

REALISING GRAND OBJECTIVES

Relevant for: International Relations | Topic: India's Foreign Policy evolution and changes

It is common to assess a country's foreign policy by examining individual bilateral relationships or specific outcomes. But this risks missing the forest for the trees. While the broad directions of India's foreign relations — with the neighbourhood, Afghanistan, the U.S., China, Indo-Pacific, Russia, and Europe — have been set over the past several years, the main factors inhibiting India's performance are ultimately domestic in nature. Three stand out.

The first is trade. It often surprises people that India's trade-to-GDP ratio is higher than China's or the U.S.'s. India's market, and access to it, remains a valuable lever with other countries. But much of India's commerce involves raw materials and low value-added goods, and is still insufficiently integrated into global supply chains. With global trade stagnant and the World Trade Organization at a standstill, the only way for India to seize a larger share of exports is through well-negotiated preferential trade agreements. India's past record in this department has been poor, leaving some sectors exposed to dumping and others unnecessarily cloistered. A smarter trade agenda will not only create jobs and drive reforms at home, it could become a potent strategic tool in international affairs.

The second concerns defence. India has the world's fifth largest defence budget but is also the world's second largest arms importer. Not only does this compromise national security, it means that India cannot offer an alternative as a defence supplier to countries in its region. Defence indigenisation will require financing for defence capital expenditure; assessments of costs, technology transfer capabilities, and export potential early in the procurement process; and fair competition between the Indian private and public sectors.

The third concerns overseas project implementation. India's outgoing aid budget has been relatively flat, reflecting a scepticism of grant aid from India's own experience as a recipient. Instead, it has now started to explore other financing options. Indian overseas credit has increased significantly, with over \$24 billion extended primarily to South Asia, Southeast Asia, and Africa. But building on several recent steps will significantly increase the country's delivery and regional credibility. These include better project planning, more attractive and competitive financing terms, more reliable disbursement of funds, and enhanced coordination and communication with the private sector for implementation.

Many regional policy challenges would be addressed with these three major fixes. None will be easy as they will require tackling vested interests. While the first Modi government made its strategic objectives known and set out a clear direction, key policy interventions in these three areas will now be necessary for India to realise its grander objectives.

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