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Geoeconomics Over Geopolitics: Lessons from India's Foreign Policy

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Since the beginning of the Russia-Ukraine crisis in February 2022, India's position has raised eyebrows and attracted critical remarks from a number of countries, mostly in the West. The Ukraine crisis has brought international affairs to a juncture where the West in general and the U.S. in particular were pushing countries, including India, to pick sides à la the Cold War era. Such expectations saw a decisive moment in India's foreign policy in terms of choices and partnerships and bring into question the compass that is guiding India's foreign policy in these tumultuous times. It is the interplay of location and search for markets and resources, rather than merely politics affected by geography which New Delhi is looking for while engaging with the countries and regions across the globe.

Since the opening of the Indian economy in 1991, India has built a wide array of partnerships and strengthened several bilateral and multilateral relationships from east to west to diversify its trade partners and markets for raw materials. Whether it was managing ties with the U.S., engaging with Israel, blossoming ties with Japan, 'Looking West-Acting East', extending into 'Act Far East' with Russia, and now having an Arctic policy. The global economic meltdown of 2008, which India was able to mitigate, further provided impetus to align India's foreign policy with its growing material capability and larger economic interests.

Geoeconomics over Geopolitics

Recently, at an event, the External Affairs Minister (EAM), S. Jaishankar, opined that India's choices are guided by its national interest. The EAM also pointed out that Indians, whose per capita income is just US \$2000, cannot afford high energy prices.¹ Thus, it becomes the moral duty of any country to advance its own national interests, which can best be achieved through robust economic growth based on strong manufacturing potential and the higher purchasing power of the citizens. Several analysts and governments have criticised India for its position. The Ukrainian Foreign Minister, Dmytro Kuleba, said that 'India is buying Ukrainian blood by purchasing Russian crude oil.'² Nonetheless, India has very clearly maintained its commitment to serving its national interest by being more transparent and open about the needs of a recuperating economy.

The current economic downturn, which was initiated due to COVID-19 and further accelerated by the Russia-Ukraine crisis, has created ripples from the Atlantic to the Pacific. But, even in these crunching times, the Indian economy has comparatively rebooted better due to its cheap energy purchases from Russia, which is fuelling the Indian industries. India's imports from Russia have replaced both Saudi Arabia and Iraq because of the genuine advantages that Russian oil brings to the Indian audience with a discount of US \$35 per barrel.³ Whatever may be India's

encouraging contribution towards renewable energy and its 'Panchamrit' announcements to combat climate change at the United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP26) held in Glasgow, the truth remains that crude oil is still the major ingredient for greasing engines of India's manufacturing and industrial sector.

Despite the border standoff with China, which has nosedived the relation to an all-time low, the bilateral trade between New Delhi and Beijing was at an all-time high in the first half of 2022, crossing over US \$67.08 billion.⁴ The current geopolitical flux in Eurasia and the Indo-Pacific has brought Russia and China closer to each other than ever before, but the tango has not stopped India from conducting its economic ties with either of them. India's EAM is at the moment in Moscow to discuss economic imperatives of the bilateral partnership, which has stood the test of time and has been of immense significance to both countries.

Diversification for Capital and Commerce

New Delhi's economic engagements can also be mirrored through various multilateral groupings of which it has become a member across the geopolitical regions. Whether it is engaging with West Asia for crude oil and natural gas, 'Acting East' to build the bridges of connectivity and commerce, or making its presence felt across the Pacific islands to focus on the blue economy through the Forum for India-Pacific Island Cooperation (FIPIC). The depth and diversity for capital and commerce remains at the heart of all these engagements as India aims to build resilient supply chains. Access to critical minerals and resources not only from Central Asian Republics (CAR) but also from Russia via connectivity corridors remains one of the fundamental imperatives of India while being a member of the Shanghai Cooperation Organisation (SCO) since 2017. The BRICS partnership with Brazil, Russia, China and South Africa helps strengthen ties with emerging economies while also intersecting with the countries of the Global South to address mutual demands. Till now, the majority of Indian goods were only catered to the countries of the Global North, but now the current dispensation in New Delhi is taking renewed steps towards Latin America and African nations. As India want to be a partner in their development by opening Indian markets for them and also diversifying the sources of raw materials and minerals for Indian industries. This will work as a force multiplier for creating competitive products at an affordable price for exports, thereby bringing down our current account deficit.

Otherwise considered conservative on the economic front, India has been deploying all the diplomatic toolkits to harvest early trade deals with the United Kingdom, the European Union, Israel, Canada, Bangladesh, the Gulf Cooperation Council, and the South African Customs Union. Some

of the recent successes include the Comprehensive Economic Partnership Agreement (CEPA) with the UAE, and the India-Australia Economic Cooperation and Trade Agreement, which will open the doors of Indian markets for friendly countries and also increase the quantity and quality of Indian exports to these destinations. A competitive Indian market will bring much more choices to the people, along with new technology and skills to compete with the global competitors.

The India Way

As India aspires to be a developed country by 2047, effectuating its economic interests to improve the conditions of its people and become a factory for the world remains the mainstay. The current Indian way is a step in the right direction, as it intends to make India a self-reliant country by reaping the rich demographic dividend. New Delhi has been ranking very low among the key global indices on poverty as well as hunger, and thus making human capital an asset and not a liability has been the quintessential focus of any recent government in power. India's central location in the Indian Ocean Region also allows it to leverage geography to further its economic interests by utilising the huge coastline with rich fishing grounds. India has also been significantly advantaged in its continental positioning, with all the major resource-rich regions within its close reach and proximity which act as both import and export destinations for India.

However, certain roadblocks like lack of direct road and rail connectivity with Central Asia and countries like Afghanistan, incomplete connectivity projects like the Multimodal Kaladan project, delays in securing all partners in the case of Bangladesh, Bhutan, India, Nepal (BBIN) Initiative, in addition to the many sought-after and taken for-granted the timeliness of the project, affect Indian economic interests. Only a strong, confident, and economically engaging India can have the ability and capability to play a larger role both diplomatically and militarily.

NOTES:

¹ "Spike in Oil Price is Breaking India's Back: S Jaishankar", *The New Indian Express*, September 27, 2022, <https://www.newindianexpress.com/nation/2022/sep/27/spike-in-oil-price-is-breaking-indias-back-s-jaishankar-2502561.html#:~:text=External%20Affairs%20Minister%20S%20Jaishankar%20%28Photo%20%7C%20PTI%29,External%20Affairs%20Minister%20S%20Jaishankar%20said%20on%20Tuesday>, accessed on November 4, 2022.

² "India is Buying Ukrainian Blood by Purchasing Russian Crude Oil: Ukraine Foreign Minister Dmytro Kuleba", *The Hindu*, 17 August 2022, [India is buying Ukrainian blood by purchasing Russian crude oil: Ukraine Foreign Minister Dmytro Kuleba - The Hindu](https://www.thehindu.com/news-international/india-is-buying-ukrainian-blood-by-purchasing-russian-crude-oil-ukraine-foreign-minister-dmytro-kuleba), accessed on November 5, 2022.

³ "There's a Flipside to Buying Russian Oil With a \$35 Discount", *The Economic Times*, May 26, 2022, [Russian Oil: There's a flipside to buying Russian oil with a \\$35 discount, Energy News, ET EnergyWorld \(indiatimes.com\)](https://www.economictimes.com/energy/russian-oil-there-s-a-flipside-to-buying-russian-oil-with-a-35-discount), accessed on November 6, 2022. (Provide proper html link)

⁴ "India China Trade Goes Up to Over \$67 Billion in First Half of 2022" *Business Standard*, July 13, 2022, https://www.business-standard.com/article/international/india-china-trade-goes-up-to-over-67-bn-in-first-half-of-2022-122071301577_1.html, accessed on November 5, 2022.

