**India’s Geo-economic Position in Asia and the World**

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The term geo-economics first came into prominence after the end of the cold war. It denotes interconnectivity of the economic and commercial opportunities, broader political and international relations, and pursuit by a country of its strategic interests, including through military capabilities. This approach is rooted in the growing importance of economic factors in international relations. The geo-economics approach thus emphasizes the importance of integrating India’s economic diplomacy in its multi-faceted relations with different countries and regions in the context of a rapidly changing world order.

After Narendra Modi’s rise to power in 2014, India started a more active foreign policy focusing on the geo-economic purposes of the country. In the past about to be four years of this government, they could have registered significant successes in this area; however, the geopolitical factors hinder the successful implementation of the Modi Government’s geo-economic strategy. Narendra Modi’s rise to power led to considerable changes in India’s foreign policy as the new Prime Minister deemed the economic reformation of the country and the promotion of development as the basis for the new foreign relations trend. In order to implement his geo-economic ideas, Modi has launched plenty of initiatives and projects over the past four years, which by all means deserves attention. Since the Government has already served out a half of their term, it is worth taking a closer look at the geo-economic strategy of the Modi Administration, their results and deficiencies, as well as the geopolitical factors that considerably influence the process.

**Foreign policy and geo-economy**

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. At the turn of the 20th and 21st centuries, the economic aspect of foreign policy has continued strengthening and the geo-economic interests have come to the fore.

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-economic ideas can hardly be successful without a definite geopolitical strategy, therefore, governments should aim to combine and balance these two.

**Modi’s Geo-economic Objectives**

The Indian foreign policy does not tend to stiffly adhere to strategies, although the Governments have sometimes tried to lay down clear foreign political strategies. Modi’s foreign policy was not always proactive; however, it was successfully built around a coherent geopolitical vision step by step, with details to be identified as follows. Modi primarily aims to transform India’s economy and consolidate its emerging great power status. For this purpose, in September 2014 he launched the Make in India Program to transform the country into a manufacturing centre through foreign investments. Besides, energy safety, infrastructure developments and the expansion of trading also received priority attention. In general, the realization of the geo-economic plans rests upon 3 pillars.

1. For the emerging India, it is a precondition to take the leading role in South Asia. This is expressed in the Neighborhood First Policy.

2. Modi’s other objective is to consolidate the cooperation with the countries in East and South-east Asia, which is hallmarked by the Act East Policy.

3. India as a naval power received far more emphasis than before, and the development of the Indian Ocean Region also gained importance.

**The neighborhood first policy**

Modi realized that the first step for India to become a global power is to take the regional leading role. One of the most spectacular elements of this process was the invitation of the Heads of the Member States to the South-Asian Association for Regional Cooperation (SAARC) to the inauguration ceremony in May 2014. After the bilateral negotiations, on 5 May the Indian Space Research Authority put the South Asia Satellite into orbit in order to develop the communication of the South-Asian countries. The satellite, which also supported scientific and economic cooperation, was disinterestedly offered to the surrounding countries by India, which also suggested its regional leading role. Except for Pakistan, the neighboring countries welcomed the Indian initiative, which founded the consolidation of the role of SAARC.

After he came to power, Modi paid several visits to the neighboring countries – starting with Bhutan –, during which he aimed to consolidate/restore the friendly relations and tighten the economic cooperation. As for Bhutan, Nepal and Bangladesh, the increasing of Indian investments and the improvement of regional connectivity were also important objectives. The duties of the Bangladesh, Bhutan, India and Nepal (BBIN) four-power sub-regional initiative include the development of trading and the establishment of the North-South directional communication channels, while the Motor Vehicles Agreement concluded in June 2015 takes a great step primarily in the elimination of  factors hindering transportation. According to this, the movement of motor-vehicles is regulated by an electronic tracking system, and the motor vehicles receive an online access permit to the territory of the Member States; therefore, the customs clearance will only be implemented upon the arrival at the destination, which significantly reduces the period of delivery. The Indian Government allocated more than 1 billion dollars for the construction and development of the 558 km road network connecting Bangladesh, Bhutan and Nepal, 50% of which is funded by the Asian Development Bank.

Beyond the neighboring countries, India endeavors to a closer economic partnership with Iran and Afghanistan, too. As the relationship between Pakistan and India kept deteriorating under Modi’s reign, Delhi has primarily become interested in isolating its North-western neighbor, reducing its own defenselessness against Islamabad. In May 2016 Iran, India and Afghanistan agreed that the Indian commodities could into Afghan territory through Iran, and in this process the Port of Chaba Bar also fulfils a key role. Chaba Bar is situated only 72 km away from the Port of Gwadar in Pakistan, which was a considerable agent in the Chinese New Silk Road initiative. Besides the restoration of the existing ports, in May 2016 India assumed to construct a port facility suitable for the reception of large container ships to the amount of 500 million dollars. According to the plans, this would increase the annual reception capacity of the port would increase from 2.5 million tons to 8 million tons. The construction of the Chaba Bar-Zahedan railway is another important element of the project having with a total cost of 1.6 billion dollars provided by India entirely.

Iran plays a decisive role in the International North-South Transport Corridor (INSTC) project, which primarily aims to connect Russia, Iran and India through Central Asia. On Modi’s trip to Moscow in June 2017, the Indian and the Russian party declared that they aimed to increase the commercial turnover of the two countries to 30 billion dollars in 10 years’ time. The establishment of the INSTC would make it possible since, according to India, the distance would become 40% shorter as compared to the currently used commercial routes, which would result in 30% cost decrease.



Fig.1: North-South Transport Corridor

Source: <https://cdn.rbth.com/980x-/web/in-rbth/images/2016-11/top/north-south-transport-corridor.jpg>

Today, the establishment of the Green Corridor between India and Russia and India’s accession to the TIR Convention already facilitates customs clearance, and further simplification can be expected in the future.

**The “Act East” Policy**

It was announced by the Narasimha Rao Government in 1991 and the subsequent Administrations have always endeavored to implement it. The essence of this concept is that India needs to establish consolidated partnership relations with the south-eastern countries in both strategic and economic terms and counterbalance the rising China in the region. In November 2014 the Modi Government strengthened their commitment towards tighter cooperation with the ASEAN countries and, emphasizing proactive action, the named the earlier terminology “Act East.”

India’s relationship with Myanmar – supplementing the Neighbourhood First Policy – is of major importance since in economic respect it means the Gate to Southeast Asia for Delhi. For this reason, the Indian Government has aimed to improve connectivity from the beginnings since the lack of appropriate roads and railways considerably restricted the trading to Southeast Asia, too. Therefore, the India-Myanmar-Thailand Trilateral Highway is still being constructed and would be extended under the name East-West Economic Corridor towards Laos, Cambodia and Vietnam. Another significant initiative is the Kaladan Project, which would connect Kolkata with Sittwe on the sea, then Sittwe with Lashio through the Kaladan River, and finally Lashio with Mizoram on public road.

Singapore is one of the largest foreign investors for India; therefore, the economic cooperation dominated the relationship between the two countries. However, in 2016 the two parties signed an agreement concerning the establishment of a “strategic relationship,” allowing for considerable opportunities for political, defence and military cooperation. Singapore was the first ASEAN country to sign the Comprehensive Economic Partnership with India.

As for Vietnam, besides the political and defence cooperation, India is interested in the carbon-hydrogen sources on the South China Sea. The expansion of the Indian capital at the Vietnamese market is also a common interest of the two parties, while the continuously increasing bilateral trading turnover may reach 15 billion dollars by 2020.

The opening to the East Asian countries mainly focused on South Korea and Japan. During Modi’s visit to Seoul in May 2015 the parties agreed to develop their cooperation to the level of special strategic relations. Under the Make in India Program the two Governments also agreed to build warships to a total value on 2 billion dollars in the spring of 2017.

Modi’s visit to Tokyo in 2014 further deepened the cooperation with Japan. After the parties had signed the Agreement on Special Strategic and Global Partnership, the economic relations started to revive. Japan plans to make investments in India to the value of 35 billion dollars over the next 5 years, including the Smart City Projects and the Delhi-Mumbai Industrial Corridor. In December 2015 Modi confirmed that he aims to build the Mumbai-Ahmedabad High-Speed Rail with Japanese contribution, applying Shinkansen technology.

After his accession to office, Modi took a stand on closer commercial and economic cooperation with China. As a result, Chinese President Xi Jinping paid a visit to India in the autumn of 2014. Besides decreasing the trading deficit, Delhi was interested in the Chinese infrastructure investments, too as China envisaged the launching of high-speed rail and other projects to the value of nearly 100 billion dollars.

**India as naval power**

In economic terms, the global significance of the Indian Ocean is decisive in several aspects. Since it connects strategic trading routes, 64% of the global petroleum trading flows across its territory annually, this corresponds to 36 million barrels a day. Beyond this, the Indian Ocean Coast provides a home for nearly 2 billion people and offers the basis for the economic growth of the region. One should not forget about the natural resources either: 40% of the global coastline oil extraction can be connected to the region, while 15% of fishing is realized in the region. The exploitation of rare minerals located under the sea (manganese, zinc, copper, silver, gold) is especially important for India.

In March 2015, the Indian Cabinet introduced the Sagar Mala Project with the aim of developing the Indian ports and coastline to the value of approx. 120 billion dollars. The timeliness of the idea is supported by the fact that at present 95% of the country’s trade is carried out on sea. In total, the program consists of 415 projects on the development of 12 harbours and 1208 islands and the establishment of 6 mega harbours. Besides the harbours, the industrialisation and infrastructure development of the cost areas also comprises part of the plans to be realised by 2035.

India’s regional commitment is proved by the fact that in January 2016 the Department of Indian Ocean Region was set up within the Ministry of Foreign Affairs to facilitate the cooperation with other nations within the region. In this aspect, considerable attention is paid to Sri Lanka, Mauritius, the Seychelles and the Maldives. The Mausam Project, initiated by India, also emphasises tight togetherness, aiming to revive the old cultural relations in the region and found new partnerships in the Indian Ocean Region between India and the neighbouring countries. The spreading of the Indian soft power has been proved by the assistance in humanitarian and disaster relief fields recently, primarily in the case of Sri Lanka.

**The geopolitical factors**

During the realization of the geoeconomic purposes, we have to keep an eye on the geopolitical interests of the given country, too, which means that the appropriate harmonization of the two countries is the token of India’s success. According to some opinions, the Modi Cabinet has not established a clearly-cut geopolitical vision up to present, and in the lack of this his foreign policy highlighting the geoeconomic purposes may not be successful in the long run. 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 dilemma. The Modi Government would vindicate 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 China-Pakistan Economic Corridor, which would pass through Kashmir claimed by India and controlled by Pakistan, has also met with India’s opposition. The conflict between India and Pakistan continued to escalate under the Modi Government and the danger of war remained following the events in 2016, which would cause severe damage 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. 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 geoeconomic strategy of the Modi government  has brought numerous promising results over the past 3 years; however, the unsolved geopolitical problems of the country can reverse this positive process in the long term, in the lack of a careful balancing policy.