



ISSN: 0976-3031

Available Online at <http://www.recentscientific.com>

CODEN: IJRSFP (USA)

International Journal of Recent Scientific Research
Vol. 9, Issue, 9(B), pp. 28765-28769, September, 2018

**International Journal of
Recent Scientific
Research**

DOI: 10.24327/IJRSR

Research Article

GEO POLITICAL AND ECONOMIC STRATEGIC POLICIES OF INDIA

Annapurna I*

Department of Economics, Ch. S. D. St. Theresa's College for Women, Eluru, West Godavari Dist.
Andhra Pradesh, 534003. India

DOI: <http://dx.doi.org/10.24327/ijrsr.2018.0909.2525>

ARTICLE INFO

Article History:

Received 12th June, 2018
Received in revised form 23rd
July, 2018
Accepted 7th August, 2018
Published online 28th September, 2018

Key Words:

Geopolitics, *Geo-economics*,
transnational, partnerships, political
alliances, semi-periphery, maliciously,
strategies,

ABSTRACT

Geo-Political and Economic Strategy may be defined in two different ways: as the relationship between Economic policy and dynamic changes in National and International power and geopolitics on the other hand emphasizes the geopolitical causes and consequences of economic phenomena; or as the economic consequences of trends in geopolitics and national power.

Meaning of "Geopolitics" in the Cambridge English Corpus Dictionary is as "The study of the way a country's size, position, etc. influence its power and its relationships with other countries". Geopolitics is concerned with politics and the way that geography affects politics or relations between countries. Political activity as influenced by the physical features of a country or area of the world, *these developments are having a major impact on the geopolitics of the region.*

The term *Geo-economics* includes the market-based economic developmental strategies that also promote transnational state-building. Therefore, India is interested in the establishment of partnerships under which certain countries can step on the path of economic integration, adapting to the market conditions. Unlike the geopolitical purposes, the geopolitical strategy focuses on the global economic competitiveness instead of political alliances, territorial expansion and the protection of national borders. Nevertheless, the implementation of the *Geo-economics* ideas can hardly be successful without a definite geopolitical strategy, therefore, governments should aim to combine and balance these two.

Academic and political expertise accepted policy continuity as a prominent feature of India's statecraft, but practitioners see fundamental changes in the last quarter century. At present there is a need to analyse how India's economic expansion because of sustained economic growth altered its statecraft. That prosperity is a prerequisite to sustain power has been emphasized through history by analysts of strategy. It's time to elucidate and examine the relationship between India's economic strategy and its strategic agreement with its foreign policy strategy. The way India has viewed *geo-economics*, defined here as "the use of economic instruments to achieve specific geopolitical results." This study tries to highlight the degree and instruments of India's economic state activity as an integral component of its foreign policy, and its strengths and limitations relative to other rising powers.

There are many strategic issues created carefully maliciously in the Sub continent between people, professionals, communities, religions and countries by British administrative intelligentsia. Later these things will be discussed in detail.

Copyright © Annapurna I, 2018, this is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution and reproduction in any medium, provided the original work is properly cited.

INTRODUCTION

India is a second world largest populated country - The state of semi-periphery. It is part of the BRICS bloc. At present the economic status of India attained the position and emerged as seventh-largest in the world by nominal GDP and the third-largest by purchasing power parity (PPP). The IMF classifies and declared that India as a newly Industrialised country. India has got included as one of the G-20 major economies, a

member of BRICS and a developing economy with an average growth rate of approximately 7% over the last two decades.

Indian economic policy after independence was influenced by the colonial experience, which was observed and experienced by the then Indian political leaders as exploitative, with the political administrators being exposed to British social democracy as well as by following and decided to incorporate and implement the economic policies of the planned economy

*Corresponding author: **Annapurna I**

Department of Economics, Ch. S. D. St. Theresa's College for Women, Eluru, West Godavari Dist. Andhra Pradesh, 534003. India

of the Soviet Union. Domestic Socio – Economic and Political policies tended to move towards protectionism, with a strong decision taken keeping in view the future needs of strengthening large scale Industrialization and protection measures for traditional based village and small scale industries based on Import Substitution, Industrialisation, Economic Interventionism, A Large Public Sector Under Government Control, Business Regulation and Central Planning.

After 1992 there was a tendency of Globalization Economic Liberalisation, with Privatization of State Government run industries and maximum implementation of free market policies. India has succeeded in capitalising its economy based on its increase in highly educated English as a medium of Instruction accepted by Education system and maximum percentage of population, and also India has become a major exporter of IT services, BPO services, and Software Services at par with International Standards. It is also competing with the fastest-growing part of the economy.

India's tax system has long been infamous for its inefficiency. In the World Bank's latest survey of the ease of paying taxes in 190 economies, India ranked 172nd, vs. 131st for China, 45th for Russia and 181st for Brazil. India also has one of the world's worst tax-to-GDP ratios: 16.6% vs. an OECD average of 34%. This deprives the government of much-needed revenue to invest in education, health care, and infrastructure.

India's economy is in the process of implementing the most significant tax reform since the country gained independence in 1947. The new Goods and Services Tax (GST) is replacing a myriad of taxes that differ from state to state with a single nationwide sales tax. Under the old system, trucks waited for hours to pay taxes at state checkpoints before being allowed to cross. By easing commerce across state lines, it is hoped that this tax system will unify India's economy of 1.3 billion people.

The financial sector is burdened by bad debt The government estimates that approximately 17% of debt (\$150 billion) either cannot be repaid or must be restructured.⁶ This is largely due to loans that were funneled (often under political pressure) into large-scale infrastructure projects without due diligence in an effort to cushion India from the impact of the global financial crisis. State-run banks account for 73% of total assets and 80% of non-performing loans.⁷ Having their balance sheets weighed down by bad debt means that loans to companies have actually shrunk for the first time in over two decades.

Foreign Policy and Geoeconomy

Since 1947 India's foreign policy has aimed to consolidate political stability both in regional and global terms, promote economic development and avoid joining the formal alliances.^[1] At the turn of the 20th and 21st centuries, the economic aspect of foreign policy has continued strengthening and the Geo-economics interests have come to the fore.

The Geopolitical factors

At present all the Countries realised the importance of geoeconomic purposes, the time has come to concentrate on the geopolitical interests of any to maintain a good Economic and Political relationship with a chosen country, too, which means that the healthy and positive harmonisation of the two countries is the achievement of recent India's success in all spheres.

According to some analyst, the present Government has not established a clearly-cut geopolitical vision and because of this drawback in India foreign policy highlighting the geoeconomic purposes may not be successful in the long run. However, that the foreign and economic political endeavours presented above are not always supported by the geopolitical interests of the country; what is even more, in certain cases they prevent the realisation and the Government's proactive policy.

For Example China, with its aggressive foreign policy, is a big challenge for India since, beyond the border debate, the One Belt One Road Initiative, representing Beijing's own global geoeconomic purposes, also causes a considerable confusion. The Government of India at any time can take initiative to express and clear suspicion of China's Indian and regional infrastructure investments in solely economic terms; however, owing to geopolitical considerations India is not willing to take part in the megaproject, although it can hinder the realisation of ideas such as the Bangladesh-China-India-Myanmar Economic Corridor. The existing situations of China-Pakistan Economic Corridor, which would pass through Kashmir claimed by India and controlled by Pakistan, has also met with India's opposition.*

Ref. **The China-Pakistan Economic Corridor*
(source: <http://sosttoday.com/wp-content/uploads/2014/03/Gwadar-Kashgar-economic-corridor.jpg>)

The never ending conflict between India and Pakistan continued to escalate under the present Government and the danger of war remained following the events in 2016, which would cause severe setback to India in economic regards. Therefore, the cooperation with Iran and the neighbouring countries aims to isolate Pakistan and decrease the infrastructure dependence related to Islamabad. However, the risk of the Iranian relationship is clear as the future possible international sanctions against Teheran would affect India's economy.

Former President of US Clinton has been designed a number of economic and geopolitical objectives in the subcontinent. Most significantly, the president took initiative to have dialogue between India and Pakistan to help and prevent their relationship deteriorating further, lest the region slip into another war. To this end, he has given special importance for non-proliferation measures, but also promoting practical steps to de-escalate the Kashmir conflict and reduce the chance of a war that could have repercussions well beyond South Asia.

India: Since India initiated an economic liberalization programme in 1991, its economy has grown at a rate of about 6% annually, generating significant trade and investment opportunities for the United States:

- India's 100 million-strong middle class is a major emerging market for US firms.
- Trade between India and the United States has grown at an average rate of 30% in 1994-99 (it now stands at 12 billion dollars and could increase to 20 billion dollars in the near future).
- India requires hundreds of billions of dollars of investment in power, telecommunications and infrastructure development, which should generate substantial opportunities for US investors.

- India's software exports are growing at a rate of 50% annually, and could reach 50 billion dollars by 2008. In recognition of the country's success in the high-tech field, Clinton yesterday announced that a US-India Science and Technology Forum would be set up to promote research and development and technology transfer between the two countries.

These developments are beginning to have an impact on relations between the two countries, and lobbies promoting even stronger ties have emerged in both the United States and India, especially in advanced technology sectors.

Pakistan: Pakistan is a Central Important state for Washington:

- It occupies a strategic position at the nexus of the Middle East, South Asia and Central Asia.
- It has strong economic and strategic links with Islamic states (and is a key player within the Islamic world), in addition to being very close to China. Moreover, within the country there is a struggle between moderate and more extreme varieties of Islam

Real progress on settling the India-Pakistan conflict over Kashmir must combine at least three elements:

1. A serious Indian initiative on reducing its military presence in Kashmir and granting enough autonomy to the region to meet Pakistani expectations (which is unlikely to happen in the near future).
2. A Pakistani realization that its rule of behavior position on Kashmir is not only unlikely to succeed but that pursuing it could bankrupt the country. This needs to be accompanied by a Pakistani commitment to halting its support for militant groups in the region.
3. Since these measures are unlikely to be achieved without outside mediation, the United States could play a role in trying to reconcile the two countries on the Kashmir issue. There is little that the former president can do to immediately or directly resolve the conflict however India has refused outside mediation in the dispute.

Any solution to the Kashmir conflict can only occur in the long term. In the interim, India and Pakistan continue to engage in a low-intensity conflict, and there is no guarantee that a limited war will not (intentionally or unintentionally) escalate into a larger conventional conflict or even a nuclear exchange. The United States has major interests in war avoidance in the subcontinent, with the stakes even higher because of the introduction and possibility of the use of nuclear weapons.

Nuclear proliferation: The United States failed to prevent India and Pakistan from developing and testing nuclear weapons, but it still has important nuclear arms control goals in the region:

- A. These include ensuring that New Delhi and Islamabad adopt strict export control restraints so that they do not transfer nuclear or missile technologies to other states. Both New Delhi and Islamabad already have a good record on this issue, and Clinton will encourage them to maintain it.
- B. It is also in the interests of all sides to avert a nuclear arms race in the region. Washington wants New Delhi

and Islamabad to maintain a nuclear test moratorium and eventually sign the Comprehensive Test Ban Treaty (CTBT). The United States is likely to lift economic sanctions upon signature, but there are powerful voices in both countries that oppose the treaty. Neither Pakistan nor India are very likely to sign the agreement soon (New Delhi will probably not do so as long as there are doubts about the success of its 1998 nuclear tests).

- C. Washington is also encouraging both sides to adopt de-alerted nuclear postures and not to deploy warheads on their missiles. The long term goals of making New Delhi and Islamabad cease fissile material production and undertake missile restraints will, however, be deferred to a future administration.

Asian geopolitics: From a long period The United States has an interest in balancing any future Chinese expansion in Asia and India can play an important role in this respect. These could include periodic summits between the political administrators of the countries, regular dialogue on policy issues and defence talks, and greater dialogue between the two countries over a range of economic, political and strategic issues. Although India is unlikely to accept, and the United States is not about to offer, any military alliance between the two, strategic cooperation between the two countries could help to stabilize the balance of power in Asia.

At the same time India's relationship with the United States has improved considerably recently; however, Donald Trump's policy, the US-Russia relations and the changes in the relationship between China and the US can largely affect India's geopolitical objectives in the future. On the whole, it can be stated that the foreign policy and the geo-economics strategy of the present government has brought expected promising results over the past 4 years; however, the unsolved geopolitical problems of the country can reverse this positive process in the long term, if the Government in attaining balancing between Geo-Economic and Political Strategy policy.

Geo-Economic and Political Strategy

Main security threats

1. Long period unresolved conflict and disputes with Pakistan in Kashmir region.
2. Radicalization of terrorism.
3. Export of terrorism radicalism from Pakistan and Bangladesh
4. Religion based extremism,
5. Regional separatism in Sikh regions (predominantly in Punjab)
6. The vulnerable geostrategic positions of the North-eastern part of India narrowly connected with mainland India via a corridor, which squeezes between the independent nations of Bhutan and Bangladesh. There is regional and ethnic separatism in the States of Tripura, Assam, West Bengal (Gurkhas), and Nagaland. It is a site of separatist movements among the tribal population, who speak languages related to Tibeto-Burman. This region historically was last united with another part of British India and differs from other parts of India ethnically. It is also a lesser-developed part of the country.

7. Naxalism - activity of the of the Communist guerrilla groups in the Eastern India, mostly associated with the Communist Party of India (Maoist)
8. Contest with China for regional leadership in Nepal, Sri-Lanka, Indian Ocean and South-East Asia.

One of the key areas where the new government has focused aggressively is the area of external affairs. The Government took initiative in framing the present geoeconomic and geopolitical challenges from India's viewpoint. The rationale seems to be to aim for strategic speed in the initial years of the government and thereby to create strategic space for long-term gain an advantage. State Governments tend to be concerned about their individual competitive advantage for growth, wealth and prosperity. Part of this has to do with avoiding confrontation while pursuing one's national interest. It involves diplomacy while engaging and collaborating with other nation states on issues of strategic and economic importance,

Indian Government presently focuses to a large extent on geoeconomic and geopolitical engagement to improve India's strategic interests. One cannot find fault with such an approach as it is imperative that India shows initiative for ensuring regional security and world engagement. The idea of Non-alignment - the dealings with every ideological framework propounded during 1950's- was replaced by a sort of Re-alignment, especially after the fall of the Soviet Union. Realignment' took greater root after India succeeded in setting its own path of Liberalization, Privatization and Globalization (LPG). It has now been replaced by Multi-alignment - a framework for engaging with various Nation States conducting vigorous foreign policy initiatives aimed at securing strategic and economic objectives. It is being witnessed with India wanting to engage with China, US and Russia almost simultaneously by the present Government.

Since 2014 Indian Government identified numerous tasks to be achieved. These include

- Lifting certain restrictions on Foreign Direct Investment,
- Passing a bankruptcy law to help with the overhang of bad debt,
- Withdrawing high-value bank notes from circulation in an effort to reduce corruption by targeting the underground economy, and
- Replacing a hodgepodge of business taxes that varied from state to state with a single national sales tax.

However, many significant challenges still remained. For starters, the massive undertaking of changing the nation's tax code could lead to significant short-term economic disruption. A serious implementation by the government's approval ratings and hurt its ability to garner support for further reforms, such as easing restrictive land and labour laws. On top of all this, India must deal with the major long-term challenges of Water Scarcity, Electricity Shortages, Rampant Pollution and Contamination of Water & Environment and Creation of Jobs for its rapidly growing population. Dealing with these issues is absolutely necessary not only for generating economic growth, but also for maintaining political stability.

Recent World Statistics reports projected that India's economic growth rate finally catch up with China's is less impressive than first, After decades of lagging performance, India's

economic growth rate has finally caught up with China's. India's GDP increased from 6.5% in 2013 to 7.9% in 2015 before slowing down to 6.8% in 2016. In contrast, China's growth fell from 7.8% in 2013 to 6.9% in 2015 before slipping further to 6.7% in 2016. Economists with critical evaluation are reluctant to take India's GDP figures at face value. They feel growth could be overstated by just over one percentage point. To be fair, the veracity of China's GDP numbers has also been questioned repeatedly.

When comparing the two countries, it is important to take into account their different levels of economic development. China has the world's second largest economy (\$11 trillion), while India's is ranked eighth (\$2.1 trillion).² After decades of double-digit annual economic growth, it is normal for China's economy to slow down as it approaches middle-income status and its population ages. China has also largely used up the low-hanging fruit of building up infrastructure and adopting foreign technology to propel growth. Indeed, given its much lower level of economic development, India should actually be growing at a much faster pace than China. But in order for this to happen, its time India needs to find the political will to implement the crucial economic reforms.

**World: Largest economies in the world
GDP in current prices (USD) and share of total global GDP 2016

	Share of global GDP
United States	24.5%
China	14.8%
Japan	6.5%
Germany	4.6%
United Kingdom	3.5%
France	3.3%
India	3.0%
Italy	2.4%
Brazil	2.4%
Canada	2.0%

20.0 Trillions of USD

**NBF Economics and Strategy (data via World Bank)

Steps taken by government to deal with problem

Plans to create a bad bank: This would house the bad loans taken away from the original lenders. In order for a bad bank to work, two things are required: cash and truthfulness, Cash to recapitalize the impacted banks and truthfulness to assign a realistic value to the bad debt in question. Fitch, a credit rating agency, estimates that approximately \$90 billion is needed to recapitalize India's banks.

A new bankruptcy law came into effect December 2016. Its aim is to make it easier to dissolve an insolvent company and recover assets. The law requires bankruptcy to be completed within 270 days of a default. Prior to the adoption of this law, it took average of 4.3 years to resolve an insolvency in India, versus about one year for UK., while the recovery rate for creditors in Indian insolvencies was only 25%, compared with 77% for high-income nations.

Analysts estimate that it will take another two years to fully implement the law. Only then will it be possible to assess its

impact more fully. Reports that the Reserve Bank of India notified 12 large debtors in June that the new bankruptcy law would be applied to resolve 2 trillion rupees (\$31 billion) of bad debts is a positive sign that the government is serious about enforcing this law.

Historically, debt-burdened countries that have bitten the bullet and written off their bad loans in a timely manner have performed much better economically than countries that have chosen not to revalue their impaired assets. India's sovereign debt levels India's sovereign debt as a percentage of GDP has remained stable since the financial crisis.

Between 2008 and 2016, India's sovereign debt declined slightly from 74.5% to 66% of GDP. India's total debt (private and public) has also been stable over this period, at 135% of GDP. In comparison, China's total debt as a percentage of GDP rose from 140% in 2008 to 255% of GDP by the end of 2016. China's foreign exchange reserves are, however, much higher than India's (\$3 trillion vs. \$386 billion). At 22.9% of GDP, India's external debt compares favourably to that of many other emerging-market economies. Moreover, 52% of this external debt is denominated in U.S. dollars, while another 34% is denominated in Indian rupees. However, the looming recapitalization of its financial sector will either raise these debt levels or shrink its foreign reserves.

The agriculture sector is also weighed down by bad debt. Another factor that could negatively impact the country's finances further is the present Government intention to write off \$40 billion of bad debt accumulated by farmers (a very important political constituency) before the next election in 2019. While the agriculture sector accounts for only 16.5% of GDP, it employs close to half of the population. This inefficiency is largely due to subsistence farming. With an average farm size of only 1.33 hectares, India cannot compete in the global market against farmers in South and North America where farms average 50.7 and 186 hectares, respectively. 12 Many Indians are prevented from leaving their farms due to a lack of job opportunities in manufacturing and other sectors, which in turn prevents the farms from being consolidated into larger units.

CONCLUSION

The serious research study on Geo Political and Economic Strategic Policies of India is still in contradictions. On the one hand, it is a country with young demographics, abundant and cheap labour and a global competitive IT sector. These advantages have been reinforced by present Prime Minister attempts to improve the business climate by, among other things, streamlining restrictions on FDI, implementing a new bankruptcy law, and reforming the tax code. On the other hand, India still has a very long to-do list. In the near term, it includes attempting to keep economic disruption arising from the tax code implementation to a minimum. The greater the chaos, the harder it will be to garner political support to reform restrictive land and labour laws. Without these reforms, India's manufacturing industry will be tough to acquire land for new factories and/or will continue to shy away from hiring workers

for fear that they will not be able to lay them off during economic crisis. In present situation India must implement policies to begin addressing a number of critical major challenges, each of which has the potential to derail India's economic prospects. These include demand for water supplies, electricity shortages and creating employment for India's growing working-age population in the age of automation. From an investment criteria, significant financial resources must be funnelled to these areas not only to generate growth but also to maintain socio – economic and political stability.

References

- Abhijnan Rej: Geoeconomics and geopolitics: India's tightrope, Commentaries, Jul 28 2016, Observer Research Foundation.
- Amit Ahuja & Devesh Kapur: India's geoeconomic strategy, Pages 76-99 | Published online: 29 Mar 2018, <https://doi.org/10.1080/14736489.2018.1415282>
- AYRES, Alyssa: India Objects To China's One Belt And Road Initiative - And It Has A Point. Forbes, May 15, 2017 <https://www.forbes.com/sites/alyssaayres/2017/05/15/india-objects-to-chinas-one-belt-and-road-initiative-and-it-has-a-point/#50e1915db262> (21.05.2017)
- "Clock is ticking on India's bad bank debts under bankruptcy laws," Financial Express, June 19, 2017
- CHACKO, Priya: Finding the balance in India's geo-economics. In: East Asia Forum, 18 October 2016 <http://www.eastasiaforum.org/2016/10/18/finding-the-balance-in-indias-geo-economics/> (12.06.2016)
- Geopolitical Briefing Economics and Strategy: National Bank of Canada, July 13, 2017
- India's recent geopolitical and geo-economic engagement (Column: Active Voice) IANS Last Updated at February 3, 2015 16:40 IST
- "India passes national bankruptcy law," Financial Times, May 12, 2016
- India's Three-Pronged Strategy To Expand Geopolitical Reach, Economics / Asia / Mon 27 Jul, 2015
- Mahbubani, Kishore: The new CIA... China, India and America. PRIME, According to some analysts, the involvement in the Indian initiative implies unique political and economic opportunities to India. For more detail, See: January 8, 2017 <http://primeindiatoday.in/2017/01/new-cia-china-india-america> (21.05.2017)
- SAHASRABUDDHE, Uttara – MALLAPUR, Chaitanya: Modi's Strategic Foreign Policy Vision: A Glass Half Full. In: The Diplomat, May 17, 2017 <http://thediplomat.com/2017/05/modis-strategic-foreign-policy-vision-a-glass-half-full/> (22.05.2016)
- Sanjaya Baru (2012): Geo-economics and Strategy, Survival: Global Politics and Strategy, 54:3, 47-58, <http://dx.doi.org/10.1080/00396338.2012.690978>
- Stephen P. Cohen: The Economic and Geostrategic Stakes in South Asia Brookings Institution, Thursday, March 23, 2000
- STRATFOR, Understanding India's Aversion to Alliances." October 21, 2016 <https://www.stratfor.com/image/understanding-indias-aversionalliances> 12.06.2016)
