NEXT IAS

# DAILY EDITORIAL ANALYSIS

TOPIC

## NEED FOR INDIA'S GEOECONOMIC STRATEGY

# NEED FOR INDIA'S GEOECONOMIC STRATEGY

## Context

- India needs a Geoeconomic Strategy that balances national security and growth, retaining geopolitical resilience without sacrificing long-term prosperity.

### About India's Geoeconomic Strategy

- Geoeconomics refers to the use of economic instruments such as trade, investment, technology, finance and industrial policy to achieve strategic and national security objectives.
- Traditionally, economic policy aimed at promoting growth, productivity and welfare. But it is now being used as a tool of national security and global influence in the current geopolitical environment.
- India's approach is not one of domination but of creating prosperity and protecting its national interests.
- It seeks to balance economic development with strategic autonomy, harnessing trade, resilient supply chains, trusted partnerships, critical technologies and domestic manufacturing.

### Core Aspects / Pillars of Economic Security Strategy

- **Resilient and secure supply chains:** diversification of imports; strategic stockpiles of critical minerals; trusted logistics and transport networks.
- **Trade and Market Access:** Expansion of Free Trade Agreements (FTAs); export promotion; trade facilitation and market diversification.
- **Technology and Innovation:** Greater investment in research and development (R&D); domestic capabilities in semiconductors, artificial intelligence, quantum technologies and biotechnology; and safeguarding critical technologies.
- **Industrial Policy:** Giving focused support to sunrise sectors, promoting domestic manufacturing through Production Linked Incentive (PLI) and other schemes and public-private partnership.
- **Investment Security:** Reviewing investments in sensitive sectors; encouraging trusted foreign investment; and addressing vulnerabilities in strategic infrastructure.
- **Energy and Food Security:** Growth of renewable energy Biofuels from Agricultural Waste, Not Food Crops energy imports, diversified
- **Digital and Infrastructure Security:** Cyber resilience of critical infrastructure; secure digital networks; and data infrastructure security.
- **Economic Diplomacy**: Strategy Supply Chain Resilience Initiative (SCRI) Indo-Pacific Cooperation and Multilateral Engagement.

### Role of Trade in India's Geoeconomic Strategy

- Greater Strategic Autonomy: reduced reliance on a single country or region. Diversify imports of critical goods such as semiconductors, rare earth minerals, pharmaceuticals and energy.
  - Enhances India's bargaining leverage in international economic negotiations.
- Resilient Supply Chains: India connects to trusted global value chains through trade partnerships. Major projects are:
  - Supply Chain Resilience Initiative (SCRI) with Japan and Australia.
  - India-Middle East-Europe Economic Corridor (IMEC)
  - Indo-Pacific Economic Framework
- Enhancing Export Competitiveness: India can get better market access for its exports in pharmaceuticals, engineering goods, textiles, services, agriculture and digital services through trade agreements.
  - A higher diversification of exports reduces vulnerability to external shocks.

- FTAs as Strategic Tools: India has been using FTAs more and more for economic growth and geopolitical engagement.
- Such deals also help India's insertion into the global value chains, and strengthening of diplomatic relations.
- Trade Openness & Foreign Investment: Builds investor confidence. It comes on top of initiatives like Make in India, Production Linked Incentive (PLI) Scheme, National Logistics Policy, and PM Gati Shakti.
  - These measures together promise for multinational companies looking for alternatives to the 'China+1' strategy.
- Technology and Strategic Trade: Critical technologies, digital infrastructure, semiconductors, AI and defence manufacturing in trade is increasingly important.
  - India is looking for trusted tech partnerships, and protects sensitive sectors through calibrated investment screening and export controls.
- Boosting India's Global Role: Trade enhances India's role in G20, WTO, Indo-Pacific initiatives and partnerships in the Global South.
  - The economic partnership reinforces India's image as a reliable development and strategic partner.

## Related Issues & Concerns

- Risk of Economic Inefficiency: Excessive protectionism may decrease competitiveness and increase the cost of production and weigh on the consumers.
- Fiscal Constraints: Large industrial subsidies can be a heavy burden on public finances, as was the case with India's experience before 1991.
- Balancing welfare and security: Over emphasis on security may divert resources from health, education and social development.
- Global Trade Rules: Any strategic trade restrictions should be consistent with WTO obligations and international commitments.
- Coordination problems: Efficient execution requires seamless coordination across different ministries, regulatory bodies and state governments.

## Related Efforts/Initiatives of India

- Production Linked Incentive (PLI) Scheme for strategic manufacturing sectors
- Atmanirbhar Bharat to build domestic capability.
- National Logistics Policy to enhance supply chain efficiency
- The National Master Plan for Integrated Infrastructure Development named PM Gati Shakti.
- Semicon India Programme for semiconductor manufacturing.
- National Mission on Green Hydrogen for Energy Security
- Supply Chain Resilience Initiative (SCRI) with Japan and Australia.
- Bilateral FTAs with UAE, Australia and negotiations with UK and EU, Oman and GCC.
- Screening mechanisms for FDI in sensitive sectors to protect strategic interests
- Enhancing secure digital governance through Digital Public Infrastructure (DPI)

## Way Forward: Fortifying India's Geoeconomic Strategy

- Create a National Economic Security Strategy that links economic growth to national security goals.
- Growing public and private R&D investments, especially in critical and emerging technologies.
- Diversify supply chains, build strategic reserves, and work with trusted partners abroad to build resilient supply chains.
- Strengthen institutional coordination of the economic, technological, diplomatic and security agencies.
- Develop innovative and competitive industrial policies, rather than prolonged protectionism.

- Increase high-quality FTAs with market access for Indian exports.
- Strengthen economic diplomacy to obtain vital resources, technology partnerships and resilient value chains.
- Ensure that economic security measures are consistent with principles of efficiency, productivity and inclusive development.

## Daily Mains Practice Question

[Q] **In the emerging global order, economic security has become inseparable from national security. Examine the need for a comprehensive Geoeconomic Strategy for India.**

Source: BS

■■■■