade (DPIIT).

Some of the recent/planned investments and developments in the automobile sector in India are as follows:

- Ashok Leyland has planned a capital expenditure of Rs 1,000 crore (US\$ 155.20 million) to launch 20-25 new models across various commercial vehicle categories in 2018-19.
- Hyundai is planning to invest US\$ 1 billion in India by 2020. SAIC Motor has also announced to invest US\$ 310 million in India.
- Mercedes Benz has increased the manufacturing capacity of its Chakan Plant to 20,000 units per year, highest for any luxury car manufacturing in India.
- As of October 2018, Honda Motors Company is planning to set up its third factory in India for launching hybrid and electric vehicles with the cost of Rs 9,200 crore (US\$ 1.31 billion), its largest investment in India so far.
- In November 2018, Mahindra Electric Mobility opened its electric technology manufacturing hub in Bangalore with an investment of Rs 100 crore (US\$ 14.25 million) which will increase its annual manufacturing capacity to 25,000 units.

Government Initiatives

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The Government of India encourages foreign investment in the automobile sector and allows 100 per cent FDI under the automatic route.

Some of the recent initiatives taken by the Government of India are -

- The government aims to develop India as a global manufacturing centre and an R&D hub.

Under NATRiP, the Government of India is planning to set up R&D centres at a total cost of US\$ 388.5 million to enable the industry to be on par with global standards

- The Ministry of Heavy Industries, Government of India has shortlisted 11 cities in the country for introduction of electric vehicles (EVs) in their public transport systems under the FAME (Faster Adoption and Manufacturing of (Hybrid) and
- Electric Vehicles in India) scheme. The government will also set up incubation centre for start-ups working in electric vehicles space.
- In February 2019, the Government of India approved the FAME-II scheme with a fund requirement of Rs 10,000 crore (US\$ 1.39 billion) for FY20-22.

Achievements

Following are the achievements of the government in the past four years:

- Number of vehicles supported under FAME scheme increased from 5,197 in June 2015 to 192,451 in March 2018. During 2017-18, 47,912 two-wheelers, 2,202
- three-wheelers, 185 four-wheelers and 10 light commercial vehicles were supported under FAME scheme.

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- Under National Automotive Testing And R&D Infrastructure Project (NATRIP), following testing and research centres have been established in the country since 2015
 - International Centre for Automotive Technology (ICAT), Manesar
 - National Institute for Automotive Inspection, Maintenance & Training (NIAIMT), Silchar
 - National Automotive Testing Tracks (NATRAX), Indore
 - Automotive Research Association of India (ARAI), Pune
 - Global Automotive Research Centre (GARC), Chennai

SAMARTH Udyog – Industry 4.0 centres: ‘Demo cum experience’ centres are being set up in the country for promoting smart and advanced manufacturing helping SMEs to implement Industry 4.0 (automation and data exchange in manufacturing technology).

Road Ahead

The automobile industry is supported by various factors such as availability of skilled labour at low cost, robust R&D centres and low cost steel production. The industry also provides great opportunities for investment and direct and indirect employment to skilled and unskilled labour.

Indian automotive industry (including component manufacturing) is expected to reach Rs 16.16-18.18 trillion (US\$ 251.4-282.8 billion) by 2026. Two-wheelers are expected to grow 9 per cent in 2018.

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References: Media Reports, Press Releases, Department of Industrial Policy and Promotion (DIPP), Automotive Component Manufacturers Association of India (ACMA), Society of Indian Automobile Manufacturers (SIAM), Union Budget 2015-16, Union Budget 2017-18

Exchange Rate Used: INR 1 = US\$ 0.0139 as of FY19

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