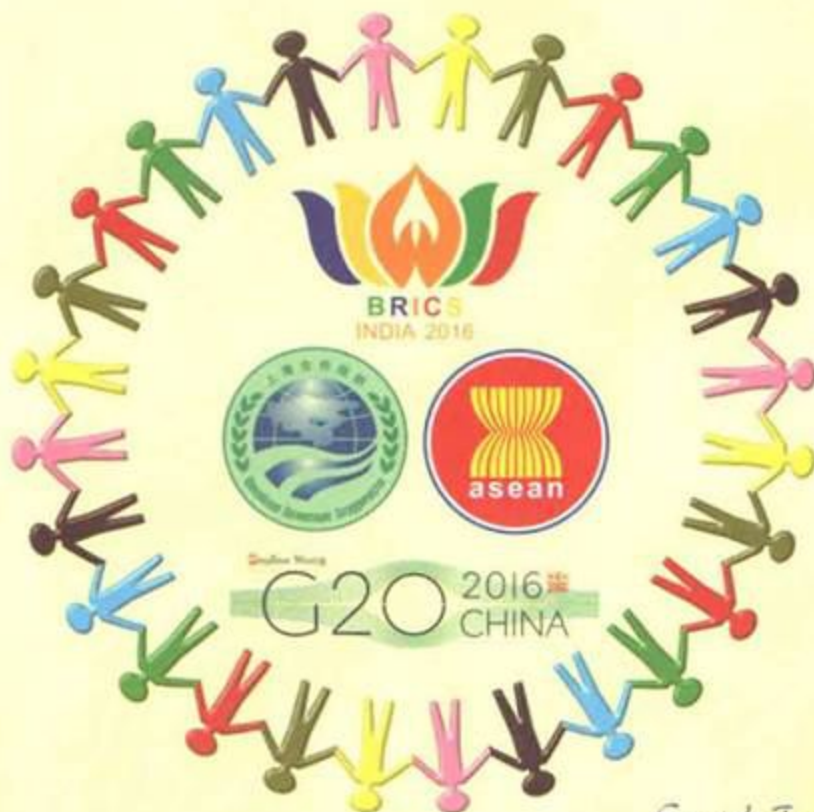


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## RESHAPING THE GLOBAL ORDER



*Special Feature Uttarakhand*



**STATE INFRASTRUCTURE &  
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*Special Report* **India-Switzerland**

# ECONOMIC IMPLICATIONS OF PM MODI'S FOREIGN POLICY

The personal rapport established by PM Narendra Modi with international leaders have significantly enhanced India's profile and given it a confidence never seen before; even to the extent of balancing superpower to our own advantages, as can be seen from the recent G20 Summit.

BY GOPAL KRISHNA AGRAWAL

There is no doubt that Prime Minister Narendra Modi has been able to leverage India's economic advantages to improve international relations and vice versa. His government has recognised that the country's leverage is dependent primarily on the size of Indian economy, its growth trajectory and the ability of the strong government at the Centre to address challenges.

India's ambition to become \$10 trillion economy and to create 175 million jobs by 2032 will depend on the internal reforms initiatives. Linking India's foreign policy to domestic transformation, his policy seeks to attract foreign capital. The policies are geared towards regional stability, peace and prosperity. Some important issues such as climate change, conservation of water resources, renewable energy, robust economy, defence procurement and manufacturing, which have simultaneous risk and opportunities, are Modi's vision for a modern India.

Along with this; the personal rapport established by PM Narendra Modi with international leaders have significantly enhanced India's profile and given it a confidence never seen before; even to the extent of balancing superpower to our own advantages, as can be seen from the recent G20 Summit. There was visible tension between the US & China, but both were at ease and supportive of India's concerns. India cushions itself from not becoming marginalised in the larger US-China context. Beijing has committed \$20 billion investment in India in many industries. The US is also supportive of all our initiatives.

Modiji has been successful in overcoming doubts in the minds of the international community that India will realise its true potential of economic power. He has removed apprehensions with regard to corruption, transparency, ease of doing business and commitment to reforms in tax laws, corporate laws, resource allocation, government clearances, removal of bureaucratic hurdles and retrospective taxation. Two major apprehensions under UPA regime - policy paralysis



and large-scale corruption have been effectively checkmated.

Government has embarked on economic growth with initiatives such as Make in India; Digital India; Smart Cities; Clean India; Clean Ganga; Ease of Doing Business; Tax reforms such as GST; Bankruptcy law; and project clearances & revival of stalled projects. India has become one of the most open economies with regard to FDI policy.

In international business arena; over the years, bilateral trade relations and agreements have gained enormous significance than multilateral pacts such as WTO, GATT, etc. It is becoming more and more difficult to bring developing countries to common agreeable points at multilateral platforms and therefore small trade blocs such as ASEAN, SAARC, BRICS, AFRICAN Nations and bilateral Free Trade Agreements (FTAs) have gained prominence.

Modiji has very well leveraged this to India's economic and strategic advantage. Over the span of two years, he has visited more than 42 countries and held bilateral talks, focused and nurtured new developmental and economic blocs. His initiatives for Act East Policy, connecting Bhutan Bangladesh India Nepal (BBIN) through GPS and common licensing

policy, building a road corridor from North East to Myanmar, etc are commendable.

### Bilateral Initiatives

- Quickly ratified the long pending Land Border Dispute Agreement (LBA) and the Maritime Boundary dispute with Bangladesh;
- Government has been wise to fast track India's developmental projects in Afghanistan. India's participation in the development of the Chabahar Port and a trilateral pact to build a land transit-and trade corridor through Afghanistan are stepping stones for bigger future involvement;
- His visit to Iran shows the understanding of the changing context of Iran, which is now a stable and resourceful country and important for our energy security;
- India-Japan relations are at an all time high. In the Joint statement of India and Japan 2025 - Indian side expressed hope to attract \$5.5 billion of investments. And support in our infrastructure development;
- Building good rapport with German Chancellor: Internationally, Germany is the key provider of high-end technology and has surplus capital; India is looking for more technology and capital investment. Even for National Mission for Clean Ganga (NMCG), we can learn a lot from the river Rhine experiment;
- In partnership with France, India has established the international Solar Alliance, with head office in Gurugram (Haryana). This alliance has the membership of 120 countries for better harnessing of the solar power potential;
- Modi's reconnect to Central Asia is crucial; Uzbekistan has strong cultural ties; Turkmenistan is rich in energy; there is huge hydro potential in Kazakhstan and Tajikistan has historical significance;
- Africa offers India a massive opportunity to expand our global economic footprint. The continent is an important market for Indian economy. The 54 African states have a combined GDP, which is slightly larger than that of India. The third India-Africa Summit in New Delhi in November 2015 had a focus on this engagement.

Another important visionary step was leveraging powerful Indian diaspora across the world, in the process empowering them in their own countries, as well as coordinating with them for advocacy and influence for better diplomatic and economic relations with India. PM Narendra Modi's visit to United Arab Emirates (UAE), Seychelles, Mongolia and Fiji has given fillip to Indian exports. Direct connect with NRIs was very innovative, the first such gathering of 15,000 NRIs was at New York's iconic Madison Square Garden, in Beijing he attracted a crowd of about 5000 people, at Wembley Stadium over 60,000 people gathered, similar was the case in Australia. Inward remittance flows to India, according to the World Bank, totalled \$72 billion in 2015, making India the largest remittance receiving country, which is about half of our current account deficit.

Some positive results of Foreign Policy initiatives; India is the world's top destination for FDI flows in 2015, helping overcome many of its key growth constraints particularly technology, energy and infrastructure, attracting investment commitments of close to \$200 billion from foreign investors. In 2014, India's total exports were 20.7 percent and imports were 25.2 percent of GDP. Total trade was 46 percent of GDP, suggesting a moderate degree of integration with the rest of the world. India plans to double its aggregate global trade over the next decade. Our target for 2019 -to become the top start-up destination in the world, achieve a top 50 ranking in the global ease of doing business, achieve 60 percent digital penetration and increase the share of manufacturing from 16 to 25 percent of GDP by 2022.

Currently, complex project financing services are undertaken abroad. We have to develop capacity to perform international financial services domestically by introducing some innovative Structured Financial Product. Recently, the Reserve Bank of India (RBI) has introduced 'masala bonds' (bonds denominated in INR but listed on the foreign exchanges, with the exchange rate risk being borne by the purchaser of the bond).

We have been strengthening the institutional structure for both commercial and strategic engagement with the rest of the world. India has been advocating governance reforms in International Monetary Fund (IMF), World Bank, Asian Development Bank, African Development Bank, and the Inter-American Development Bank. An ongoing negotiation for the Regional Comprehensive Economic Partnership (RCEP) is a case in point. The Ministry of Commerce has merged two bodies that handle anti-dumping and import safeguard actions in the Director General of Trade Remedies (DGTR) for improved and coordinated negotiations. India's vigorous quest for Nuclear Suppliers Group (NSG) membership and becoming the member of Missile Technology Control Regime (MTCR) are also very significant.

Modi has been leading the international debate on many issues - tax information exchange, transparency, corruption, we were mostly defensive earlier: at G20 summit, he said, "G20's efforts should be for zero-tolerance for corruption and black money; zero barriers and full commitment to action".

"Fighting corruption, black money and tax evasion were keys to effective financial governance. We need to eliminate safe havens for economic offenders, track down and unconditionally extradite money launderers and break down the web of complex international regulations and excessive banking secrecy that hide the corrupt and their deeds," PM Modi said. This is the position of strength that we have gained at International Forums.

*The writer is National Spokesperson BJP, Economic Affairs; views expressed are personal*